MANUFACTURING - Iron, Steel etc (A)

1992

Five years before steel sales soar

Weekend Argus Reporter (189A)

IT will take up to five years before sales of South African steel reach levels attained prior to 1986 in spite of the lifting of European Community sanctions this week. ARG 11/1/92

The executive director of the Steel and Engineering Industries Federation of SA, Mr Brian Angus, said it would take "considerable time, perhaps as long as five years" before the sales returned to levels prior to sanctions

Mr Angus welcomed the EC lifting of sanctions which have been in place since 1986 on sales of steel to EC countries

"South African steel sales to the EC in 1986 amounted to about R350 million," he said.

Steel demand 'to drop'

(189A) CT 9/3/92

JOHANNESBURG — The repercussions of the break-up of the Soviet Union and changes taking place in China will continue to be major influences on steel and alloys in 1992, says Highveld Steel chairman Leslie Boyd

In his latest annual review Mr Boyd said internationally steel consumption had been forecast to decline this year by around 3% from 1991

He added that in the short-term a significant oversupply situation existed in both steel and alloys with aggressive pricing in weak US dollars

"However, providing no further cutbacks in production occur and the US economy lifts out of its recession, steel prices should improve towards the end of the year"

Boyd does not expect the SA economy to improve sufficiently for the Highveld group to achieve any increase in domestic sales during 1992 — Sapa

Stainless steel the key to developing SA's chrome

(1899)

CT 10/3/92

JOHANNESBURG — South Africa, blessed with 75% of the world's chrome ore reserves, is still far from tapping the mineral's true worth, a local industry expert said

Paul Hatty, special project consultant to Barlow Rand said SA is capable of boosting annual export earnings from the mineral to R7,9bn in the year 2 000, from R1,77bn in 1988.

The answer, at a cost of R7bn in new investment in 1988 terms, was to process the chromium into stainless steel products rather than export the chromium ore or ferrochrome

This could more than double the number of jobs provided in the so-called chrome chain — the four stages of development from mining through ferroalloy production and stainless steel production to production of manufactured products ranging from kitchenware and cutlery to car exhaust systems

Employment, he said, could jump to more than 54 000 jobs from 25 300 in 1988

"To do this, there must be a coming-together, not only of the government and organised industry, but also of organised labour," he told an international minerals conference "It must be a common vision based on common values and objectives "

Despite having ore that was relatively easy to mine and the world's lowest-cost ferroalloy producer industry, SA was not a significant world producer of stainless steel and products and products manufactured from it

As part of the potential expansion envisaged, chromium ore production would rise by more than one-third over the period to 5,5m tonnes a year, but future demand would be driven by local needs and exports would rise only marginally

Ferrochromium production capacity would rise 40% to 1,4 mln tonnes annually, at which level SA producers would retain their current share of world output

Stainless steel output could rise ninefold from 1988 to 876 000 tonnes a year, of which most would be aimed at world markets

However, this will have to be done in partnership with various international players, he said, noting that SA's share of exports from stainless steel output, at 60%, was far more than the norm abroad of 20%

"This creates a vulnerability to the international market, and hence the need for co-operation arrangements of some sort," he said

Growth

He said the world stainless steel market is expected to grow from 10,3m tonnes in 1988 to 14,8mt in the year 2 000 Thus, of the increase in the world market, SA would supply 17%.

He expected significant strides in the process development of direct stainless steel in the 1990s This would be most advantageous where raw materials were available together

"This would be a major potential advantage for SA since nickel, iron ore and coal are available together with chromium," he said

He envisaged a potential 135% rise from 1988 in production of manufactured goods to 172 150t in the year 2000, for use in locally processed exports of products such as tubes and pipes, tank containers, castings and holloware

However, the thrust of the manufactured products industry would need to be two-pronged, aimed at first world needs via traditional applications of special high-performance material, and third world needs such as pots, pans and cutlery

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Rand close

…ANNESBURG — …and held tightly …ts recent ranges …d trading yes-…

Nervous investors on JSE sidelines

JOHANNESBURG. — …share prices drifted …listless …closed narrowly mixed. Anglos lost R2 at R120,50 Industrial leaders

HIGHVELD STEEL & VANADIUM

Still feeling the heat

(189A) FM 20/3/92.

Activities: *Operates integrated iron and steel works, produces vanadium and manganese alloys as well as ferrosilicon products Manufactures drums, pails and crown closures Has a 50% investment in SA s only stainless steel plant*
Control: *Amic 51,8%*
Chairman: *L Boyd, MD T E Jones*
Capital structure: *88,3m ords Market capitalisation R1,02bn*
Share market: *Price 1 150c Yields 6,1% on dividend, 11,3% on earnings, p e ratio, 8,8, cover, 1,9 12-month high, 1 800c, low, 1 100c Trading volume last quarter, 1,0m shares*

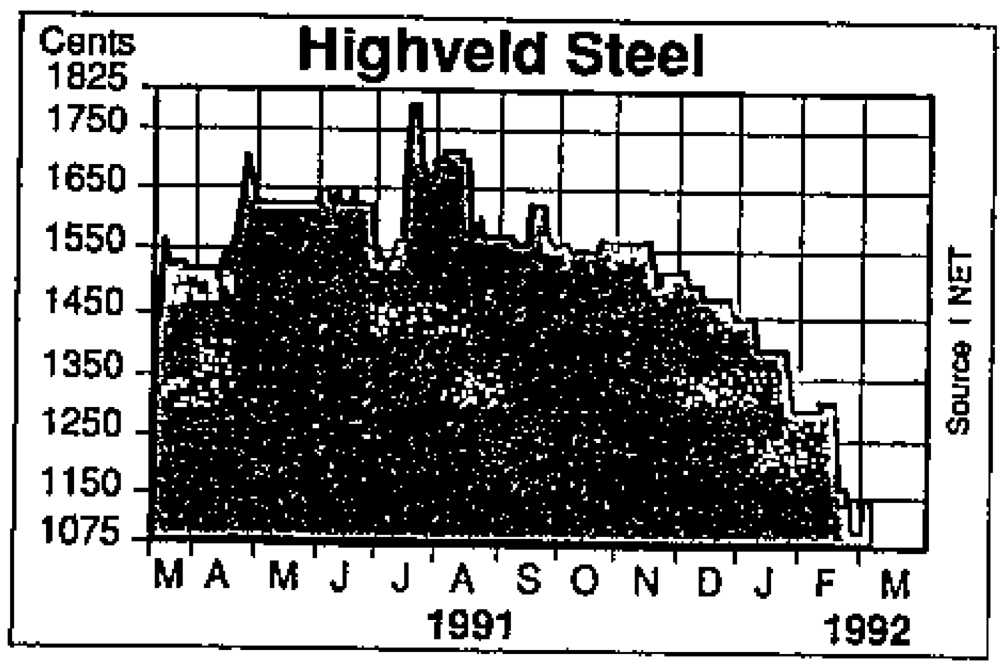
Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	25	6	46	163
LT debt (Rm)	—	—	—	57
Debt equity ratio	0,13	—	—	—
Shareholders interest	0,41	0,43	0 48	0,51
Int & leasing cover	12,9	—	—	—
Return on cap (%)	23 7	34,8	10 1	3,5
Turnover (Rbn)	1,19	1,61	1,43	1,38
Pre-int profit (Rm)	243	535	157	72
Pre-int margin (%)	20,4	33,1	10,9	5,2
Earnings (c)	170,6	450	208,4	130
Dividends (c)	57	130	70	70
Net worth (c)	597	1 091	1 031	1 205

Highveld's earnings fell even further from the 1989 peak in the year to December 1991 World steel consumption fell about 5%, after a 1% fall in the previous year Local demand was down by 16% Vanadium demand was even lower, which meant the Vantra division operated at just 24% of capacity

The vanadium market improved after the closure of the Usko facility and of Carbovan in Canada Another competitor, Umteco of the US, did not even operate during the year Highveld chairman Les Boyd says "a more balanced market" is possible during this year

The silicomanganese market was also "out of balance" during the year as low-priced product was brought on to the market by China and the former USSR in a scramble for hard currency The Transalloys facilities operated at about two-thirds of capacity until July, and then operated below half capacity

Though the medium carbon ferromanganese prices were somewhat better, both prices and volumes were lower, resulting in the closure of the medium carbon furnaces from June to October Rand Carbide's ferrosilicon production fell to 45% of capacity by the end of the year




Highveld's Boyd *a more balanced market*

It would have been extremely costly in such an environment to go ahead with the Columbus Joint Venture as a greenfield project Fortunately, the acquisition of Middelburg Steel & Alloys (MS&A) has reduced the cost of the venture considerably, from upwards of R4bn to perhaps less than R2bn

Highveld's Boyd says that further benefits will flow from MS&A's expertise in the production and marketing of stainless steel

According to Highveld financial manager Luigi Matteucci, it can meet the current year's obligations from its own facilities In sharp contrast with Iscor, the balance sheet is ungeared, with net cash resources of R227m There were no major capital projects during the year and Highveld's share of the MS&A deal was settled by the allotment of 16m new shares to Anglo American group companies

While there is now overcapacity — and aggressive pricing — in world steel markets, Boyd expects further cutbacks in production and the US economy to start recovering He nevertheless expects earnings to decline further during the year

The Columbus joint venture is expected to make a contribution only after 1995, by which time the world economy should be well into an upswing — at least that is what directors are counting on

In the short term, a more promising contributor will be the Rheem division's aluminium can production facility Rheem has already signed an agreement, it is speculated, to supply Amalgamated Beverage Canners, which cans almost all SA's soft drinks Its new line will have an annual capacity of 500m cans

Highveld has cut almost 1 000 jobs from the workforce — of whom 350 were retrenched But it has continued to invest heavily in training, it had 450 apprentices and sponsored 86 bursaries and scholarships

Working capital grew by R132m during the year Credit terms were extended to debtors, and debtors increased by almost half, to R304m Stocks increased by 39%, though Matteucci says this is largely accounted for by steel being rolled for orders Stocks included R107m of finished goods, many having found shipping difficulties over the Christmas period

At the end of 1990, domestic customers stocked up in anticipation of a 14,5% price increase from January 1 1991 At the beginning of this year, price increases were held back to about 9%, and customers were already well-stocked

A notable feature of the results is the decision to maintain the dividend at 70c, reducing the cover from three times to less than twice Amic's biggest financial commitments over the next five years are likely to be in steel, and it might have made more sense to leave the funds in the business

The share is close to 12-month lows, as investors are uncomfortable with the long lead times and uncertainty before Highveld starts to provide adequate returns on equity again It sits on a p e of 8,8 and a dividend yield of 6,1%, compared with a p e of 6,2 and dividend yield of 5,8% in the steel and allied sector

But the price has discounted the poor short-term prospects Investors taking a positive view on prospects for the steel industry in the medium to long term will look favourably on the share, as strategic management is strong — even though the international steel and ferroalloys market is likely to be overtraded for some time *Stephen Cranston*

Siltech 'relying on rates deal to survive'

BIDay 8/4/92 (189A)

MATTHEW CURTIN

FERROSILICON producer Silicon Technology, a subsidiary of Chromecorp Technology (CCT), is relying on Eskom electricity rates tied to its commodity price to help it survive the trough in commodity prices more easily

A CCT spokesman said yesterday that Siltech was in the middle of talks with Eskom about new tariffs

The spokesman said the volatility of the ferrosilicon market and the intensive use of electricity in the manufacture of the ferroalloy suited the business to the sort of tariffs Eskom was proposing

Ferrosilicon is used in the manufacture of carbon steel as a deoxidant

The spokesman said SA ferrosilicon producers were among the quarter lowest cost producers worldwide, but optimal productivity even they were struggling to make a profit at current prices

It was "mind-boggling" that overseas producers, with higher working costs, were still in the ferrosilicon business

Siltech planned to bring its ferrosilicon plant into operation at the end of the year, having converted it from the calcium carbide operation it bought from Sentrachem in January

Ferrosilicon prices averaged \$620 a ton in March, their lowest level since mid-'87, down from a high of \$770/ton last year, due to the slump in the carbon steel market brought on by the world recession

Ferrosilicon prices swung from \$670/ton to \$1 125/ton and back down to \$655/ton between early 1988 and the end of 1989 It takes about 4 200 megawatt hours to produce a ton of ferrochrome compared with 9 000 for ferrosilicon and 13 000 for silicon or aluminium metal CCT MD John Vorster has said exporting ferrosilicon amounted to exporting power.

Eskom has already offered electricity rates tied to the aluminium price to Alusaf should its multi-billion rand expansion profect go ahead this year

Reuter reports that Eskom customer incentive scheme manager John Thorby said yesterday. "The contracts, which are in the processed of being finalised, are part of our new price incentive scheme to make energy-intensive export industries more competitive"

The new tariffs would also apply to Highveld Steel and Vanadium subsidiary Rand Carbide and Samancor, SA's other ferrosilicon producers

A Highveld official said yesterday that Eskom tariffs were under review, but because of the poor state of the market it was difficult to predict the effect that new rates would have on Rand Carbide

'4/92

on harmony

The LOA adds that it "recognises the need to assist in socio-economic development . this does not mean that policyholders' and pension fund members' savings will be exposed to sub-economic investments, it simply means that everyone will have to be more imaginative about meeting sound investment goals while, at the same time, investing in such a manner that society's development needs are served "

The association adds that a major initiative, to confirm the industry's willingness to invest in this type of project, will be announced soon

The LOA's dilemma — and its need for caution in talking about projects before the costs have been established — is obvious Opposed to prescription, it appears to have initiated voluntary prescription in another guise. It is propelled by the trustee principle, which compels a life assurer to maximise savings in a manner consistent with safety, yet it is now proffering funds for developments where market-related returns appear unlikely. Wharton-Hood is emphatic that any funds diverted to social projects will be government guaranteed and capable of producing market returns

If that is to be achieved, government's obligation would, presumably, also include subsidising the rate of interest paid to the life offices, in cases where investments cannot produce market-related yields That, an ANC official tacitly confirms, will remove part of the dilemma The subsidy burden would be spread among all taxpayers, "not just those who have contributed to the nation's savings "

The life industry already observes "prudential" investment guidelines, in place of the old prescribed assets If a new investment outlet is added to that — a virtual LOA Merchant Bank to research and tackle projects that ensure savers get financial returns but resources are allocated for social upliftment — the industry will have succeeded in fending off direct intervention The ANC indicates that the LOA initiative is likely to find favour

Bryan Deans

METAL PRICES (189A) FM 10/4/92

Signs of life

Firming world prices, mainly anticipating US recovery, could still help Samancor to get stainless steel mills to accept the 5,8% price rise for ferrochrome it wants for the second quarter of 1992 This is after a 6,1% hike in the first three months

Led by aluminium, the bellwether at both ends of the economic cycle, the *Economist*

FM 10/4/92 (189A)

dollar index of metal prices has nudged up by 6% so far this year, after the 18% decline in 1991 And, after hesitating at the end of February, the broader based US *Journal of Commerce's* index of 18 industrial commodities confirmed the trend to rebuilding wafer-thin inventories

On the London Metal Exchange, aluminium has come up fastest 15,5% this year and 20% above the 1991 low to around \$1 300/t Copper has put on 12% to £1 285/t Zinc's gain has been 8% to \$1 270/t, nearly 30% off the bottom

The others have moved more slowly Their 1992 rises, with the change from the 12-month lows in brackets, are lead at £310/t is up 7,5% (11%), nickel at \$7 400/t is up 3,5% (4,5%) and tin at \$5 730 is up 3% (6%)

Few forecasters are looking for fireworks in the current 12 months, though the recovery in the Organisation for Economic Co-operation and Development (OECD) should accelerate in the second half Industrial output is expected to grow by 2,1% this year

And 1993 is forecast by Ord Minnett, part of the Westpac Australian banking group, to produce average prices a good deal higher than current levels up to 32% for nickel, about 30% for aluminium and tin and 28% for lead, but only 10% for copper and about 8% for lead

The question, however, is whether the Commonwealth of Independent States (CIS), especially Russia, will be a disruptive loose cannon on the decks of the metal markets Distress selling was a big factor last year, when an estimated 1 Mt of aluminium was shipped westward — not significant in terms of a market of 15,5 Mt a year but enough to wreak havoc at the margin and almost equivalent to the tonnage cut from OECD capacity Before perestroika, in 1986, Russia exported only 150 000 t

Nickel sales of 115 000 t, from the Norilsk complex, were more important Russian exports also flattened lead and zinc and, to a lesser extent, copper, while the CIS ceased to be big buyers of tin

Russia has the potential to become a major exporter in the short term The economy of the CIS is a shambles and industrial output could fall 20% this year, which will slash domestic demand for metals It has long lost the old satellite markets in the Warsaw Pact, raising the exportable surplus

That, however, depends on metal production being maintained Russia's mines and smelters are also suffering from shortages and rising costs as subsidies — such as cheap energy — are removed en route to the market economy

Output at the Norilsk complex (platinum, nickel, copper and cobalt) could fall by 10%

Continue →

FM 10/4/92 (189A)

In addition, the forex shortage will hamper imports of bauxite, alumina and other raw materials — though rumours that aluminium production faces a standstill were denied by industry sources this week

The uncertainties are such that estimates of aluminium exports this year range from 600 000 t to 800 000 t, while nickel could decline to below 100 000 t

The Russian factor in the precious metals equation is obscure Commodities Research Unit in London puts exports of platinum at 890 000 oz last year, up from 740 000 oz in 1990 But much of that was out of stocks and the Russians have not chased the price downward this year, sales in January amounted to 75 000 oz, followed by only 50 000 oz in February Ted Arnold, at Merrill Lynch in London, says a \$25/oz rise in platinum — at \$354/oz up 7% from the December low — would bring out more Russian material but the stockpile has largely gone

Rhona O'Connell of Williams de Broe Chaplin, who predicted 1991 platinum exports at 950 000 oz, has factored an estimate of 650 000 oz into her current year supply-demand balance

Gold is more of an imponderable While spot sales are dropping, the unwinding of currency swaps taken out last year is balancing the position for now

According to Arnold, the break through \$350/oz was caused by a confluence of events the unwinding of a Russian swap, South American central bank selling and India's liberalising its ban on imports which produced a selloff from Abu Dhabi and Singapore, chief suppliers of 200 t of gold previously smuggled in each year

A repeat of last year is not expected Though nobody, not even the Russians, seems to know how much gold could be exported, the consensus is that it will be limited to annual production, 200-300 t

The impact of the Group of Seven \$24bn rescue package — \$18bn in credits to ease the CIS current account and \$6bn to help stabilise the rouble — agreed to on April 1 has yet to be seen It should end the distress selling of metals but will not ease Russian pressure on all markets until internal demand is restored — which could take two years of reconstruction

John Cavill

FM 17/4/92

ROOIBERG TIN

End of the road

(189A)

Management's rearguard action to keep the mine alive in the face of the depressed tin price has nearly run its course and Rooiberg, SA's only primary tin producer, looks set for closure Despite drastic measures over the past two years to try to stay alive, Rooiberg made an operating loss of R3,8m last year, on top of the R4,9m lost in 1990

Steps taken included closing two of the mines, cutting staff from 1 133 to 732, stopping all non-essential activities and selling surplus plant and equipment. As predicted last year (*Companies* April 26 1991), Rooiberg couldn't maintain the high grades of 0,8% tin recorded in the March 1991 quarter Average for the year was 0,66% (1990. 0,54%) and this March was back to 0,59%.

Tin production last year was almost unchanged at 1 044 t as the benefit of the higher ore grade in the first six months was offset by plant breakdowns and illegal strikes in the second half No wage increases were granted because of the mine's critical condition and labour dissatisfaction was rife

Average revenue rose from R15 380/t at the start of 1990 to R17 220 in August, dropping to R16 500 for December and averaging R15 800 for the 1991 March quarter.

Priority now is to make sure Rooiberg meets rehabilitation costs, though chairman Richard Robinson declines to specify their extent, saying it is a moving target Limited underground mining operations will continue, primarily to generate cash flow to help pay for rehabilitation

It's now planned to stop mining at NAD section and cut C mine back to 6 000 t/month from remaining high-grade reserves, expected to last another 12 months C mine staff has already been cut from 750 to about 430 and will eventually be about 250.

Mining like this to pick the eyes out of an orebody is anathema to normal operations and another pointer, if any more were needed, to Rooiberg's dire situation Robinson says the high-grade mining operation also

FM 17/4/92 (189A)

Activities: *Tin mining and smelting in Warmbaths district*
Control: *GFSA 48% directly and indirectly*
Chairman and MD: *R L Robinson.*
Capital structure: *2,1m ords Market capitalisation R3,1m*
Share market: *Price 150c 12-month high, 330c, low, 150c Trading volume last quarter, 7 500 shares*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
Turnover (Rm)	21,1	25,0	18,9	17,4
Pre-tax profit (Rm)	1,5	2,4	(3,6)	(1,8)
Attrib profit (Rm)	1 5	2,4	(3,6)	(1,8)
Earnings (c)	47	114	(173)	(86)
Dividends (c)	50	50	—	—
Tin sales (t)	1 260	1 129	1 128	1 072

cont →

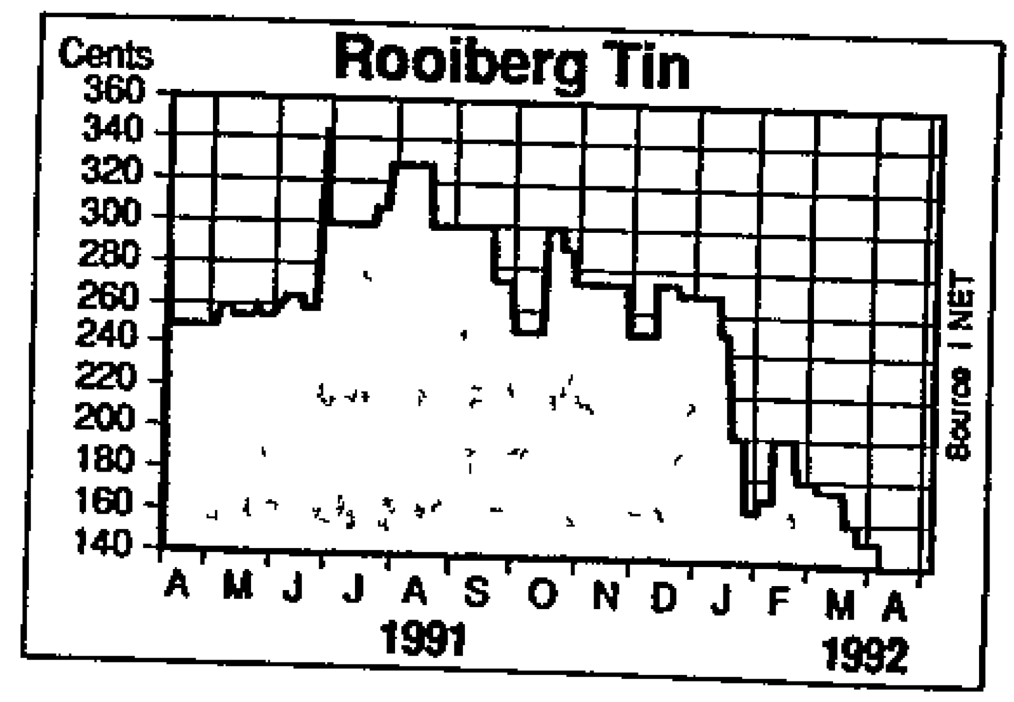
FM 17/4/92

 (189A)

allows Rooiberg to keep a nucleus of skilled staff for another year in case the tin price recovers to the point where the mine could be revitalised He is not optimistic on this.

"I do not believe the odds are in our favour in terms of the time available to us," he comments A tin price of at least R20 000/t is required for break even and it would have to be considerably higher to make it worth re-starting operations if the mine is closed.

Prevailing feeling at Gold Fields of SA is that a recovery in the world economies will



not take place until at least the second half of the year and there will be a lag before benefits flow through to commodity prices because consumers have large stocks

Over the next year management will push for better metallurgical recoveries and higher productivity, but all hope of survival depends on the tin price

The share is at a 12-month low. The only reason to buy is if you disagree with Robinson's assessment of the tin market. There are indications the tin price could rise this year — the question is whether it will go high enough to convince GFSA it's worth the risk of keeping Rooiberg going *Brendan Ryan*

Alusaf signs up French

BDay 24/4/92 (189A)

EDWARD WEST

ALUSAF'S multibillion-rand expansion programme came a step closer to final approval with yesterday's formal signing of an assistance agreement with French aluminium producer Pechiney

Alusaf plans to build a new aluminium smelting plant at a cost of between R3bn and R4,5bn by 1995 capable of producing 460 000 tons annually

Reuters yesterday reported Pechiney SA chairman Jean Gandois as saying that Alusaf's new plant was expected to use technology similar to that in use in Dunkirk, France Pechiney would not be investing in the plant, he said

Alusaf MD Rob Barbour said a substantial amount was paid for the Pechiney-licenced technology and technical assistance transfer, but reluctant to disclose the cost The agreement included a let-out clause if the project did not go ahead, he said

Barbour said the results of the feasibility study so far reconfirmed the viability of the project and its main shareholders were quietly confident the project would go ahead.

Earlier this month, Alusaf said a decision would be made in July or August on whether to go ahead

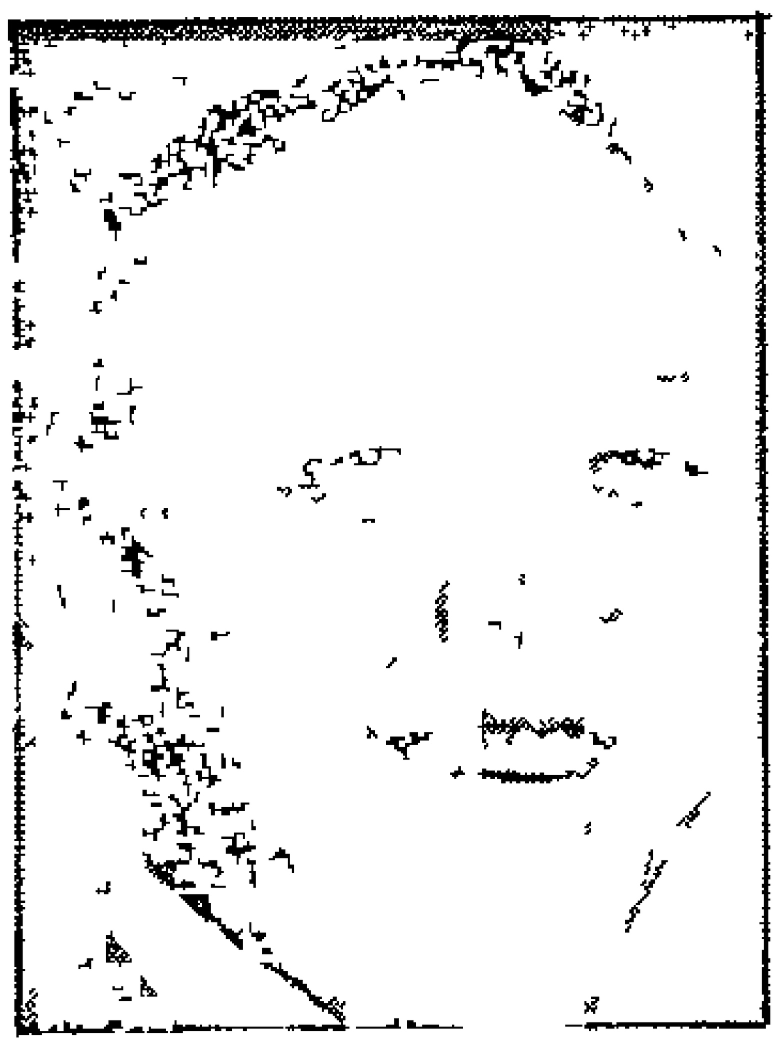
The feasibility study was now in its final stages and would be complete by the end of the month

Alusaf's main shareholders are Gencor, with a 31% stake, the Industrial Development Corporation (41%) and the Swiss aluminium group Alusuisse (22%) Eskom, which plans to provide electricity for the project for 25 years, has the option of taking up a 25% stake

Middelburg fires up production on way to record profits

STAR 11/5/92

By Derek Tommey (89A)



Hans Smith for the moment the news is good

Hard-pressed businessmen straining to find signs of an improvement in the economy can take heart.

South Africa's only stainless steel plant, Middelburg Steel and Alloys, is starting to operate at full production and expects to make record operating profits this year

The upturn in production at Middelburg, which mainly supplies the export market, suggests that the world economy is at last expanding

But Mr Hans Smith, managing director of Samancor which took over Middelburg at the end of last year, remains cautious about whether the increased demand for stainless steel is here to stay.

Demand will have to continue at current levels for the next two quarters before the upward sales trend is confirmed, he says

Order book

But for the moment the news is good Middelburg's order book, after the low demand at the end of last year, is now "pretty full".

He added that stainless steel mills in Europe and the United States are also running at or near to capacity and are confident of continued short-term demand The lifting of sanctions against South Africa had also helped Middelburg expand its markets

As a result of the improved demand, Middelburg is expected to exceed its previous record operating profit of R45 million this year (Middelburg has previously reported a higher figure but this included the results of a revaluation of nickel stocks)

Mr Smith said there had been no sign of any price increases in stainless steel but if current demand continued unchanged for the next two quarters, some price increase was likely

Samancor shook the ferrometals market earlier this year when it announced it was shutting down its ferro-chrome furnances for three months to enable stocks to be run down and the ferro-chrome market stabilised

Mr Smith said it was planned to phase in the re-opening of the ferro-chrome furnaces at the end of May, as forecast But if demand for ferro-chrome in May was not up to expectations, then the re-opening might be delayed

Because of the long European summer holidays, demand for ferro-chrome at the end of the second and beginning of the third quarters was not expected to show much increase

Price hope

But there should be an improvement later in the third quarter when either then or more likely in the fourth quarter there was a possibility that the ferro-alloy price of 52 US cents a pound would be increased

Meanwhile, other encouraging news this week has been the statement by Mr Julian Ogilvie Thompson, chairman of De Beers, that the group's new Venetia diamond mine near Messina was taking on another 200 workers This follows a decision to step up production

By the end of next year Venetia is expected to produce diamonds at the rate of 5,9 million carats a year This compares with the initial plan to produce 3 million carats a year

Mr Ogilvie Thompson said he expected diamond sales to improve in the second half of the year and "if the experts were right" , to rise further next year

ENVIRONMENTAL RESOURCES

FM 1|5|92

Capital spending peaks

(189A)

Activities: *Reclaiming metal from slag produced in steelmaking*
Control: *Directors 10,8%*
Chairman: *E Wolf, MD G C Wolf*
Capital structure: *13,5m ords Market capitalisation R10,5m*
Share market: *Price 78c Yield 0,6% on earnings, p e ratio, 156,0 12-month high, 78c, low, 40c Trading volume last quarter, 1,04m shares*

Year to Oct 31	**'90**	**'91**
Debt equity ratio	0,33	—
Shareholders' interest	0,78	0,95
Return on capital (%)	5,3	1,8
Turnover (Rm)	1,0	0,6
Pre-int profit (Rm)	0,43	0,12
Pre-int margin (%)	41,7	19 1
Earnings (c)	4,6	0,5
Net worth (c)	47	47

It's surprisingly common for companies to complete expensive expansion programmes at the peak of a business cycle In Enrol's case, the consequences were compounded by two additional factors the unexpected severity of the downturn which, unusually, affected both original equipment and sales, and the non-event of the Consolidated Metallurgical Industries' contract at Rustenburg

Up to now, Enrol's two main operations at Vereeniging and Benoni sourced revenue from long-term contracts with Usko and Iscor The Benoni contract ended after Enrol reclaimed all the metal from the slag produced by Iscor's Dunswart plant, with a devastating effect on results

Though MD Geoffrey Wolf calls the business mature and cash-generating, he says new contracts are often won only at a high cost because of the plant and tight cost control required

Capital spending over the past two years absorbed R6,8m Wolf expects capex to tail down from this year

A 10-year contract for reclaiming ferrochrome from CMI slag using technology from Metalmil (Pty) was due to start in the first quarter of 1991, but was postponed because the plant could be commissioned only in November Wolf blames the delay on unforeseen environmental problems which, he says, pushed up the cost ~~from~~ R3,7m to R5,7m

Fm 1|5|92 (189A)

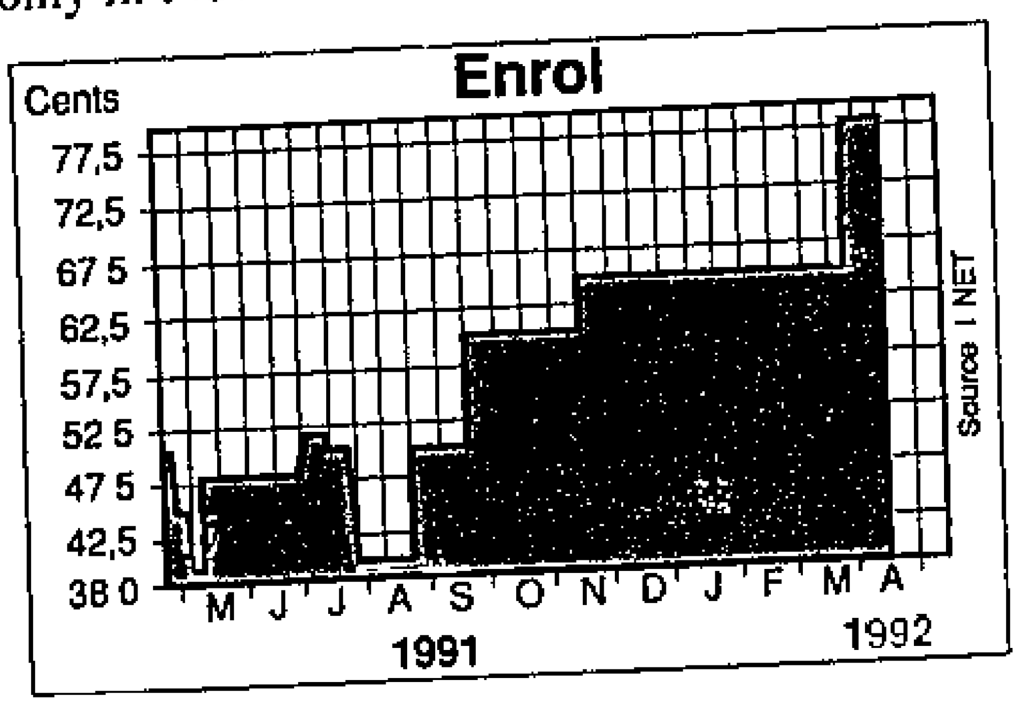
Though the plant is now ~~fully~~ operational, arrangements had to be made to finance the additional cost with cash from Metalmil Fortunately, Enrol was well placed here It does not own the slag heaps it works, so has no stock, which means it has almost no debtors, creditors or borrowings

The group is looking at eastern Europe as an important area for growth steel mills in the former Eastern Bloc produce a high proportion of waste The problem is that banking institutions are reluctant to finance development there

Enrol is not pursuing other applications for its nonferrous granulation plant because basic housekeeping problems within the company need to be sorted out first

Since year-end it has been announced that Enrol is to acquire all SA rights to Metalmil's technology for R1,25m, to be met by the issue of 2,08m shares at 60c The deal is expected to have little impact on earnings per share or NAV, but the cost of diluting the equity will obviously improve the short-term profitability of the plant at CMI

The share has been volatile but is at its 12-month high Earnings growth will need to accelerate soon to justify this *Basil Barber*



Alusaf can look forward to better prices

By Neil Behrmann 189A

LONDON — Alusaf, South Africa's primary aluminium producer would do well to break even in 1992, says Gencor, a major shareholder.

But prospects are better in the long term because a sharp recovery in the aluminium price is expected from 1993 onwards.

This will suit Alusaf, which produces 170 000 tons a year, and also Gencor, which has a 31 percent shareholding

About 43 percent of the production is exported and there has been a preliminary study into the feasibility of constructing a new 466 000 tons a year smelter

Any revival will thus be timely, following the depression in the market during the past year.

The latest Aluminium Annual Review of Anthony Bird Associates says "Demand is stagnant, prices are dreadful, smelters are closing and plans for new investment have been iced" STAR 5/5/92.

But author Anthony Bird contends that the market is far too pessimistic. He expects a recovery in demand and a period of sustained buoyancy in aluminium prices that will lead to renewed investment in the industry.

Cash prices

He forecasts that cash aluminium prices will rise from the present level of 60 US cents a pound to an average of 69c in 1993 and will jump to the 80c to 90c range in the mid-1990s.

Aluminium consumption will grow at an average rate of 3,4 percent in the coming decade

Mr Bird does not believe the forecasts are unduly optimistic as the economic slowdown of the past two years has not led to any decline in aluminium consumption

"There has been a surprising degree of resilience, which is in marked contrast to the experience in the 1975 and 1981 recessions," he says

The resilience is the result of relatively low stocks and the competitive price of aluminium

Consumption growth will come in bursts, rather than a steady stream After the stagnation of the period 1990 to 1992, there will be a period of rapid growth in the years 1993 to 1994.

This will be followed by renewed stagnation in the mid-1990s as the market responds to higher prices. Growth will then accelerate again from 1997 onwards

The main impetus for demand will come from Europe and Japan, but consumption growth will be relatively weak in the United States

Prices have been weak because significant amounts of new capacity came on stream at a time of stagnant demand The flood of Soviet material pushed prices down further, forcing producers to build up stocks

At Alcan of Canada's annual meeting in Montreal the chairman said the bottom of the market had been reached, but prices would have to struggle to sustain current levels in the second quarter of this year

The closure of one million tons of primary aluminium capacity had been announced, equivalant to 8,5 percent of the worldwide total But there should be further closures of the high-cost and environmentally-problematic smelters

Surplus

Mr Bird estimates the surplus between supply and demand soared to 857 000 tons last year from 88 000 tons in 1990, mainly as a result of a surge in Soviet exports

But the surplus will decline to only 109 000 tons this year and will be followed by deficits of 677 000 tons in 1993 and 330 000 tons in 1994

Western stocks which are estimated to rise to 2,8 million tons this year from 1,5 million tons in 1988 will drop to 1,86 million tons by 1994, he predicts In relation to demand, however, stocks are much lower than in the last recession

Inherent in the thesis of declining stock levels, is a sharp fall in Commonwealth of Independent States' exports

Most of the CIS material came from stocks, current CIS production is declining and domestic industry will be absorbing a greater share of output in the latter half of the 1990s

Present depressed price levels of 59c a pound are lower than those of European refiners and are not far above North American and other leading producers

"Aluminium companies can hardly consider new investment at metal prices seen in the past 15 months," says Mr Bird

Columbus go-ahead 'is only weeks away'

B/Day 7/5/92 (189A)

MATTHEW CURTIN

THE multimillion-rand Columbus Stainless Steel joint venture is only weeks away from being given the go-ahead and its prospects are looking good in spite of the prevailing gloom in the ferro-alloy and stainless steel markets, industry sources say

An analyst said yesterday a combination of tax and export incentives, and R1bn in likely concessionary funding from the IDC, would ensure "attractive long-term returns to current shareholders"

Columbus is a joint venture between Anglo and Gencor subsidiaries, Highveld Steel and Vanadium and Samancor The project aims to produce 450 000 tons of stainless steel a year at full production, and is being built around the existing Middelburg stainless steel plant which Highveld and Samancor bought from Barlow Rand for R500m last year

The analyst said total capital spending on the project would be about R4,7bn until it was able to finance itself in 1997. Equity funding would account for R2,6m of that total, with another R1,3m coming from proposed tax and export incentives.

He added that Columbus was unlikely to be listed before 1994, but investors' best entry to the project was via Highveld, or holding company Anglo American Industrial Corporation (Amic), rather than Samancor Columbus was worth about 70% of Highveld's current share price, compared with 18% of Samancor's

Based on estimated ferrochrome, nickel and stainless steel prices, he said, Columbus would generate R400m in bottom-line earnings on turnover of R1,4bn when the project came on stream in 1997

Columbus MD Keith Luyt said yesterday that although the next six to eight months would be difficult for the stainless steel industry, "one cannot discount the fact that worldwide growth in this market is between 3% and 4% (a year), a good indicator for the future"

Reuter reports that Luyt said Columbus was committed to the local market, but it was important for SA to develop strong international export ties Columbus would be in the "global picture" if it received a proposed 10% export discount incentive for fabricated products

Rhovan wins backing for beneficiation plant

BDay 11/5/92 189A

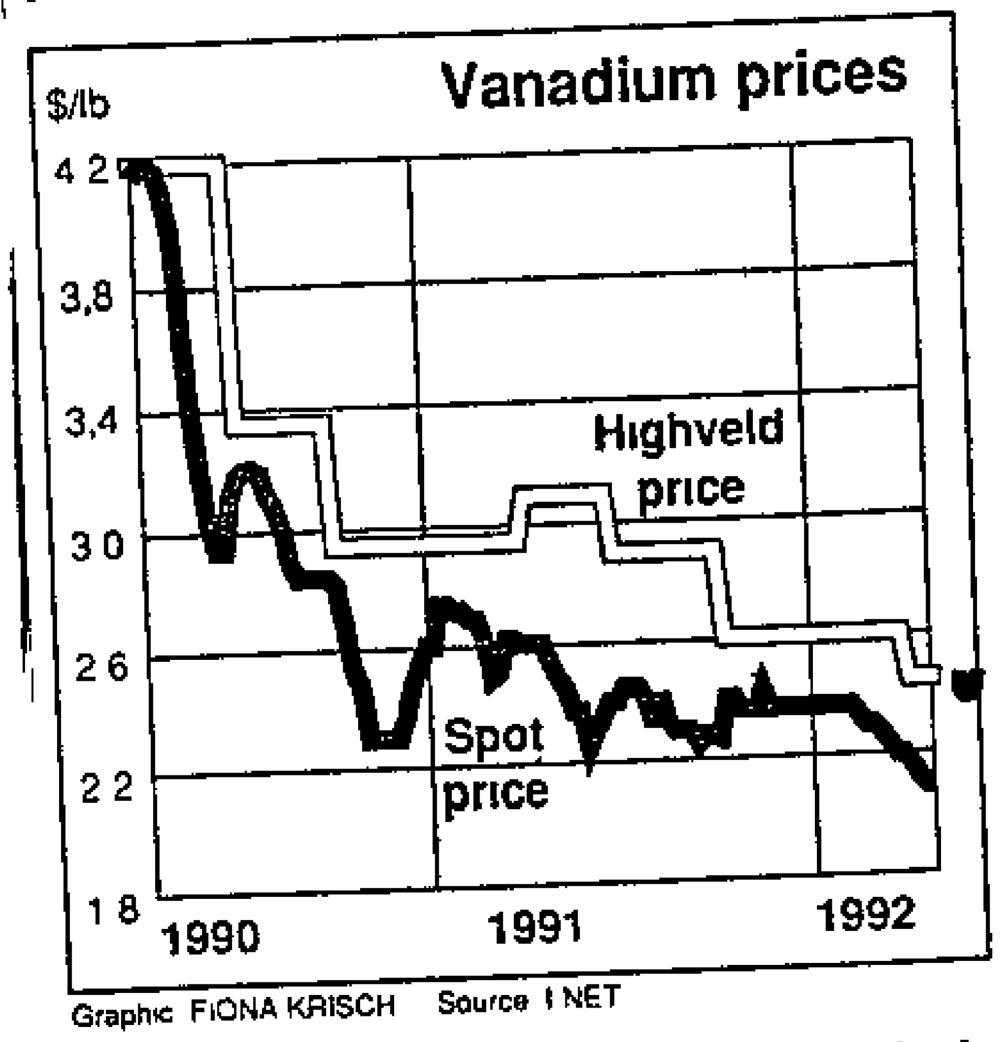
MATTHEW CURTIN

RHOMBUS Vanadium has won backing in principle from the Industrial Development Corporation (IDC) for the construction of a new multimillion-rand vanadium beneficiation plant, an industry source said at the weekend

Rhovan CE Rob Still and IDC spokesman Malcolm MacDonald would not comment at the weekend on the progress of the project Rhovan had completed a feasibility study on a new plant which would treat material from its existing Ba-Magopa mine near Brits

The source said Highveld had been lobbying the IDC in a bid to deter backing for the Rhovan project because of the damage the new capacity could do to already gloomy conditions in the industry

Rhovan is one of only three groups gearing up to bring millions of rands worth of new capacity on stream, undeterred by rock-bottom vanadium prices, world oversupply and two failed SA ventures last year



Graphic FIONA KRISCH Source I NET

Vanadium Technology (Vantech), which is running Rand Mines' former vanadium facilities, will officially open its mine and revamped plant at the end of the week

It was reported at the weekend that plans by Precious Metals Australia (PMA) to build a new mine in Windimurra, Western Australia, would receive ministerial approval in July

However, analysts said PMA was in direct competition with Rhovan for financial backing and the project might fall by the wayside because Rhovan was on the verge of going ahead with its project

Still's response at the weekend to news of possible ministerial approval for the PMA project was, "So what?"

Vanadium pentoxide prices remain poor Free market spot prices have crumbled to between $2,05/lb and $2,15/lb, their lowest levels for years, amounting to a significant discount to Highveld Steel and Vanadium's contract price in the current quarter of $2,45/lb

Vanadium is an important ingredient in the making of special steels, demand for which has been knocked by the world recession. Prices have been buffeted by market concern at oversupply

Current world vanadium production is running at 87-million pounds a year, compared with consumption of 82-million pounds. Highveld dominates SA and world vanadium production with its capacity of 60-million pounds a year.

Industry sources say that with the promise of burgeoning SA vanadium supply following the lull after the failure of Rand Mines' Vansa Vanadium and the Rhovan/Usko joint venture in 1990/1991, Highveld is concerned that the SA and world vanadium industry may be plunged into a period of fierce competition.

That has plagued the coal and ferrochrome sectors in the past, when already tight profit margins have been squeezed even more

The outlook for Vantech and Rhovan may have been brightened by news that European ferrovanadium producers have stopped converting vanadium slag, a by-product of the steel-making process when vanadium-bearing iron ore is used as it is at Highveld.

In April, German producer Gesellschaft Fur Elektrometallurgie (GfE) said it would shut down its slag conversion plant in September because rapidly rising environmental costs in a depressed market had made the operation uneconomic

Another factor affecting GfE was Highveld's decision to increase its own treatment of slag at its Vantra division

The group has normally sent slag to be treated overseas, while producing vanadium pentoxide from vanadium ore at its Vantra division.

The group spent R10m in modifying Vantra so 20% of its production would be from slag — a project set to be completed by mid-year The group also has plans to modify Vantra further to produce vanadium trioxide, a more cost effective way of producing ferrovanadium

One analyst said at the weekend that the Rhovan project was being pushed because the company already had a proven vanadium mine and concentration plant which had successfully supplied material to Usko

Rhovan was confident that the quality of its ore body meant that with a new beneficiation plant it could be a low-cost producer and survive weak prices

However, he said management at both Vansa and Usko had said the same

ASSOCIATED MANGANESE

FM 15/5/92 (189A)

Saved by manganese ore exports

Activities: *Mines manganese and iron ores and produces ferromanganese and ferrochrome*
Control: *Associated Ore 45%, Anglovaal 41%*
Chairman: *B E Hersov*
Capital structure: *3,6m ords Market capitalisation R1,2bn*
Share market: *Price R33 Yields 2,3% on dividend, 8,8% on earnings, p e ratio, 11,3, cover, 3,9 12-month high, R34, low, R32,75 Trading volume last quarter, 1 000 shares*

Year to Dec 31	'88	'89	'90	'91
Turnover (Rm)	445	718	614	575
Operating profit (Rm)	99	288	205	208
Other income (Rm)	5,3	12,1	2,4	6,0
Earnings (c)	1 452	4 075	2 695	2 922
Dividends (c)	1 275	2 400	750	750

Earnings were saved by manganese ore exports as crumbling markets for ferromanganese and ferrochrome saw subsidiary Feralloys plummet deep into the red

Chairman Basil Hersov says sales volumes of ferromanganese "decreased significantly," while demand and prices for ferrochrome remained depressed Feralloys, as a result, lost R11,5m pre-tax (1990 R19,9m pre-tax profit)

The reason for the pitiful performance of chrome has been well-publicised and resulted from major SA producers — Assmang, Consolidated Metallurgical Industries (CMI), Samancor and ChromeCorp Technology (CCT) — cutting one anothers' throats to try maintain market share

An orgy of red ink resulted as the price fell below US49c/lb before sanity was finally restored and producers took concerted action to get the price back up to 52c/lb in the last quarter of 1991 They are now digging in to make that price stick CCT and Samancor have temporarily shut their ferrochrome furnaces CMI has cut production by 40%

Assmang's capacities are estimated at 200 000 t/year ferromanganese and about 100 000 t ferrochrome Anglovaal executive director David Crowe says only one ferrochrome furnace is in operation, producing about 60 000 t/year Assmang is in the minor league The market is dominated by Samancor, with capacity of 1 Mt, followed by CMI (330 000 t) and CCT (about 180 000 t)

Assmang's Hersov *surprising gain in earnings*

That could work in Assmang's favour, given apparent extreme customer dissatisfaction with the concentration of SA supply since Samancor acquired Middelburg Steel & Alloys last year CMI has made two attempts to take over CCT If it succeeded, Assmang would be SA's only independent ferrochrome producer

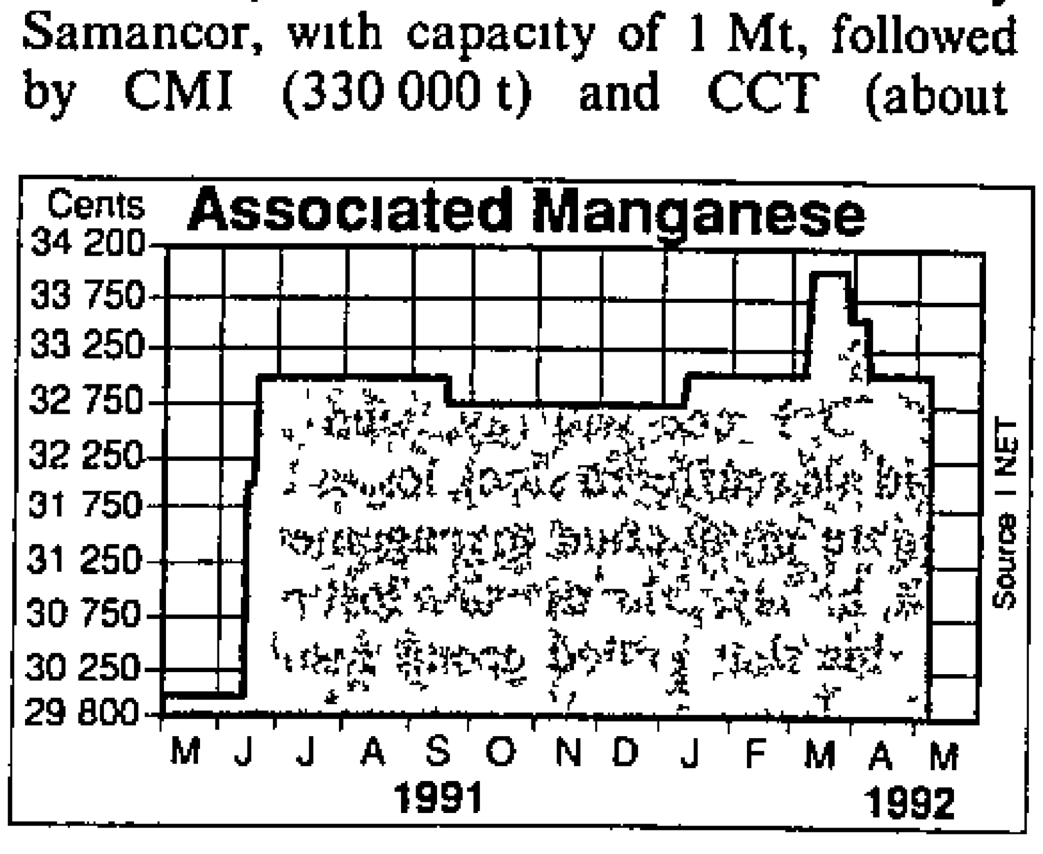
Samancor and CCT have declared their intention to get ferrochrome back to 55c/lb as soon as possible, but Hersov expects no joy in the short term He forecasts no meaningful recovery in demand and prices for ferromanganese and ferrochrome this year

Crowe says that though 52c/lb is the stated price, some SA producers are doing business below this level

That leaves Assmang dependent on manganese ore exports and these are also expected to drop Sales fell by 300 000 t to 1 Mt in 1990, while iron ore sales fell 314 000 t to 1,76 Mt Hersov says higher US dollar prices for manganese ore in late 1990 were maintained during 1991 and more than offset lower volumes

That, combined with a write-back of R11,6m from Feralloys' deferred tax provision, resulted in the largely unexpected 33% rise in earnings — against the earnings drop recorded by Samancor

If Feralloys makes similar losses this year, there will be no compensating write-back as there is only R4,7m left in the deferred tax account So Assmang's earnings must drop, though some analysts believe it could hold its dividend again



The share is tightly held and thinly traded, which probably largely accounts for its strength A dividend yield of 2,3% looks expensive Samancor yields 3,6% even though its price has been heavily underpinned by investors keen on the long-term growth through the Columbus project

Brendan Ryan

OMNIA FM 15/5/92

Smiling through

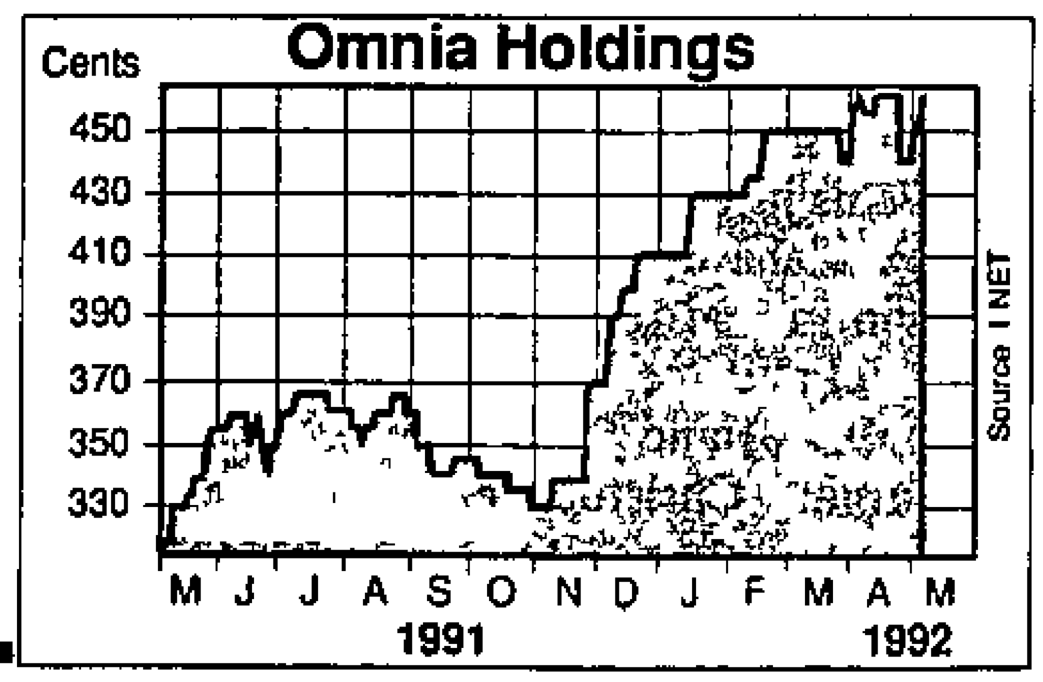
Activities: *Makes and markets fertiliser, explosives, chemicals, seeds and conducts farming operations*
Control: *Anglo-Alpha 26%, directors 22%*
Chairman: *Dr R K J Winkler, MD N J Crosse*
Capital structure: *38,8m ords Market capitalisation R174,6m*
Share market: *Price 460c Yields 7,8% on dividend, 18,2% on earnings, p e ratio, 5,5, cover, 2,3 12-month high, 460c, low, 320c Trading volume last quarter, 191 000 shares*

Year to Dec	'88	'89	'90	'91
ST debt (Rm)	46,1	46,1	40,6	43,9
LT debt (Rm)	42,1	37,1	27,8	23,5
Debt equity ratio	1,16	0,99	0,63	0,23
Shareholders interest	0,36	0,33	0,37	0,35
Int & leasing cover	2,36	2,58	2,31	2,34
Return on cap (%)	14,2	19,2	17,8	18,0
Turnover (Rm)	243	336	381	438
Pre-int profit (Rm)	29,8	48,0	49,2	60,7
Pre-int margin (%)	12,3	14,3	12 9	13,8
Earnings (c)	43,6	66 6	73 2	82,0
Dividends (c)	15	26	30	35
Net worth (c)	178	215	261	308

The drought may be the most horrific in memory and El Nino may be spreading dryness and disaster, but there is a faint smile on the face of corporate Omnia The reason is not hard to find for the fourth successive year, it has raised its dividends

Management has failed shareholders in only one sense MD Neville Crosse last year told the *FM* the objective was EPS growth of 6% in real terms, EPS rose only 12%, a small decline in real terms

The truth is that agriculture — and, by extension, the fertiliser industry — is not the most comfortable of SA business sectors Given this inherent disadvantage, Omnia's



cont →

Vansa tackles glut by cutting costs

189A

S Times 17/5/92

By IAN ROBINSON

CHROMECORP commissioned its second ferroalloy project this week — and more are in the pipeline

Vanadium Technologies' (Vantech) plant near Steelpoort in the Eastern Transvaal was officially opened by executive director Willie Strothotte of Marc Rich & Co AG (Switzerland), Vantech's sales agents

Chromecorp bought Vansa Vanadium last year from Rand Mines for R17-million and has spent millions on modifications of the plant

The orebody allows an unusually high-grade kiln input of about 2,2% vanadium pentoxide compared with of 1,6% to 1,7% elsewhere

High recovery is the key to low production costs Chromecorp chairman John Vorster is confident that the modifications will allow a recovery rate of more than 80%

Senior

These modifications include the installation of dry magnetic separators, an increase in wet magnetic separation capacity and changes to the chemical plant

In spite of a world oversupply of vanadium, Mr Vorster believes that low production costs will enable Vantech to survive in a competitive environment

He aims for production costs of less than $2 a pound of vanadium pentoxide This compares with Highveld Steel & Vanadium and free-market prices of $2,45 and $2,05 to $2,15 a lb respectively

After leaving a senior position at Samancor Mr Vorster commissioned Chromecorp's ferrochrome plant at Rustenburg in December 1988 The plant is operating at full annual capacity of 180 000 tons

Ferrochrome production capacity will be increased in June through the opening of a slag recovery plant with an annual capacity of 20 000 tons The cost of ferrochrome recovery is about a third of normal production costs

JOHN VORSTER

The recovery plant is a new design which incorporates both high-intensity magnetic separators and jigs The jigs allow recovery of ferrochrome grains down to a size of one millimetre

The recovery plant will raise the overall chrome recovery rate from the complex from about 72% to about 76%

Mr Vorster aims to commission Chromecorp's third ferroalloy project — a ferrosilicon plant near Newcastle in Natal — towards the end of the year

Energy

Silicon Technology (Siltech) will be the third ferrosilicon producer in SA in addition to Samancor and Rand Carbide Production from the first phase of the project will be at an annual rate of 55 000 tons It will raise total SA production capacity to about 150 000 tons — 6% of world production of 2,5-million tons

Mr Vorster is planning potential projects based on products which require high energy input One could be ferromanganese A drilling programme is under way to find manganese ore in the Northern Cape

Middelburg sale boosts Barlows

(1897) STAR 19/5/92.

By Derek Tommey

Barlow Rand, the country's biggest industrial conglomerate, may have been subject to criticism for selling off Middelburg Steel and Alloys to the Columbus stainless steel consortium, but cash flowing from this deal transformed the group's financial position

Turnover rose nine percent in the six months to March, but profits before tax rose 20 percent Taxed profits rose 16 percent and earnings a share 11 percent The interim dividend has been raised from 51c to 54c a share

Mainly as a result of the sale of Middelburg, the group had some R1,8 billion in cash available for investment at the end of March This compares with only R16 million at the same time last year

As a result Barlow Rand is well positioned to take advantage of any upturn in the economy, says deputy chairman and managing director, Derek Cooper

New investment

Although economic conditions remain difficult the group is not reducing its new investment and this year expenditure and capital commitments total R1,9 billion, which is about the same as last year

The cash arising from the sale of Middelburg helped reducing the amount of interest paid and eliminated a loss situation

However, the sale led to an increase in the tax rate

Turnover in the six months' period rose R16,9 billion, while operating profit before interest increased by 11 percent to R1,36 billion

Interest paid dropped from R338 million to R303 million, which helped push up operating profit by 19 percent to R1,06 billion

Income from investments rose 22 percent to R184 million while tax rose 29 percent to R429 million

Profit after tax rose 16 percent to R815 million and profit attributable to Barlow Rand shareholders rose 15 percent to R400 million, equal to 207,3c a share

Mr Cooper said the first half of the 1992 financial year had been difficult and challenging with South Africa continuing to experience social instability and political and economic uncertainty

These factors, combined with the effects of a devastating drought and the fact that many of the country's international markets were still in recession, created an extremely adverse trading environment

He added that the group's food interests could be hard hit by the drought

Coal profits showed growth in relatively depressed and highly competitive world and domestic markets.

Electronics and electrical engineering performed well and the information technology companies experienced increased demand

Trading conditions in most other industrial markets remained depressed with earnings from building materials, steel and motor vehicles falling back sharply However, capital equipment and consumer electric durables maintained profits and paint showed improvement through higher volumea

Better operating efficiencies enabled the packaging companies to show good growth

Mr Cooper said the group was looking for growth in earnings in the six months ending September, but not at the same rate as in the first half of the year.

The group was concentrating on product development, investing for the future and "sweating" assets

Mr Cooper said the quality of the group's underlying investments remains strong

Segmental Analysis Contribution to Group Profit After Taxation	Six Months Ended 31 March 1992 R Million	%	Percentage Change On Year Ago
Mining and Mineral Beneficiation	182	22	14
Industry	163	20	8
Packaging and Textiles	133	16	14
Food and Pharmaceuticals	276	33	13
International	65	8	1
Financial Services, Property and Group Administration	13	1	
	832	100	17

Breakdown of contributions to earnings.

Feasibility

study completed on R6-bn aluminium smelter

Alusaf expects go-ahead

STAR 21/5/92

By Derek Tommey (189A)

The economy is about to get an extremely powerful boost

In the next four to six weeks a decision is expected giving the go-ahead for the R6 billion extensions to Alusaf, the Richards Bay aluminium producer

The investment in what is primarily a new smelter should generate at least an additional R2 billion a year in foreign exchange

The feasibility study has been completed and the boards of the shareholding companies will meet in the next few weeks to consider the costs and implications of the projects

Alusaf managing director Rob Barbour says he is quietly confident that approval for the project will be given

The extensions will take four years to complete During the construction period 6 000 to 7 000 people will be employed at the site

After completion the plant will require a workforce of about 1 400

Some 70 percent of the plant and equipment will be made in South Africa This is the proportion which can be provided by conventional engineering procedures

Equipment

The remaining 30 percent, which comprises specialist equipment or equipment too complicated to make in SA, will be imported

The extensions will produce an additional 466 000 tons of aluminium a year, all of which will be exported

The feasibility study has been based on a price of $1 650 a ton, which gives a figure for foreign earnings of about $767 million, equal to R2,17 billion at the current exchange rate

However, this would seem a conservative estimate because the price is only 24 percent above the present price of $1 324, and one would expect it to be somewhat higher when the recession ends and four years have passed

After foreign payments, the new smelter is expected to contribute about R1,4 billion a year to the balance of payments This should provide foreign exchange for the creation of 30 000 to 40 000 new jobs

Some 30 percent of the R6 billion is expected to be financed by export credits The balance will be financed by shareholders, though some short-term bridging finance will be raised

The shareholders are Genmin, which has a 42,1 percent stake, the Industrial Development Corporation (30,7 percent), Alusuisse of Switzerland (15 percent) and the Industrial Finance Corporation (10,5 percent)

Eskom, which has an option to subscribe for Alusaf shares, will be providing the electric power at a price linked to the world price of aluminium

This should ensure that the smelter remains competitive even in times of serious economic downturns

The project is also expected to qualify for tax concessions under Section 37e, which grants accelerated depreciation allowances to plants beneficiating local resources for export.

Alusaf has three long-term contracts for the supply of alumina from which the aluminium is made

Ferrochrome furnaces to be restarted

MATTHEW CURTIN 189A

SA FERROCHROME producers said yesterday they were bringing furnaces back on stream because inventories were running low and demand was picking up for the key stainless steel alloy.

JCI's Consolidated Metallurgical Industries (CMI), SA's second largest producer, would recommission two out-of-action furnaces from the end of month, a spokesman said. BDay 21/5/92

Chromecorp Technology (CCT) stopped production earlier this year, but restarted once inventories were depleted.

Samancor MD Hans Smith said the group had restarted some of its furnaces. However, the 120 000 ton-a-year chrome direct-reduction furnace Samancor inherited when it bought Middelburg Steel & Alloys last year, was still closed.

Smith said the group's 1-million ton-a-year capacity would be operating at 60% by the end of July.

By then Samancor, with a third of world capacity, would have closed each of its furnaces for at least three months. This decision took about 60 000 tons of ferrochrome off the market a month.

The slump in the stainless steel market and SA producers' decision in 1991 to increase prices despite the recession saw consumption of SA ferrochrome fall sharply earlier this year.

CMI shut one of two furnaces at its Rustenburg plant and another of three at its Lydenburg plant in December. These would be restarted soon.

The spokesman said: "The reduced production level over the past months, which is less than 60% of capacity, as well as a modest improvement in the ferrochrome market has brought stock levels back to acceptable limits."

However, all furnaces would be operated at "a reduced load".

Usko deeper in the red

BDay 26/5/92 EDWARD WEST (189A)

WEAK trading conditions pushed Usko further into the red and the company reported attributable losses of R3,5m (R34 000) in the interim period to end-March.

The restructured electrical conductor and stainless steel wire producer's results for the year ending September 1991, and the results for the interim period to March 1991, were restated to exclude last year's disposal of its steel and vanadium interests

In the six months to March 1992, turnover fell 14,7% to R110m (R134m) because of weak markets for all its products, results published today show Operating income fell 32,4% to R9,5m (R13m).

Investment income amounted to R1m (R1,5m) Financing costs relating to interest on loans over the period fell to R14m (R14,5m). A dividend was not declared. Cumulated preference and ordinary dividend payments of R4,3m in arrear were waived at a general meeting of shareholders on May 25 1992.

Chairman Flores Kotzee said financing costs of R9,5m at the interim stage last year were increased by R4,9m to represent added costs of an extraordinary item on the vanadium division's commissioning

Metkor and Iscor, which together hold about 55% of Usko, plan to recapitalise the company by July 3 1992 by way of a R50m rights offer.

Samancor shares climb 3%

MATTHEW CURTIN

SHARES in ore and ferro-alloy producer Samancor climbed 3% on the JSE yesterday to R32, their highest level since the end of January and back towards record highs of R35

The stock has now jumped 41% in three months after plunging to R22,75 in February in the wake of a sudden turnaround in market confidence in the company's position (189A)

The London-based Metals Bulletin reported German stainless steel mills were again buying from Samancor BDay 26/5/92

It said this was "an indication of the SA giant being accepted once again into the mainstream after its unpopular price hike to $0,52 per pound of charge chrome" However, current ferrochrome prices were heavily discounted and, with continued bearish market sentiment, European buyers were likely to be buying at the lower limits of minimum-maximum sales contracts, it said

Samancor and SA's other ferrochrome producers are restarting furnaces, as inventories run low and the stainless steel industry begins to pull out of the global slump

Samancor also has control — with Highveld Steel and Vanadium — of the Columbus Stainless Steel joint venture whose go-ahead depends on their successful application for export tax concessions

Samancor's results have been plagued for more than a year by weak ferrochrome prices in particular, as demand for its products has been hit by the slump in the world carbon steel and stainless steel markets

Industry confidence in the group was then knocked by the decision of Samancor and other SA ferrochrome producers to increase ferrochrome prices by 6% last year That was in spite of the recession and only weeks after Samancor took control of rival producer Middelburg Steel & Alloys

Samancor paid the price by seeing world offtake of SA ferrochrome fall to minimum levels, prompting the closure of 90% of local ferrochrome capacity for much of this year

STimes (8455) 31/5/92

Decision close for Alusaf 2

(189A)

By IAN ROBINSON

ALUSAF 2 looks like a winner

Feasibility studies have been completed and the go-ahead for the R6-billion project awaits the outcome of board meetings and an environmental impact decision.

The boards of the major stakeholders — Genmin, IDC, Eskom and Alusaf — will hold their decisive meeting on July 14

An environmental impact assessment (EIA) is being made of the preferred site near Richards Bay harbour It has direct access to the harbour and material-handling costs would be minimised

The plant would have an annual production capacity of 466 000 tons (two modules of 233 000 tons) Production capacity of the new smelter plus existing capacity of 170 000 tons would make Alusaf the fifth-largest aluminium producer in the world

Annual revenue from the plant is expected to total more than R1-billion (depending on the price of aluminium) That could exceed 1% of SA's gross national product.

Although the plant would employ only 1 400 people directly, both downstream and support activities could create more than 30 000 jobs.

Alusaf senior manager Peter Cowie says the plant's low financial gearing (30/70 debt.equity) would give it a major advantage over predominantly debt-funded projects elsewhere.

IDC, Iscor probe steel mill deal

189A

CT 3/7/92

From EDWARD WEST

JOHANNESBURG — The IDC and Iscor were investigating the possible construction of a R2,8bn steel mill, but a decision was not likely until 1993, IDC senior GM Malcolm Macdonald said yesterday

A feasibility study into beneficiating a portion of Iscor's 14,3-million tons a year of iron ore exports into an end-product steel using new processes with the construction of a "mini mill" was under way

The IDC targeted June 1993 as a possible date for the completed study, but it would probably take longer, said Macdonald

Iscor MD Willem van Wyk said the new study was based on a project first mooted in 1972 involving the production of hot-rolled steel It showed renewed potential for the corex plant plus rolling and continuous-casting technology developments

Van Wyk said while the new mill was still largely speculatory, a possible commissioning date was 1997

Macdonald said the new project would be different from that envisaged by Iscor two decades ago The new mill would follow international trends and produce a thinner export plate than was traditionally available from producers

He said such a project made sense if one considered that Iscor's corex plant technology and the availability of raw materials made it one of the cheapest steel producers in the world The corex plant, commissioned in 1989, was the first steel-making plant in the world capable of using low-grade, power station coal instead of coking coal

Macdonald said the new capital-intensive mill, based on successful examples built in the US, would probably be located at Sishen or Saldanha Bay and would generate additional exports to the tune of about R980m He said one of the fastest ways to generate foreign exchange was the beneficiation of raw materials

While Iscor might have short-term capital constraints, its know-how was essential for the proposed project He also mooted the possibility of allowing other participants in the project

In response to falling steel markets around the world, Iscor's capital expenditure plans were limited Its review for the year to June 1991 said no new major projects to increase basic steel-making capacity or to modernise plant would be undertaken in the next four years

Van Wyk said much would depend on the economic viability of the scheme, particularly in terms of keeping up with new technology and in terms of Iscor's eventual need to replace redundant plant

Impact study for smelter is delayed

B Day 10/7/97
JONO WATERS

THE environmental impact assessment report on the effect of the proposed Alusaf smelter on the ecosystem of the Richards Bay area has been delayed until October. (189A)

But Alusaf technical director Piet de Waal said that while construction could not proceed before the site selection process had been finalised, he did not forsee the project being delayed as a result of the impact assessment.

The assessment team felt certain areas required more research

One area was into the likely effect of fluoride on vegetation.

The new smelter would produce more than 466 000 tons of aluminium, earning R1bn in foreign currency and creating more than 30 000 jobs

SA ferro-silicon exports face dumping probe

THE European Commission said yesterday it would launch an anti-dumping probe of ferro-silicon exports from SA

The probe follows complaints from the commission's liaison committee of ferro-alloy industries which represents about 80% of producers.

There are two producers of ferro-silicon in SA — Samancor and Highveld Steel Neither publishes the volumes it exports

Contacted yesterday, Samancor MD Hans Smith said he had seen the report of the probe.

(189A) JONO WATERS

He does not believe, however, that Samancor is dumping the alloy He says the volume of Samancor's exports to the EC is minor

BIDAY 10/7/92

Highveld Steel's Rand Carbide reduced ferro-silicon production to 70% of capacity in February and then to 45% in November last year due to oversupply of alloys from the East European and Chinese steelmaking plants

SA accused of dumping ferro-silicon

(189A). STAR 10/7/92

BRUSSELS — The European Community Commission is to start an anti-dumping probe of ferro-silicon exports from the People's Republic of China and South Africa

The probe follows complaints from the Liaison Committee of Ferroalloy Industries in the European Community It represents around 80 percent of EC producers

Ferro-silicon is a raw material used in steel production.

Dumping by the two countries had caused European producers of the material to shut down as imports took a bigger slice of the market, the industry association said

Imports of South African ferro-silicon into the EC in 1991 rose to 17 000 tons, about three percent of the EC market, from 4 000 tons, or 0,7 percent, in 1988.

EC imports of Chinese ferro-silicon rose a comparable amount, to 21 000 tons from 4000 tons, during the same period

The South African dumping allegation is based on a comparison between domestic prices there and those of its exports to the EC China's export prices were compared with export prices in other countries that produce the raw material

The EC already has ferro-silicon anti-dumping duties in force against imports from Norway, Sweden, Iceland, Venezuela, Brazil, Russia, Georgia, Ukraine, Kazakhstan, and the republics of former Yugoslavia

Egyptian Ferro-Alloys Co recently avoided dumping duties by promising the EC Commission it would raise import prices — Sapa-AP

PE steel firm looks at export markets

189A

SA is emerging as a major player in a growing world industry as stainless steel tanks revolutionise the international transport of chemicals and hazardous materials

Port Elizabeth-based Welfit Oddy — which already manufactures stainless steel tank containers for about a dozen international operating and leasing companies is now looking for new markets abroad for its expertise

"Resting as it does on the international transport of chemicals, the industry has more potential for growth than perhaps any other sector of the international transport business," says MD Bill Oddy "The box container revolutionised the transport of dry freight — the stainless steel tank is doing the same for liquids, chemicals and hazardous and noxious materials"

CT 30/7/92

And to capitalise on the trend, Welfit Oddy has opened an office in the UK to monitor the international tank trade and to market the company's expertise in tanker manufacture

SA crude steel production posts decline

Finance Staff (189A)

South Africa's crude steel production in the first half of this year dropped by 4,2 percent, or 200 tons, to 4,5 million tons from the same period last year

According to figures provided by the International Iron & Steel Institute in Brussels, monthly SA production in June 1992 at 772 000 tons was, however, slightly up on the 756 000 tons produced in May this year STAR 3/7/92

The drop in SA production is in line with lower output from other industrialised countries

While developing countries lifted steel output by 15,6 percent to 38,9 million tons, the rise was not enough to prevent a 1,9 percent drop in total global steel production to 355,9 million tons

SA remained by far Africa's largest steel producer during the six months, followed by Egypt (1,2 million tons), Libya (367 000 tons), Zimbabwe (300 000 tons) and Nigeria (117 000 tons)

R150m new line from Iscor plant

CT 3/8/92 (18 IR)

Own Correspondent

JOHANNESBURG — Iscor has taken a step further toward beneficiation with the commissioning of a R150m electrolytic galvanising line at its Vanderbijlpark works

The line will manufacture corrosion-resistant body panels for the motor industry and components for the electrical and building industries and makers of steel furniture and home appliances

MD Willem van Wyk said at the official opening on Friday Iscor could now export electroplated zinc coated sheet as well as meet local demand of some 45 000 tons of imports valued at about R100m a year The line had a capacity of 120 000 tons a year, he said

Iscor's capital expenditure programme was primarily aimed at upgrading and maintaining production facilities to world standards and to move more toward value added products, he said

Poor forecast for Highveld Steel

189A

BIDAY 5/8/92

HIGHVELD Steel and Vanadium would reflect depressed world commodity markets in sharply lower earnings for the six months to June 30 1992, but it was likely to maintain a dividend of 30c, analysts said

"Things should start improving both in volumes and prices over the next year if world economies pick up," Simpson McKie analyst Hennie Vermeulen said. Highveld, the world's top producer of traded vanadium, is due to report first-half results from tomorrow onwards.

Vermeulen forecast a 28% fall in attributable income to R34m in the six months from R47,2m in first-half 1991. He expected share earnings to drop 40% to 39c from a previous 65,3c, taking into account the dilution after the issue of new shares to help fund its 50% stake in the Columbus stainless steel project. Final approval of the project, partnered by Samancor, is expected later this year, analysts said

Some analysts declined to specify the expected drop in Highveld's earnings, but said the dividend would probably be maintained in line with earlier predictions by company chairman Leslie Boyd.

Boyd said in February he expected lower earnings in 1992, but because of the company's strong cash position it hoped to maintain dividends. Highveld ended the financial year to December 31 1991 with R250m in the bank, he said.

At the time Boyd predicted significant oversupply in the short term of both steel and alloys linked to steel production, with aggressive pricing in weak US dollars

Dave Russell, of Irish and Menell Rosenberg, said the vanadium industry, where prices have fallen to historic lows, was still under severe pressure because of oversupply and lack of demand. The spot price has dropped to a current $2/lb from $3 in the first quarter of 1991. — Reuter

Good news and bad from Highveld Steel

STAR 6/8/92.

By Derek Tommey 189A

The news today from Highveld Steel & Vanadium, one of SA's major steel producers, is both good and bad

The good news is that the Columbus stainless steel expansion programme in still on course

The bad news is that current business conditions are so terrible that the interim dividend has been slashed from 30c to 20c a share

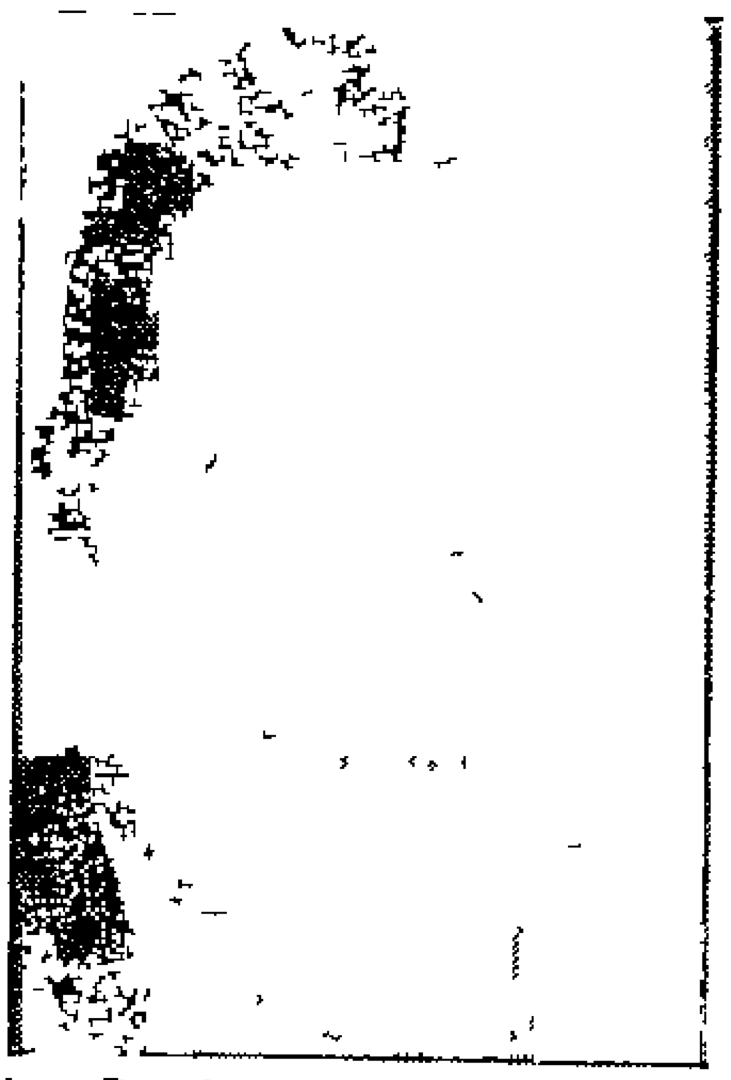
Highveld chairman Les Boyd says the R2,5 billion Columbus expansion project has been approved in principle, subject to successful negotiations with the authorities and the satisfactory finalisation of funding

This is an extremely welcome development for South Africa.

The project is aimed at making South Africa one of the world's three top three stainless steel producers

It should earn billions of rands and help create strong economic growth

The erection of the plant should also give an immediate boost to the hard-pressed construction industry



Les Boyd paints a gloomy picture of the company's markets

Highveld managed to increase its turnover by 7,4 percent in the six months to June

But this was not enough to prevent attributable earnings dropping by 34 percent to R31 million, and earnings a share, as a result of the increased share capital, slumping 46 percent from 65,3c to 35,1c

With the company spending R50,7 million on capital works in the first half of this year and still committed to spending another R120,5 million, the reduction in the dividend is understandable

However, this will be a shock for the market, which has been confidently forecasting an unchanged 30c

With the interim cut from 30c to 20c, it now seems likely that the final dividend, which amounted to 40c last year, will also be significantly lower

Mr Boyd paints a gloomy picture of the company's markets, brightened only by the news that the Columbus joint venture, which operates the stainless steel plant at Middelburg, made significant profits

He says the slump in the construction industry has led to a substantial decline in steel sales

Unless some major industrial projects materialise, no improvement is expected this year

Prices overseas have fallen to such low levels that ironmaking operations there are running at 80 percent of capacity, with a corresponding reduced demand for Highveld's vanadium

And increased competition from Russia and China led to Transalloys, which makes silicomanganese and medium carbon ferromanganese, and to Rand Carbide, which produces ferrosilicon, operating at less than 50 percent of capacity

Mr Boyd says that the South African economy is expected to continue to decline and that local sales of the group's products will remain under pressure in the second half of the year

He expects the group's export business to continue facing strong competition

Unless significant cutbacks take place in world production of steel and alloys and there is a substantial improvement in the US economy, no increases in prices can be foreseen

In the light of these poor market conditions and the uncertain effect of the socio-political climate in South Africa, Mr Boyd expects that earnings in the second half of the year will at best equal those of the first six months

Highveld suffers slide in earnings

(189A)

BDAY 6/8/92.

MATTHEW CURTIN

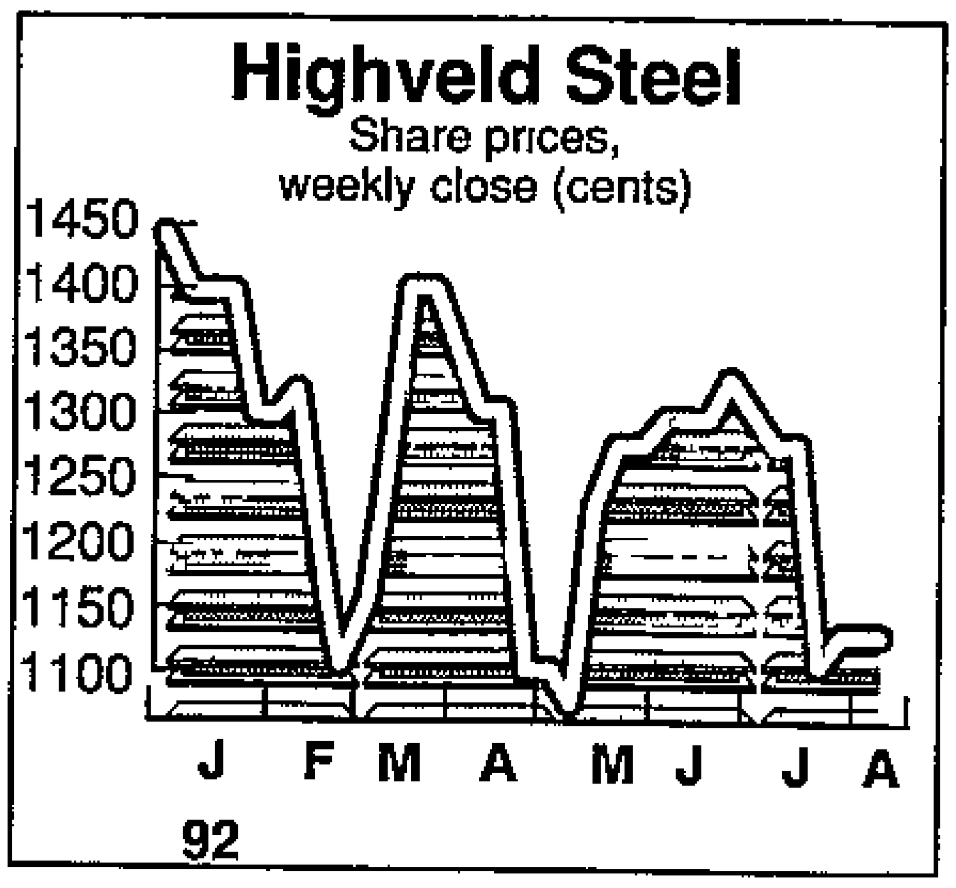
HIGHVELD Steel & Vanadium has reported a 44% slide in earnings to 35,1c a share in the six months ended June, compared with 65,3c at the interim stage last year.

Highveld declared an interim dividend of 20c, against 30c in 1991.

A strong performance by stainless steel producer Columbus Stainless, in which Highveld has a 50% share with Samancor, was not enough to offset the effect of the depressed steel, vanadium and ferro-alloy markets on the Anglo American associate.

Turnover rose only 7% to R696m from R648m. Highveld's pre-tax profit margin slipped to 5,2% from 7,8% as pre-tax profit fell to R36m from R50m. Attributable profit fell to R31m from R47m.

Chairman Leslie Boyd said yesterday the outlook for the current six months was little better than the period under review. Facing stiff competition for its products, a weak local economy, and higher commodity prices dependent on US economic recovery and significant steel and ferro-alloy production cutbacks worldwide,



Graphic LEE EMERTON Source I NET

Highveld's earnings would "at best equal those for the first six months".

Boyd said international steel markets were still under pressure, with forecast consumption in 1992 put at 716-million tons worldwide, 70-million tons lower than peak levels of 786-million tons in 1989. He said prices were low because the steel market

☐ To Page 2

Highveld

BDAY 6/8/92 (189A)

☐ From Page 1

was oversupplied and Highveld's iron-making plant was running at only 80% capacity. "The prolonged economic downturn in SA has had a serious impact on the construction industry and capital investment in general, which . . has resulted in a substantial decline in the corporation's domestic steel sales."

World vanadium consumption had fallen in line with poor demand for steel. Prices had continued to fall, helped on their way down by the re-entry of some producers into the market, he said. Vanadium Technologies recommissioned Rand Mines's old vanadium operation earlier this year, and Rhombus Vanadium might revive its vanadium production after the collapse of its joint venture with Usko last year.

Boyd said R20m modifications to its Vantra plant, enabling it to process 20% of Highveld's output of vanadium slag — waste material from the iron-making works — were complete. The changes would enable Highveld to stay competitive in the vanadium sector. Vantra had also started a project to produce vanadium trioxide, ~~a more~~ competitive product than the vanadium pentoxide currently produced.

Ferro-alloy divisions Rand Carbide and Transalloys operated at less than 50% capacity, faced with weak global demand and cheap material supplied from China and former East bloc countries.

However, Boyd said it was "particularly pleasing that the Columbus Joint Venture has made a significant contribution to the results in the period".

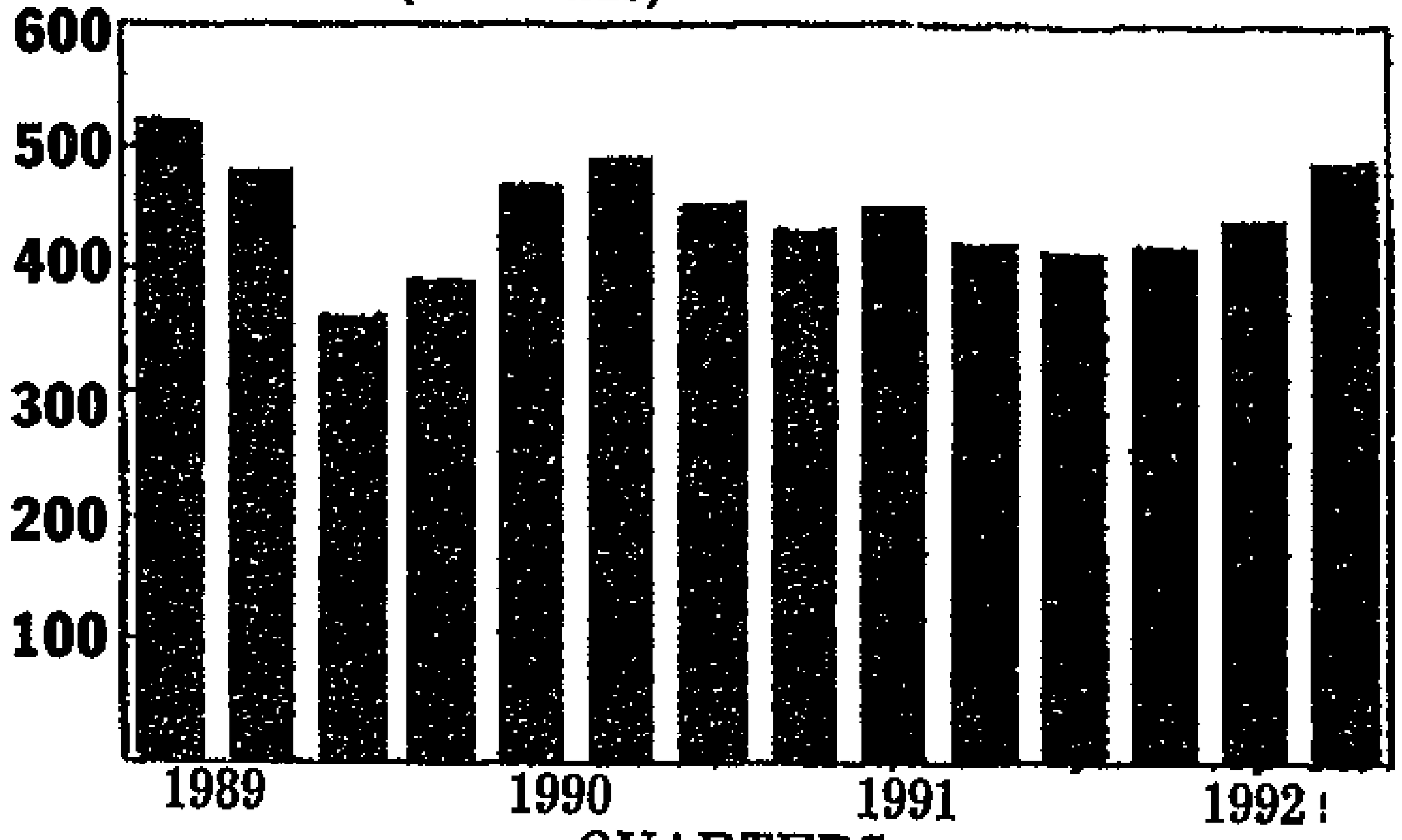
Highveld and Samancor bought the former Middelburg Steel & Alloys from Barlow Rand last year after Barlows decided to reduce its exposure to cyclical commodity businesses. Middelburg's stainless steel plant would form the basis of the Columbus Stainless Steel project, which would turn SA into the world's fifth-largest stainless steel producer.

Boyd said Highveld's board had approved the R2,5bn project. It awaited "successful negotiations with the authorities and the satisfactory finalisation of funding". Columbus was expected to qualify for export tax incentives.

CMI hoping for upturn in US demand

STAR 7/8/92

By Derek Tommey (1894)



US stainless steel production 1989-92.

Consolidated Metallurgical Industries (CMI), the world's second-largest producer of ferrochrome — which is used in making stainless steel — is hoping for a pick-up in demand from the United States

In common with President Bush, whose chances of winning the November election would be improved, it would like to see the US economy expanding to create more jobs

That would result in Americans buying more appliances, houses and cars — all heavy users of stainless steel — and give CMI a brighter future

Chairman David Kovarsky says the company is expecting only slightly better times in the next year or so

But the forecast could alter a little if US demand for stainless steel continues its recent improvement

CMI did well in the difficult conditions of 1991-92, converting the previous year's operating loss of R6,4 million into an operating profit of R14,8 million — a turnaround of R21,2 million

But heavy interest payments took their toll and CMI ended the year with an attributable loss of R5,3 million However, this was a significant improvement on last year's loss of R24,7 million

Mr Kovarsky expects CMI to earn enough money in the present financial year to cover interest payments and make an attributable profit

Consumption of stainless steel continues to improve, reaching a record 10,7 million tons in 1991 despite the recession The experts are forecasting a five percent annual growth rate for the rest of the decade

But world ferrochrome production, estimated at 3,1 million tons last year after providing for plant maintenance and breakdowns, was some 500 000tons more than demand

Consequently, when SA producers raised their price from 49 US cents to 52 US cents a pound in the last quarter of 1991, they lost some market share But it appears that this share has largely been regained

Looking ahead, Mr Kovarsky expects some high-cost operators to stop producing ferrochrome The effect of this on the market could be outweighed by aggressive marketing by subsidised producers in some countries and the possible commissioning of new capacity

But CMI is well placed to cope with the difficult market conditions in the next few years

In the meantime, CMI is investigating ways to reduce further its production costs

Apart from negotiating with Eskom for cheaper electricity, it intends employing at its Lydenburg plant the SRC technology developed by the Japanese, which has resulted in major cost reductions at the Shunan plant

, August 7 1992

CMI remains in 'survival mode'

189A

B/DAY 7/8/92

MATTHEW CURTIN

FERROCHROME producer Consolidated Metallurgical Industries (CMI) has reported an attributable loss of R5,3m in the year ended June 1992, equivalent to 12c a share The company paid no ordinary dividends for the second year running, but declared a mandatory total preference dividend of 29,92c a share

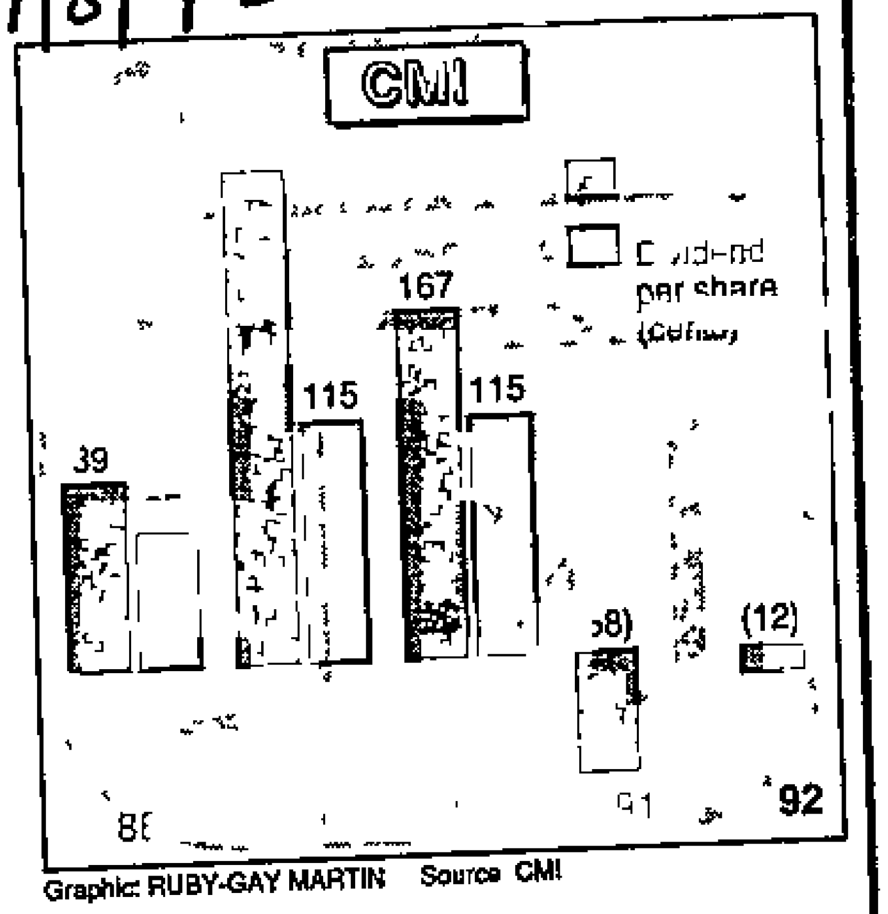
Chairman David Kovarsky said yesterday that CMI's performance was "something of a turnaround".

In 1991, the company turned in a R24,7m attributable loss, equivalent to 58c a share, hit by weak ferrochrome prices and the costs associated with its R181m purchase of Purity Chrome

However, Kovarsky said the prospects for the ferrochrome industry were little more than gloomy He said SA producers were unlikely to win an increase in ferrochrome prices above the current $0,52c level for the next two years

CMI, SA's second largest ferrochrome producer, would stay "in survival mode" It would maintain its cash reserves, and break even after covering its preference dividends in the current year, because of the likely weakening in the rand against the dollar and the improved efficiency of its operations, he said

CMI made an operating profit of R14,9m on turnover of R306m, compared with a loss of R6,4m on turnover of R275m in 1991



Graphic: RUBY-GAY MARTIN Source CMI

It produced an after-tax profit of R4,2m, against a R24,7 loss last year, but this was not enough to cover the R9,4m payment of preference dividends.

Kovarsky said the company was helped by a weaker rand and higher nominal ferrochrome prices, raised by 6% to $0,52 from $0,49 in the December quarter 1991

However, the price increase had wreaked havoc with SA producers' marketing arrangements as it coincided with destocking by customers, and a worsening economic outlook He said CMI's market share shrank as customers shied away from SA material, but the company had all but won back lost orders in recent months

R10bn booster for forex from six projects

S/Times (B455) 9/8/92

By ZILLA EFRAT

SOUTH Africa could boost foreign-currency earnings by more than R10-billion when six industrial projects come on stream in the next five years

They are under scrutiny by the Industrial Development Corporation (IDC) which will partly finance the R29-billion cost of the projects.

Their potential foreign earnings are equivalent to 50% of SA's gold production and they will have a knock-on effect for the economy

The projects are largely export-oriented and are aimed at adding value to SA's natural resources

They focus on the production of steel, stainless steel, aluminium, minerals and petro-chemicals One aims to boost eco-tourism

IDC senior general manager Malcolm Macdonald says the size of the projects makes it difficult for individual companies to undertake them without help

They will receive help in the form of an IDC equity stake or loan finance To fund them, the IDC will have to realise some of its investments in mature projects

Until final decisions are made, Mr Macdonald is reluctant to detail how this will be done

He is optimistic that most of the projects will get off the ground — good news at a time when industrialists say SA's foreign investment prospects look bleak.

Construction of some could start this year

Smelter

The projects are

- The Columbus Stainless Steel venture between Highveld Steel and Samancor — expected to be the first to be given the green light.

It will expand a stainless-steel mill at Middelburg into a world-scale plant with a capacity of 300 000 tons a year

It could cost well over R2,5-billion and be completed by 1996

- Increasing capacity at Alusaf's Richards Bay smelter from 170 000 tons a year to 600 000 The project is backed by Gencor, the IDC and Eskom

It is expected to cost R5,6-billion and generate exports of R2,8-billion annually

- The Flogopite project at Phalaborwa, based on a process developed by the IDC to recover alumina, magnesia and potash out of waste ore from Foskor's mining of phosphate rock.

A demonstration plant is being built at a cost of more than R100-million

If it is successful, a R4-billion plant will be built to make SA self-sufficient in these minerals and a large exporter of magnesia and later of magnesium metal

The venture could come on stream in 1997 and boost SA's foreign trade account by R1,5-billion a year

- A R600-million IDC loan to expand the infrastructure and accommodation in and around SA's national parks

The IDC's investment is expected to be at least doubled by that of the private sector and parks boards

Corex

The IDC has received 11 applications for R167-million and inquiries involving R356-million A total of R25-million has been approved

- A project which could make SA one of the world's lowest-cost steel producers

It is based on the new Corex iron-making process developed by Iscor in partnership with Voest Alpine of Austria

It will enable low-cost iron ore to be economically converted to steel The mill will cost R3-billion and the venture could generate exports of R1-billion a year

A feasibility study is expected to be completed by the first quarter of next year

- A petro-chemical complex based on down-stream processing of gas from Mossgas

A preliminary feasibility study has been completed and studies are being done by Sentrachem and the IDC A detailed proposal could become final by the middle of next year

Cost could be about R11-billion Most of the output would be used for further processing domestically, with 30% being exported initially Improvement of SA's foreign trade balance is estimated at R2,4-billion a year

The IDC is also investigating a host of smaller mineral beneficiation projects Some could involve foreign licence agreements

Mr Macdonald says the IDC is spending R16-million on its investigation of these projects this year

Its aim is to assist projects which can stimulate the economy in the long term, provide jobs and earn money for social spending

BIDAY 10/8/92

Ferrochrome prices

CONSOLIDATED Metallurgical Industries (CMI) MD Zed van der Walt said at the weekend that the company wanted to clarify a report in Business Day on Friday which said the company did not expect ferrochrome prices to rise in the next two years. (189A)

He said CMI did not expect prices to rise above $0,52/lb in the current financial year, but to increase in line with stainless steel prices thereafter, as the growth in the world economy accelerated CMI expected the ferrochrome market to be in balance by 1996, from when there could be sharp rises in price.

CMI/HIGHVELD STEEL (189A)

On the ropes

FM 14/8/92.

Results from Consolidated Metallurgical Industries (CMI) and Highveld Steel & Vanadium (Hiveld) show both taking a pounding as the leading economies stumble towards a recovery that never quite materialises

Ferrochrome producer CMI has returned to operating profitability, but chairman David Kovarsky describes his group as being in "survival mode" Fortunes of the JCI-controlled group, SA's second-largest producer

PROFIT SLIDE

Six months to	Jun '91	Dec '91	Jun '92
Turnover (Rm)	648 2	730,2	696,2
Pre-tax profit (Rm)	50,3	58,9	35,9
Attributable profit (Rm)	47,2	48,4	31,0
Earnings (c)	65,3	64,7	35,1
Dividends (c)	30,0	40,0	20,0

of ferrochrome, appear to have stabilised but CMI could remain on or near the bottom for another three years

A surprise from Hiveld is the cut in the interim dividend In February, chairman Leslie Boyd was hopeful his group could maintain this year's payout, with the help of interest on cash balances — Hiveld had R285m cash at end-December

Instead, Boyd says Hiveld's ironmaking operations continue at about 80% of capacity because of low price levels, while the Rand Carbide and Transalloys divisions are below 50% capacity He forecasts world carbon steel consumption at 716 Mt for 1993, down from 735 Mt in 1991 and 775 Mt in 1990

Demand for stainless steel, by comparison, appears to be holding up fairly well Boyd says the Columbus plant (formerly Middelburg Steel & Alloys) ran at full production and made a "significant" profit contribution

FM 14/8/92 (189A) FOX

CMI: IN THE RED

Year to June 30	1991	1992
Turnover (Rm)	274,6	306,4
Operating profit (Rm)	(6,4)	14,9
Attributable income	(24 7)	(5 3)
Debt (Rm)	216,2	132,8
Earnings (c)	(58)	(12)
Dividends (c)	nil	nil

in the six months to June (see Amic story)

CMI marketing director Alan Kuhnert estimates world stainless steel demand this year at about 10,86 Mt, unchanged from last year His long-term outlook is demand for stainless will grow annually by 5% on average, but he does not expect equilibrium in the ferrochrome market until mid-1995

That is when existing surplus supply should be removed through rising demand and falling production capacity Until then, ferrochrome prices must remain under pressure It suggests CMI shareholders could have to wait three years for an ordinary dividend But Kovarsky feels this view is too pessimistic, as he is hopeful ferrochrome prices will start to firm as the oversupply is whittled down

He hopes CMI will break even this year after reducing the attributable loss to R5,3m in the year to June (1991 R24,7m loss)

The ferrochrome price now is a nominal US52c/lb, though the price received by CMI and the other ferrochrome producers is lower because they grant discounts of up to 7% to customers, depending on volumes Kovarsky won't disclose CMI's actual average price received

Consumers reacted violently when CMI, Samancor and CCT picked the price up at the end of last year, to 52c from 47,5c and then cut production to make the new level stick as customers sought alternative supplies Kovarsky reckons the SA producers' market share has been largely regained However, CMI is still not working at full output and market conditions plainly are not going to allow the further price rise to 55c/lb being sought by industry leader Samancor

CMI turned in an excellent operating performance, with production costs rising only 3,7% in the year to June Kovarsky says some high-cost overseas producers will have to close "We are one of the cheapest producers in the world and are struggling," he adds

The financial legacy of the acquisition of the Purity plant at Rustenburg weighs heavily on the CMI results Operating profit of R14,8m (R6,4m loss) was swamped by R10,6m (R19,4m) interest payments and the R9,4m (nil) preference dividend

The pref issue brought debt down to R132,8m (R216m), reducing the debt equity ratio to 46%, a level CMI will have to live with for a few years Kovarsky says the group intends operating within a 50% debt equity ratio Dividends on the pref shares have to be paid, even if CMI has to borrow the money, as it did in the 1992 year

Brendan Ryan

Steel-makers lift SA price by 50%

S/Times (Buss) 16/8/92

(189A)

PROTECTION of SA's steel industry raises domestic prices by up to 50%, say industry sources

By CIARAN RYAN

The knock-on effect on the economy is extensive For instance, the motor industry blames high steel costs for the rising price of new cars and falling sales.

Costly steel is a key reason for exports of manufactured goods to be subsidised by the taxpayer

Some steel users say they are able to obtain discounts from Iscor by effectively allowing it to share in their general export incentive scheme (GEIS) benefits.

Two leading members of the steel industry are under investigation by the European Economic Community for alleged dumping.

The EEC charges that Samancor and Highveld Steel are dumping SA ferrosilicon and manganese castings.

Wave

Industry observers say the steel industry's two-tier pricing system may be next in line for investigation by anti-dumping authorities.

SA steel exporters managed to avoid the recent wave of anti-dumping investigations by the US after discussions between the American authorities and the Department of Trade and Industry to determine an acceptable level of imports

Robin Bosomworth, chairman of the Independent Wire Converters Association, says steel users in SA pay up to 50% more than their foreign counterparts because of natural and artificial protection.

Mr Bosomworth says "Steel is a major manufacturing input So long as the steel cartel, controlled by Iscor, is allowed to dictate prices, we will have administered inflation It is killing our secondary industries."

"Although import tariffs on steel are only 5% to 10%, the cartel has started to use anti-dumping laws to protect themselves This is in addition to the enormous natural protection they get from the weak rand and high freight costs"

Iscor operates a two-tier pricing system More than half its production is sold at world prices, which are between 30% and 50% lower than here. Domestic users say they are subsidising exports.

Iscor says two-tier pricing is common among world steel producers. It is forced to export below the domestic price to recover fixed overheads.

But exported steel in European countries is generally 3% to 5% more expensive than the domestic price compared with 30% to 50% in SA, says Mr Bosomworth. The domestic price for wire rod in Germany is $300 a ton compared with the export figure of $290 — a 3,3% difference.

Mr Bosomworth says the same product sells in SA for about R1 250 a ton compared with the export price of R750 — a difference of 60%.

Frankel, Max Pollak, Vinderine Inc analyst Kevin Kartun says Iscor's profitability has been hit by an increasing share of production sold abroad.

For the first six months of the 1989 financial year, 68,7% of Iscor's production was sold in SA. Earnings a share were 23c. For the first six months of 1992, exports accounted for 51% of sales This was one of the main reasons for Iscor's drop in earnings a share to 9,2c, says Mr Kartun.

World steel prices have slumped because of the recession, squeezing Iscor's earnings Highveld Steel & Vanadium chairman Leslie Boyd says SA steel use in 1992 is expected to be 716-million tons compared with 786-million in 1989

An Iscor spokesman says "Iscor sells its steel products in SA at market-related prices that are in line with our production costs. We are producing at full capacity to reduce unit costs."

Mike McDonald, the Steel and Engineering Industries Federation of SA (Seifsa) economist, says although tariffs on steel imports are relatively low, a system of reference prices makes it difficult to import at below the SA price

The reference figure is supposed to be the "correct" price of steel on the international market, says Mr McDonald. In practice, the reference price is the SA price

If steel is imported at, say, R1 000 a ton where this is equal to or higher than the SA price, the importer pays a duty of between 5% and 10% on average. But if the importer brings in steel at R500 and the reference price is R1 000, a formula duty is imposed It brings the imported price into line with the SA price. In this case, the effective protection is 100%.

Hugh Brown, chairman of Standard Engineering, says the company has been able to buy steel at prices slightly above international quotes. But when market conditions recover, Iscor will be less willing to grant discounts, says Mr Brown.

Car and component manufacturers are reluctant to import steel because it would lower the local content of the vehicle and reduce the Phase Six rebate, says Denzil Vermeulen of the National Association of Automobile Component and Allied Manufacturers (Naacam)

Import tariffs were adjusted in October 1991 on cold rolled and galvanised flat products "to incorporate the latest overseas published domestic prices, shipping rate and rates of exchange," says Iscor.

Arbitrary

The previous import tariff adjustment was 1985. Cold rolled sheet sells for R1 730 free-on-board in SA against an international price of R1 350 — a difference of 22%

Critics charge that import tariff adjustments were unnecessary because the collapsing rand and SA's geographical remoteness provided natural protection. Iscor's application for increased protection on wire rod and long steel products was turned down by the Government last year

Anti-dumping laws provide further protection. An importer can be investigated for "disruptive competition" — a definition so broad it can include anyone importing cheaper than SA producers

Mr McDonald says SA's anti-dumping laws rely on the arbitrary selection of foreign benchmark prices Anyone importing below the benchmark price can be accused of dumping

Mr Bosomworth says few steel users are prepared to stand up to the cartel because they enjoy high levels of protection themselves and are "bought off" with lower prices.

Iscor plunges on rumoured poor results

18A

TOM HOOD, Business Editor

WITH Iscor's results for the June year-end expected in a few days, the share price has plunged to a new low of R1 — half the issue price and 35 percent of its peak of R2,80

Iscor has been hit by depressed sales volumes in local and international steel markets

The steel giant had 220 000 shareholders when it was privatised — more than any other company — but many disillusioned investors have sold out and institutions have snapped up shares at bargain prices.

Arg 19/8/92

Analysts forecast total dividends of about 6c, down from last year's 11c and 1990's 17,6c. This year's interim was cut from 4,5 to 3c.

- Strikes at **Toyota SA** cost R855 million in lost sales. Earnings plunged by 74 percent to R11,8 million (R46 million) for the six months to June The company, which paid a 19c interim last year, is paying nothing this year to conserve its resources
- **Protea Assurance** recovered to show a net profit of R12 million after an R8,7 million loss a year ago The improvement follows a decision to eliminate unprofitable business and last year's underwriting loss of R18 million, which has been turned round into a R992 000 profit Interim dividends have been resumed with a 25c payout, which will give shareholders R1,9 million
- Cape retailer **Mas Holdings** is negotiating exports of clothing and crockery to Kenya and Zambia to offset falling sales in South Africa

, August 21 1992

Samancor faces poor conditions

BDAY 21/8/92.

(189A)

JANE ARBOUS

SAMANCOR, expected to report reduced earnings for the third consecutive year on Monday, still faces weak trading conditions in its commodity markets

Analysts said Samancor, the world's largest producer of manganese ore, chrome ore and ferrochrome, would cut its total dividend by 15c to 95c for the year to June 30 Some said it could be as much as 30c

"The world ferrochrome market is not looking as bad as it was," stockbrokers Irish & Menell Rosenberg analyst Dave Russell said

"The production shutdowns by the industry earlier this year have helped to stabilise an oversupplied market."

Most analysts forecast a fall in earnings to 143c-140c a share in 1991/2 from 216c, but noted that the earnings were diluted following Samancor's 50% stake in the Columbus stainless steel venture.

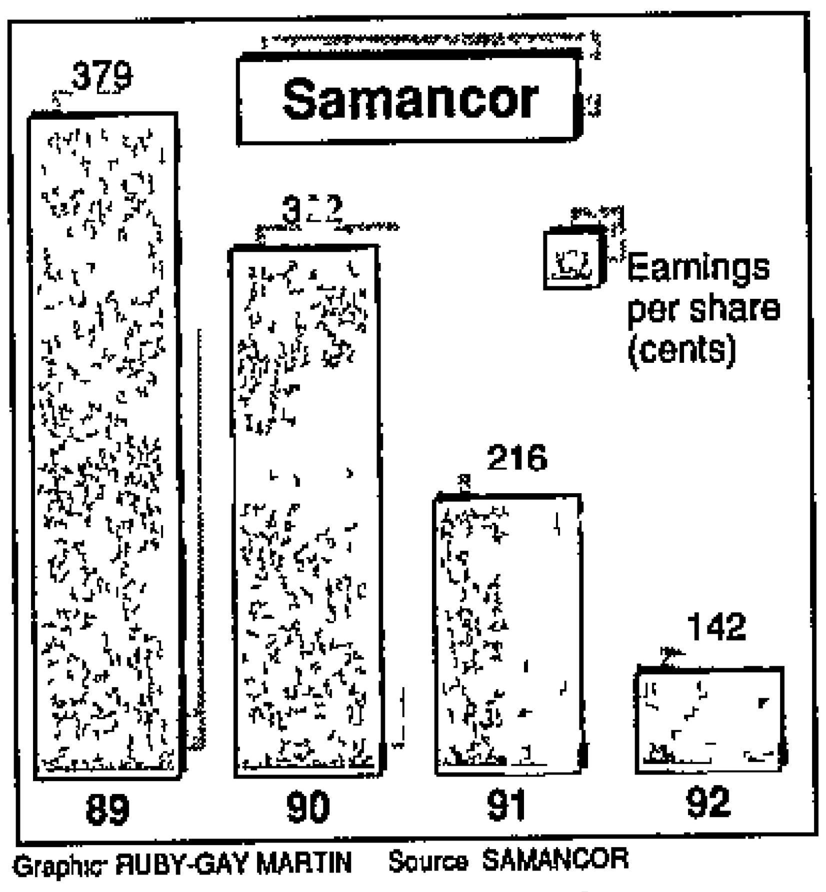
Hennie Vermeulen of Simpson McKie said the earnings drop would be less pronounced in his forecast attributable income of R262m versus a previous R362m

He predicted an average fall of 25% in total volumes

Russell said the manganese market, historically Samancor's largest contributor to total revenue, had been hard hit in the past year. He said cuts in capacity were offset by a lower prices which were linked to a poor stainless steel market

Russell said the manganese ore market was still under pressure, partly the result of increased sales from eastern Europe

"New capacity in Australia and Burkina Faso in the coming year will add supply to an already oversupplied market, and further price weakness may occur," he said.



Graphic RUBY-GAY MARTIN Source SAMANCOR

Prices for manganese ore had fallen from £4,00 a ton during 1989-91 to a current £3,35-£3,55, he said

Commenting on the state of the ferrochrome market, Vermeulen said a production shutdown earlier this year had wiped out excess stockpiles

"The shutdown would have helped Samancor's cash flow, but I expect working costs to have increased by about R75m," he said

It was not clear whether all Samancor's furnaces were back up yet, but even if they were they would not be running at full capacity

He noted recent statements by Consolidated Metallurgical Industries (CMI), SA's second biggest ferrochrome producer, that most of the country's ferrochrome furnaces were running at 75-80% of capacity, and would only go up to 90% when oversupply shrank further

Analysts said they expect Samancor to have regained market share lost when the industry put up the price. — Reuter

Samancor sets its sights on global connection

BDAY 25/8/92 (189A)

MATTHEW CURTIN

HANS Smith, MD of integrated ores and alloys producer Samancor, is remarkably cheerful for a man whose company has just pulled through a torrid financial year. The carbon steel and stainless steel markets continue to bump along the bottom of the commodities cycle, and Samancor's marketing strategies have been vehemently criticised and attacked by American customers

Smith has no doubts the current financial year may be tougher than 1991/92. But he is cheerfully confident that Samancor's cash position, established by its decision to close production facilities and to reduce inventories, will give his group a competitive edge, and provide the foundation for long-term growth

Samancor had net cash reserves of R102m at December 31 1991, but by June 30 they stood at R270m. And that was after the group had spent more than R300m in buying its share of Middelburg Steel & Alloys (MS & A) and Genmin's stake in the Metals Manganese Company.

The world economic slowdown has, for Samancor, coincided with several unforeseen events which combined to bring down the wrath of customers and some analysts

Samancor and fellow ferrochrome producers increased the price of ferrochrome in the December quarter 1991 to $0,52 from $0,49 a pound in spite of sluggish demand. In mid-September, Samancor and Highveld Steel & Vanadium, the joint venture partners in the Columbus Stainless Steel project, acquired MS & A from Barlow Rand

Samancor swallowed MS & A's ferrochrome plant, increasing its capacity to more than 1-million tons a year and entrenching its position as the biggest player in the ferrochrome market MS & A's considerable ferrochrome stocks were included as part of the R250m purchase price.

In early February Samancor announced it was closing its ferrochrome furnaces for three months Stainless steel producers reliant on SA material smelled a rat and turned their backs on Samancor. They were miffed that the group could increase prices, take out a local competitor and then try to fix the market by stopping production, all in the middle of a recession when Samancor had advanced plans to go into stainless steel production itself.

Smith says their perceptions were wrong. Their fears that ferrochrome deliveries would be affected were unfounded The MS & A deal was driven by the savings the joint-venture partners could make by expanding existing capacity rather than building the project from scratch Estimated capital costs in today's terms fell from near R3bn to a little more than R2b. Smith says the elimination of a rival local ferrochrome producer was simply "the cherry on the top", as was the acquisition of Rand Mines' large chrome reserves

But Samancor was left with huge ferrochrome stocks and weak demand for its output Customers were able to substitute stainless steel scrap for ferrochrome at significantly lower prices compared with SA material. It seems customers who dealt with MS & A and Samancor before the takeover were reluctant to take all their material from the one supplier, and switched to other producers in SA and abroad.

With cash reserves low, Samancor faced the problem of financing a huge ferrochrome stockpile. Analysts point out variable costs make up 70% of total costs in the ferrochrome business, and it became clear to Samancor that closing the furnaces made sense.

Smith says the group had to pay R100m in fixed costs, but the cash savings were invaluable. "Cash is king at the bottom of the commodities cycle," he says "Commodity managers who don't manage cash flow at the bottom go out of business" Clearly he has at the back of his mind competitor Consolidated Metallurgical Industries — whose improving operating performance is not enough to offset interest payments — and Iscor, where debt is squeezing operating profit too

Smith says his chrome division managers were not happy to sacrifice profits for improved cash flow, but there was never any prospect that Samancor would not meet its customers' requirements Stocks were ample

The cash pile immediately brings to Samancor the ability to ride out another tough year, and the ability to fulfil at least its first obligations to Columbus without having to resort to a rights issue or borrowings

What excites Smith, however, is the long-term flexibility it gives the group "It is not possible for Samancor to maintain its growth of the past 10 years in a SA context We need a global basis to do that" It is a problem which has proven the catalyst for the expansion by Sappi and Mondi into the European pulp and paper business They wanted to avoid being simply producers of raw materials, with expanded but finite local capacity, dependent on growth in world demand for their product, without the scope for continually adding value to it

Smith says the group's ambitions overseas may range from acquisitions to "contracts, alliances and small shareholding swaps" And he seems to hint at more than a passive approach to the stainless market when he adds that, as the MS & A deal showed "A recession is the time for finding the best opportunities and best deals"

LETTERS

Samancor share earnings fall 30%

(189A)

B/DAY 25/8/92

MATTHEW CURTIN and JONO WATERS

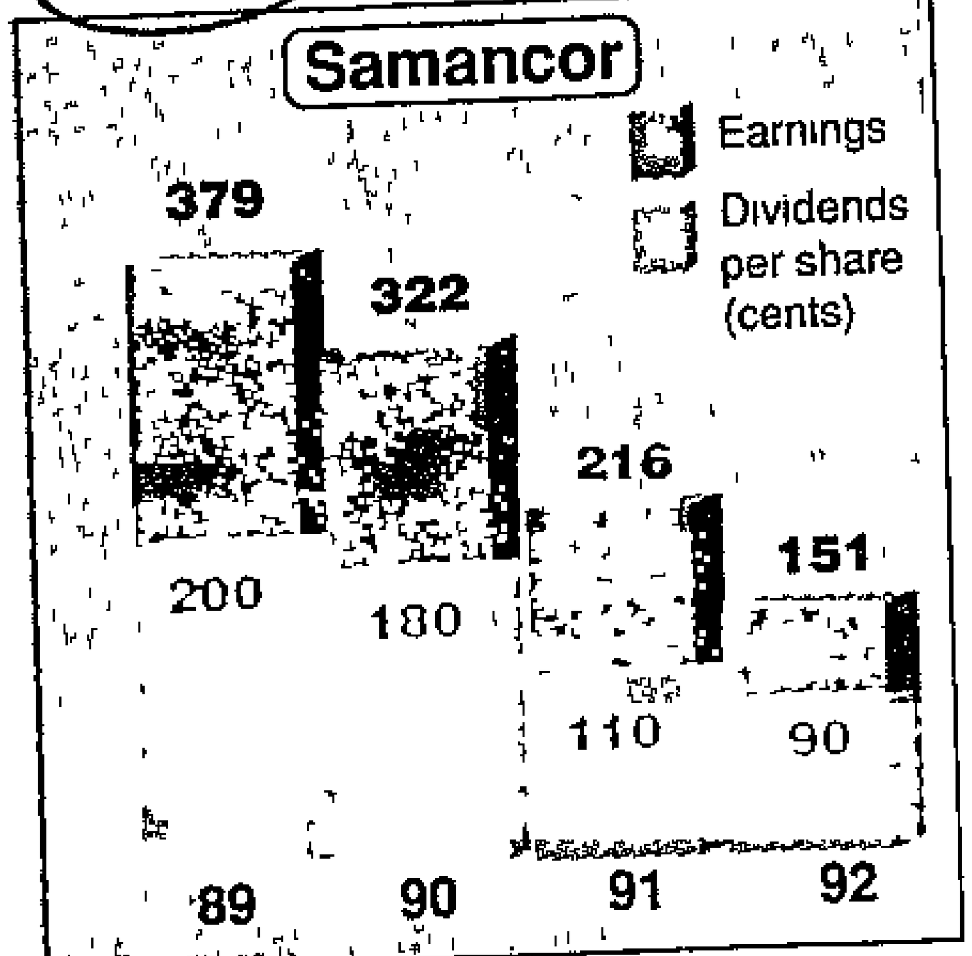
SAMANCOR has reported a 30% fall in earnings a share in the year ended June 1992, as profits were hit by weak demand and low prices for its ore and ferro-alloy output

Earnings fell to 151c from 216c a share in 1991, exceeding market forecasts Samancor declared a total dividend of 90c, 18% lower than last year's 110c

The group has emerged with a strong balance sheet, enabling it to meet its commitments to the multibillion-rand Columbus Stainless Steel expansion project without having to raise extra finance through a rights issue or borrowings

MD Hans Smith said yesterday Samancor was well placed to consider expanding its interests overseas, a tactic which was vital if the group was to maintain its growth of the past 10 years However, Samancor faced a tough year ahead and would be hard-pressed to match this year's earnings.

Group turnover rose more than 14% to R2,06bn (R1,81bn), but this included R449m stemming from the acquisition of Middelburg Steel & Alloys (MS & A), Rand Mines' chrome assets and Genmin's stake in the Manganese Metal Company in September last year Excluding those assets, turnover



Graphic LEE EMERTON Source SAMANCOR

To Page 2

Samancor

B/DAY 25/8/92.

(189 A)

From Page 1

fell 11% to R1,62bn

Samancor received lower prices for its manganese alloys, although sales volumes increased slightly Although dollar prices achieved for manganese ore and chrome ore sales were only marginally lower, the contract price for manganese ore for the year ended March 1993 was 12% lower, reflecting the depressed state of the carbon steel market

Smith said net ferrochrome prices were higher year on year Although nominal prices had increased by 6% in the December quarter to $0,52 a pound, discounts on those prices had also risen

Pre-tax profit fell 32% to R384m (R567m), with the group's pre-tax profit margin falling to 19% from 31% last year Samancor's tax bill was cut by nearly 50% to R114m (R211m) produced, and after-tax profit fell 24% to R270m (R357m)

Income from associates increased nearly four times to R21,4m (R5,97m) Smith said Columbus Stainless, formerly the steel division of MS & A in which Samancor has a 50% stake, had turned in record profits since Samancor had acquired its stake in it After a slow start it was operating at full capacity

Samancor's other associate companies include Elektrode Maatskappy, Polyfos, the Marico Chrome Corporation and the Bophuthatswana Chrome Corporation

Attributable profit fell 23% to R277m (R362m) Capital spending was marginally higher at R117m (R107m) Fixed assets nearly doubled to R1,183bn (598m) as a result of Samancor's acquisitions

"Taking into account the tough market conditions in the year, management has done remarkably well in managing the group's assets," Smith said He was particularly pleased with the strength of Samancor's balance sheet, especially after absorbing the costs of its acquisitions

The decision to close ferrochrome furnaces for three months cost the group R102m in unabsorbed fixed costs, but savings on variable costs improved net cash reserves from R102m at December 31 1991 to R267m (R446m) at year-end

Smith said Samancor was aiming to achieve higher ferrochrome prices of $0,55/lb, "necessary for the good of suppliers and consumers alike" Higher prices would stabilise supply and demand, and forestall imbalances and volatile prices which hit the market in the late '80s

Chrome division GM Wilrich Schroeder said 47% of world production was uneconomic at current prices "Market pressure will take its toll sooner or later, forcing higher prices or cutbacks in production" Ferrochrome furnaces were operating at an average of 65% of capacity

Manganese division GM David Munro said his plant was working at 70% to 75% capacity The condition of the manganese market depended on a recovery in the carbon steel market, itself dependent on an improvement in world economy which might not arrive until late 1993

See Page 16

Samancor in far better shape than competitors

STAR 25/8/92

(189A)

By Derek Tommey

Samancor, the world's biggest producer of manganese and ferro-chrome, is marching with flying colours through the worst commodity slump for almost 60 years.

Attributable earnings in the year to June dropped only 26 percent to R267 million

It is paying a dividend of 90c a share on its increased share capital, which is only 20c less than last year's 110c

And there is a cherry on the top despite paying out more than R300 million in cash for its interests in the Columbus Joint Venture and the Metals Manganese Company, it finished its financial year with net cash holdings of R267 million — R165 million more than at the end of December

MD Hans Smith said at a press conference in Johannesburg last night the market for the firm's products was a tough one

He said commodity prices were under tremendous pressure and he could not see the situation changing until the world economy picked up

But Samancor had been able to weather the downtrend in the commodity cycle, with the result that its earnings and balance sheet were in better shape than those of competitors at home and overseas.

Mr Smith paid tribute to his management team for the outstanding results

He said he was looking for a 3 US cents a pound increase in the price of ferro-chrome to 55c a pound in the next nine months

This would be in the interests of both consumers and producers because even at a price of 55c, about 47 percent of the world's ferro-chrome was being produced at a loss

If the ferro-chrome price did not improve, many producers would have to close

This could lead to a repetition of the situation some years ago when a jump in demand after a slump led to the ferro-chrome price soaring, and eventually reaching $1 a pound.

He did not think that consumers wanted to see this happen again

The board of Samancor had approved in principle the Columbus Joint Venture, he said

This would increase stainless steel production in three years' time from its present 120 000 tons to over 600 000 tons a year

The final go-ahead was subject to the escalated capital cost not exceeding R3,1 billion

Tenders were going out for the capital equipment and total costs should be known by the end of this year Mr Smith thought they would be below R3,1 billion.

He said Samancor could take advantage of depressed conditions overseas in the ferro-chrome and ferro-manganese industry to increase its asset base.

It did not necessarily mean investing millions in foreign companies

Samancor was also looking to forge links with foreign operators

Developments of this sort were necessary if Samancor was to maintain the rate of growth of the past 10 years Samancor could not do this if it operated solely in South Africa

Turnover in the year to June was R2,06 billion, of which R449 million arose from the purchase of Middelburg Steel & Alloys' ferro-chrome operations and Rand Mines' chromite assets — giving Samancor control of 80 percent of SA's chromite

Pre-tax income was R384,4 million (R567,4 million) and taxed income R270,0 million (R356,6 million)

Earnings on a capital increase from 167,3 million to 189,0 million shares was 151c (216c).

A final dividend of 50c (70c) has been declared, making a total payment of 90c (110c) for the year

Rand close

THE rand pared early losses in steady trade yesterday, helped by the release of very poor US durable goods figures for July which saw the dollar drift easier, dealers said

They said the 3,4% drop in US durable goods was worse than market expectations

The commercial rand was last indicated at R2,7445/60 to the dollar versus Tuesday's R2,7400/15 The financial rand was weak at R3,76/78 from R3,72/74 — Reuter

Interest payments hammer Iscor profit

(189A)

CT 27/8/92

From MATTHEW CURTIN

JOHANNESBURG — Crippling interest payments hammered Iscor's results in the year ended June 1992 Earnings a share fell 45% as the group's debt burden compounded the impact of weak local and international demand for the steel company's products

Iscor reported earnings of 18,5c (33,4c) a share, anddeclared a total dividend of 6c (11c) a share, maintaining dividend cover at three times

An Iscor spokesman said last night it would be "extremely difficult to match this year's performance" in the current financial year

The group sold a record 6,04-million tons in the year, up 6,6% from 1991, thanks to a 22% increase in export volumes, contributing 53% of total tons sold

However, Iscor's profitability sagged Domestic sales fell more than 5%, and the increase in exports coincided with an 8% fall in dollar export prices

Turnover rose nearly 17% to R8,6bn (R7,4bn), but net operating profit fell to R748m (R874m)

The operating profit margin fell to 8,7% from 11,8% last year

The real blow to performance was the jump in interest payments to R403m (R257m), which slashed attributable earnings to R346m (R624m) The group's interest cover fell to 1,9 times (3,2), while its debt-to-equity ratio increased slightly to 30,2% from 29,4%

Iscor has paid the price for timing its R4bn expansion programme with the slowdown in the local and world economies Capex fell to R852m (R1,3bn) and will tail off sharply, but the group still has to service its multimillion-rand debts, including more than R1bn in long-term borrowings

Analysts say the pressure is now on Iscor's financial management Finance charges rose R110m in the first half of the year, but only by R170m year on year

SAMANCOR FM 28/8/92 (189A)

Cash flow the priority

Predictably, Samancor, the country's largest producer of manganese ores and ferrochrome, has had a torrid 1992 financial year Profit available for distribution fell 26% and the dividend was cut 18% to 90c

The decision to maximise cash flow at the

continued →

FOX

MELTDOWN

Year to June 30	1991	1992
Turnover (Rm)	*1 806,0	2 063,9
Pre-tax profit (Rm)	567,4	384,4
Attributable (Rm)	362,2	277,1
Earnings (c)	216	151
Dividends (c)	110	90

FM 28/8/92 (189A)

expense of profit was the overriding influence on results The decision to suspend the group's ferrochrome facilities from February 20, taken in the face of falling world prices and weakening demand, increased Samancor's cash pile to R267m by year-end But it cut profit R102m

Not even a substantial improvement in turnover, which rose 14% to exceed R2bn for the first time, could offset the deterioration in reported profit

The turnover increase was attributable largely to Samancor's acquisition trail in a year when it participated in the purchase from Barlows of Middelburg Steel & Alloys and bought Rand Mines' chrome assets Shareholders must simply take the medicine

There is more bad short-term news in the pipeline The contract price negotiated by Samancor for its manganese ores for the period to end-March next year is 12% lower than the average achieved in 1992 Ferrochrome prices are marginally better on Samancor's contracts, at 52c/lb, compared with 1992's 49c, though it's nothing to write home about

All this leads to the forecast for 1993 — and shareholders shouldn't hold their breath in expectation of a recovery Group profits, say the directors, "will remain under pressure until an improvement in the major world economies leads to an upturn in commodity prices "

There is a solemn warning here if prevailing conditions do not improve, according to the board, "the group will be hard-pressed to maintain earnings "

But it's not all gloom The company's cash reserves are now such that it should be able to meet its share of the projected expenditure of R3,1bn on the Columbus stainless steel project being undertaken in a joint venture with Anglo American Corp without resorting to borrowings or a rights issue At least that's something

MD Hans Smith is reported as saying that there are opportunities for Samancor to begin a cautious approach to an international expansion programme Well, SA companies have burnt their fingers before in ventures abroad Samancor will no doubt have learnt the lessons In any event, projects outside of SA usually take time to bring to fruition, so it will be some years before Smith's dreams turn into bottom-line reality

Samancor is trading on a p e of 16,1 In a severe world recession that shows no short-term sign of lifting, that is probably a generous pricing level Potential investors would be wise to wait for a turn in international economic events before venturing into turbulent waters

David Gleason

COMPANIES

Focus on ferrochrome price war

MATTHEW CURTIN

SA FERROCHROME producers are declining to comment on what may be an increasingly intense price war as slow growth in demand for stainless steel and oversupply hit the ferrochrome market

Market sources in the US said yesterday that ferrochrome was available on the free market in the US at between \$0,441 and \$0,446/lb, compared with the nominal SA producer price of \$0,55 (189A)

Free market prices there were also lower than the price paid by stainless steel produce Armco Butler of \$0,465 for a recent contract for SA ferrochrome.

In Europe, supplies of Russian material were being sold at only \$0,39 to \$0,40, well below Metal Bulletin spot market prices of \$0,45 to \$0,47/lb B/DAY 28/8/92

Sources said free market prices had fallen so far below the producer prices, to which discounts were applied, that contract prices were rendered meaningless

They believed many stainless steel producers were no longer buying ferrochrome on contract as they were satisfied they could meet their needs from non-SA suppliers or the spot market

Bargain hunters swoop on Iscor

(189A)
ARG 29/8/91

MARC HASENFUSS
Business Staff

"RUST in Peace" might be the likely epitaph for the multitude of small shareholders that hold 180-million shares, or 10 percent, in Iscor

But not everyone is despondent The share shot back 4c to 104c on Thursday as bargain hunters snapped up the share on a long-term view

This week the steel giant reported a 45 percent drop in earnings to R346-million for the year to June. The dividend was slashed by the same margin to 6c a share

In spite of the wrath of the economic downturn, Iscor's recent performance is still way out of kilter with the optimism expressed by the group and the market at listing near the end of 1989

In the three weeks running up to the release of the year end results Iscor's share price dipped from 114c to bottom at 99c as almost nine-million shares changed hands

This is indicative of small shareholders bailing out of the share they initially saw listed at 200 and peak at 280c The group's current net worth a share is a distant 361c

Prospects of a recovery in the short to medium term look brittle as well

In his comments on the results, chairman Mr Marius de Waal said Iscor's results were closely tied to the domestic and international economic cycles

"Dollar prices of steel and iron ore are consequently expected to remain weak for some time yet. The domestic market also continues to weaken."

Under such conditions it would be extremely difficult for Iscor to match this year's performance, he conceded

There's also a cash-flow problem Iscor's greater use of borrowings in the past year saw long-term loans rocket to R1,7-billion

This rippled into the income statement via a 73 percent increase in finance charges to R403-million and marred an almost acceptable 14 percent drop in profits at operating level.

Iscor's managing director indicated that finance charges could peak at R440-million before starting to drop off.

Iscor's recovery depends on the predicted recovery in the global market in 1993 which could bode well for steel prices Production capacity has been increased in anticipation of the steel market recovery.

Better management of borrowings and working capital is also essential. Capital expenditure was cut last year to R852-million from almost R1,3-billion and the group is currently investigating ways in which to ease the cumbersome debt burden.

A rights issue is obviously out of the question.

Night and weekend work aids Samancor

S/Times (BUSS) 30/8/92 (189A)

SAMANCOR managing director Hans Smith says it suits him that Samancor's plants are running at only 75% of capacity because costs are lower.

Forget the theory about economies of scale.

Eskom's newfound flexibility in setting power tariffs means cheap electricity at nights and weekends. Samancor can therefore keep its furnaces simmering during the day and turn on the heat in off-peak periods.

Mr Smith says: "At 75% of capacity Samancor can produce at the minimum cost a ton The extra cost to produce that additional ton of alloy is too high to justify at current product prices."

He presented Samancor's results for the year to June to members of the Investment Analysts Society this week. Mr Smith departed from the usual mode by talking for 10 minutes and replying questions for the next 50

Samancor's products include a variety of permutations deriving from ores of silicon, manganese and chromium

Most of the past year's profits came from the manganese division Turnover of R2-billion benefited to the tune of R449-million through the acquisition of Middelburg Steel & Alloys. Otherwise it would have fallen by 11%. The R267-million available for distribution was down a quarter on the previous year, working out to 151c, of which 90c was paid in dividends.

Mr Smith admits to a small loss from the chrome division after absorbing R102-million because of the three-month closure Chrome is about two-thirds of Samancor's business Rival group JCI-managed Consolidated Metallurgical Industries also incurred a loss in the same time

Mr Smith repeats what he said 18 months ago about a fair price for ferrochrome, namely 55c a pound. Taking into account inflation since then, the price should be a bit higher, but contracts are still being written at 52c

"Even at 55c/lb, more than half of the world's production is made at a loss and companies are destroying their balance sheets every time they make a sale.

"There is an oversupply, and we will not see the same capacity constraints that prevailed in the last high-price period in 1988 until 1994 or 1995 at the earliest. Demand and supply must move closer."

Ferrochrome capacity in 1993 is estimated at 3,1-million tons and demand at 2,7-million

Samancor controls 80% of SA's chrome ore reserves, which in turn are the largest in the world. After last year's acquisition of 50% of Middelburg Steel & Alloys, now Columbus, Samancor's strategic stocks doubled It closed its ferrochrome furnaces in an effort to reduce stocks and generate cash

Sales of stock allowed the company to boost its cash balance, depleted by the settlement of R250-million on the Columbus joint venture and R52-million for Genmin's holding in the Metals Manganese Company. At June 30, Samancor had R267-million in the bank.

"Cash is king in a recession," says Mr Smith. It means that Samancor will not be scratching around to fund its share of the proposed R3,1-billion expansion (in escalated terms) at Columbus — at least not for a year or two.

Mr Smith says the project team has a good idea of costs because it put out tenders for contracts when Columbus was a greenfields project No new technology is involved, a combination of the latest stainless steel-making technology will be applied

He expects the go-ahead for Columbus as soon as the estimated capital expenditure is confirmed and financing arrangements are in place

Analysts asked Mr Smith if anything was being done to improve the tradeability of Samancor on the JSE The Gencor house has 50% and Anglo American 25%. Best suggestion came from one wag who suggested that Anglo give its stake to the ANC for redistribution

HANS SMITH: Ferrochrome causing balance-sheet chaos

The analysts were asked to make a forecast of Samancor's share price at results time next year It was R31,50 on the night, which I doubled for next year Someone played a trick on an absentee, writing R14 next to his name

I am working on the basis that in the same way Samancor suffers doubly in a downturn — because users run down stocks and prices are lower — it will get a double boost in the coming upturn, with more sales at higher prices

So far, not too good. The price eased to R28,50 after the results Still, it's early days, but I hope the R14 forecast won't be closest

Clients line up for Alusaf production

BDAY 31/8/92 (189A)

MATTHEW CURTIN

IN THE firmest indication yet that its R6bn smelter will go ahead, Alusaf has had 233 000 tons of new aluminium production, not already tied up in long-term sales contracts, oversubscribed many times by potential customers

Alusaf plans to add 466 000 tons of production a year to its 170 000-ton plant

It is the best sign so far that the project will go ahead, in time to meet increasing aluminium demand in the mid-'90s

Interviewed at the weekend, chairman Fred Roux said the orders were indicative of industry confidence in the Alusaf project and the strength of the aluminium market in the medium term

However, Roux would not be drawn on details of alumina supply or aluminium sales contracts, or how Alusaf's shareholders planned to finance the scheme It is understood the project will be presented for approval to the boards of Gencor Beherend and Gencor soon

Genmin has a 42% stake in Alusaf, but the aluminium smelter is only one of several multimillion-rand projects which require finance within the Gencor group Other commitments include its share of the R3,1bn Columbus Stainless Steel expansion project

Roux said a report in the Financial Times last week that Alusuisse, one of Alusaf's shareholders, was losing confidence in the project was not serious

"Our understanding is that Alusuisse has taken a policy decision to reduce its exposure to primary aluminium production"

The news followed a reduction in Alusuisse's original 21% stake in Alusaf to 15,3% when it did not follow an internal rights issue earlier this year

He said the environmental impact study, a factor delaying the project's possible go-ahead by three months, would be completed in mid-October, with the public having four weeks to react to it The study would decide whether the smelter would be built on Alusaf's preferred site, or on a second one which would increase the project's capital cost by a small amount

Roux said half the new smelter's produc-

☐ To Page 2

Alusaf

BDAY 31/8/92 (189A)

☐ From Page 1

tion of 466 000 tons had been committed to two alumina suppliers, on long-term contracts of 15 years and 20 years The contracts were barter agreements, which amounted to Alusaf operating as a toll refiner for the alumina producers Alusaf would effectively receive 75% of the London Metal Exchange aluminium price in exchange for smelting the alumina

Alusaf had decided not to commit its entire production to these producers, because it wanted to foster downstream industry in SA

Nevertheless, the oversubscription for its spare production was a good indication of confidence in the aluminium business

"Even if demand does not hold up as strongly as it seems it will in 1995 to 1997, Alusaf will still be competitive because it will be a low-cost producer," Roux said

He said Alusaf's project was the only one of several new schemes on the drawing board which was "at the decision stage" It was "highly unlikely" other projects would go ahead at the moment. Competitors' projects depended on a high degree of debt-financing, which would be hard to win from banks, given the sustained weakness in aluminium prices

He dismissed suggestions that existing producers, hit by weak prices — a reflection of slack demand and a flood of cheap Russian material — would benefit from the sort of deal Alusaf had signed with Eskom Electricity makes up about 27% of the input costs in aluminium production, and Alusaf has been able to consider the expansion scheme only because Eskom has agreed to supply power at rates tied to the LME aluminium price

Roux said Eskom's spare capacity, of which Alusaf would use only 10%, made SA unique Utilities abroad did not have the capacity on which to base similar deals

He said the true costs of Russian aluminium production, from smelters situated mostly in Siberia, and an increase in local demand in the former Soviet republic, would start curbing the recent flood of exports In the longer term, environmental considerations might result also in some Russian capacity closing down

Ferrochrome market could be weakening

BDay 1/9/92

189A

The gap between SA and US perceptions of the strength of the ferrochrome market continues to widen, METALS WEEK reported yesterday.

NEW YORK — Despite bullish statements by SA ferrochrome producers, the market shows every sign of weakening in coming months.

In the US there have been tentative feelers between consumers and producers over fourth-quarter prices and quantities. One US steel buyer told suppliers he was offered 5 000 tons of 66% ferrochrome at 38c a pound.

The source of the material was not a traditional supplier, and the origin of the ferrochrome was unknown; at various times it was identified as being from SA, Turkey and the Commonwealth of Independent States.

The unknown factors in that transaction made the proposal moot, and sellers said it was just another inexperienced countertrader being taken by a commonwealth seller. "I doubt whether the material even existed," one dealer said.

A Yugoslavian vessel containing 8 000 tons of high- and low-carbon Etibank ferrochrome was discharged late last week in Tampico. Two other vessels containing about 11 000 tons of Turkish ferrochrome are expected to sail this week and the week of September 20, with almost 20 000 tons of Etibank ferrochrome expected to arrive in the US over the next few months.

But one dealer said most of the Etibank ferrochrome was already committed and the material represented Etibank's normal shipments to US buyers.

Finally, eight-mesh fines are being offered to US buyers at around 41c. North American buyers told Metals Week that if the SA producers wanted to regain market share, they would have to become more competitive on prices.

"Right now there is at least a 15% spread between free market and SA list prices," one mill buyer explained. "No one can afford to buy from SA. And there is plenty of ferrochrome from other sources."

And one analyst suggested that if Armco-Butler had indeed signed a long-term agreement with Samancor for 46,5c ferrochrome this year, it could prove a financial disaster for Armco. "Prices that looked great two months ago are now expensive," he explained.

Supplies are expected to grow due to the increased sales from Macalloy and the expected widespread sale of commonwealth ferrochrome. "Once the commonwealth ferrochrome begins to hit the North American market," one analyst said, "nearby prices could go below 40c and stay there."

The European market is already flooded with commonwealth ferrochrome, and spot prices are around 38c. France's GIRM last week withdrew its offer to sell 2 000 tons of high-carbon ferrochrome as a result of either the falling dollar or unacceptably low bid prices.

Against this backdrop, some analysts are beginning to wonder what action, if any, the SA producers will take. Samancor reported a 23,5% drop in earnings to R277m for the year to June 1992 due to "the depressed state of major western economies".

And in a move declaring victory from defeat, company MD Hans Smith, was quoted as saying that Samancor's strategy — to close all its ferrochrome operations for three months in early 1992 — worked. Production, according to Smith, was in line with customer orders, and capacity was averaging 65%-70%.

The SA producers are expecting to announce their fourth-quarter prices in coming weeks, and the likely outcome is expected to be no change — 52c/lb. But with the differential widening, the producers have the grim choice of either increasing their discounts from a high of 10% to at least 15% for most buyers, or announcing another round of extended production cutbacks. "It's a no-win situation again for the South Africans," one observer explained. "Either way they lose money."

Complicating the situation is the dramatic fall in the value of the US dollar against most other currencies. Netbacks to SA producers, according to one analyst, have fallen by 40% since the beginning of the year.

Still, Samancor's chrome division GM Wilrich Schroeder said the company was relatively comfortable with current prices. Schroeder believes higher prices, with a target of 55c within the next 18 months, are realisable.

Zed van der Walt, MD of Consolidated Metallurgical Industries (CMI), believes stainless steel mills will not deviate from their current practice of buying ferrochrome on contract. CMI's furnaces are operating at above 65% of their 330 000 tons a year capacity.

LETTERS

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BDAY 1/9/92

189A

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LETTERS

CMI gets ferrochrome orders above spot prices

BDAY 2/9/92

(189A)

MATTHEW CURTIN

CONSOLIDATED Metallurgical Industries (CMI), the world's second largest ferrochrome producer, has won ferrochrome orders in the US at prices significantly higher than those on the spot market, says chairman David Kovarsky

Kovarsky said yesterday that despite the prevalence of cheap high-carbon ferrochrome from Turkey, India, Albania and the Commonwealth of Independent States (CIS), CMI was doing "good business in the US" albeit with "special discounts" for some customers

He was reacting to a report in New York journal Metals Week which said the widening gap between discounted SA producer prices and free market spot prices was such that SA producers would have to increase their discounts to do business in the US or shut down their furnaces again

The nominal price for SA ferrochrome set by Samancor, CMI and Chromecorp Technology is \$0,52 a pound, compared with reports of US spot price deals at less than \$0,465 a pound

Kovarsky said there was a great deal of material available in the US, estimated to be at least 90 000 tons of warehouse stocks in May, equivalent to 25% of yearly US offtake

He noted that the US market differed in important ways from Europe and Japan, because of American steel mills' preference for high-carbon material — mostly supplied by the likes of Turkey and the CIS — and traders' willingness to do business on the spot market

CMI was doing fair business in Japan, although falling stainless steel prices led customers to reduce ferrochrome purchases, with non-Japanese suppliers being affected first Kovarsky said Tokyo's new multibillion-yen economic rescue package would boost stainless steel consumption in the longer term

He said he was confident that the ferrochrome market was going through the bottom of the cycle, and prices would rise sharply from 1996 onwards towards levels reached in the boom in the late '80s

"The cycle will repeat itself because only brave backers are likely to put their money behind new projects The ferrochrome business is not attractive at the moment, but with real growth in stainless steel demand in the '90s there will be another ferrochrome shortage which will lift prices," Kovarsky said More than 75% of ferrochrome supply is used in the manufacture of stainless steel

Scrap metal industry feeling the pinch

189A

CT 9/9/92

By ARI JACOBSON

THE scrap metal industry — a reliable guide to the state of the economy — is suffering a similar fate to the rest of industry with incoming scrap volumes falling because of the recession

SA Metal director Clifford Barnett said yesterday the noticeable decline in local manufacturing had filtered through and created a drop-off in volumes of scrap metal being generated

The family-run concern, established in 1919, has a modernised yard that processes the raw material brought in from various industrial sources and passes on the final product to steel mills and foundries

Although some 30 scrap dealers operate in the Western Cape, SA Metal is the only one that follows up the scrap metal process with beneficiation

Family-run SA Metal's Aubrey, Clifford and Graeme Barnett pose in front of the sophisticated machinery used to process and beneficiate scrap metal.

"Its like providing clean feedstock for the steel mills," said Barnett

He dubs this cleansing process "above ground mining" with sophisticated machinery used to remove the waste and so purify the ferrous steel

This beneficiated steel product is sold to, among others, Cape Iron and Steel (the Cape subsdiary of Iscor) and ADE, which provide end products such as reinforced steel and engines

From an environmental perspective Barnett mentions that the recycling process provides a productive outlet for steel scrap "that would literally lie around otherwise and compound the problems of pollution"

Another interesting addition to the production process at SA Metal is the smeltering of copper — which is then exported overseas

"Thats' off to the Far East," says Barnett pointing to a truck load of copper ingots outside in the yard

Barnett says the shortage of incoming scrap volumes has forced the business to search for other areas to source the metal — and so an old helicopter can be found in the yard, locomotives brought in from as far as De Aar and parts of a ship recently stripped down at the docks

And suprisingly SA Metal has also been importing the raw material from Eastern Europe and Central Africa

The business employs about 200 people but has an equal capital intensive base — with a multi-million rand investment in machinery

Barnett points out that the skills for the various jobs, in the scrap metal process, are taught on the job with the machinery in some cases designed and built locally

COMPANIES

Depressed steel markets dent Assore

MATTHEW CURTIN

ASSOCIATED Ore and Metal Corporation (Assore) reported a 4% drop in earnings in the year ended June 1992 as the base metal producer was buffeted by depressed world steel markets

8/DAY 15/9/92.

Earnings fell to 953c from 991c a share in 1991, but Assore declared an unchanged total divided of 550c a share

Chairman Desmond Sacco said in a statement yesterday that any change in the company's fortunes would depend on the world economy and a strengthening in world demand for steel

He said the performance of the group's chrome mines was "particulary affected by the downturn and any further deterioration in the world market for stainless steel will require production to be curtailed in line with demand"

Assore is principally a chrome ore producer, supplying ferrochrome producer Feralloys, an Associated Manganese (Assmang) subsidiary

(189A)

Assore does not disclose sales figures but turnover fell 6% in the year, after falling 43% in 1991 Dividend receipts rose 50% to R12m, reflecting its share of increased dividends from Anglovaal's Assmang in which Assore has a 45% stake

That was more than offset by a sharp drop in other net income to R6,3m from R13,3m Assore's after-tax profit fell marginally to R15,3m from R15,9m Attributable earnings fell to R13,3m from R13,9m

Assore shares were untraded at R220 yesterday, but bid lower at R210

Institutions may finance Alusaf

BIDAY 17/9/92 189A

MATTHEW CURTIN

RICHARDS BAY — Financial institutions including Sanlam, Liberty Life and Old Mutual, may finance Alusaf's R6,3bn expansion project, says MD Rob Barbour

At a news conference yesterday Barbour said Alusaf was urgently following up the interest "A wide cross-section of institutions will visit Alusaf next week to be briefed on the project"

Each month the project was delayed increased capital cost by R60m

Alusaf would be primarily financed through equity rather than debt, Barbour said. There were no plans to list Alusaf at the moment, but it would be a requirement if institutions became involved

Barbour said he was "very confident" the smelter expansion project would go ahead, with a final decision taken before the end of November Findings of an environmental impact assessment would be published on October 16

Everything was in place for the project to start, including alumina supply and the Eskom electricity contract

Approval by the boards of companies with a stake in Alusaf and qualification for Section 37E Income Incentive were awaited Barbour said he anticipated no problems with the project's approval

Alusaf is controlled by Alugen, in which Genmin and Swiss company Alusuisse have interests The IDC has a major stake

Barbour would not comment further on financing arrangements although he said Alusaf understood Alusuisse and Eskom, which had an option to take up a stake, were unlikely to follow their rights

Alusuisse was eliminating its interest in primary aluminium production, but would remain an important customer for Alusaf

Barbour dispelled recent suggestions that the ANC was nervous about large projects like Alusaf and said Alusaf understood it would not "torpedo the project"

Alusaf had signed in principal alumina supply contracts with Alcoa and Shell subsidiary Billiton

He said Alusaf would contract out engineering and construction work for the 466 000 ton-a-year smelter

A joint venture had been set up between overseas smelter-building specialists Engineering Management Services (a Murray & Roberts subsidiary) to manage the building of the project Competitive tenders were ready to go

The new smelter and the expansion to Alusaf's existing capacity would generate R1,5bn in foreign exchange a year, increase GDP by 1,2% per year and create 20 000 to 30 000 new jobs

World ferrochrome glut will 'curb price increase'

BDAY 18/9/92 (189A)

MATTHEW CURTIN

OVERSUPPLY of ferrochrome is likely to curb price increases even with a revival in world stainless steel markets, says Consolidated Metallurgical Industries' chairman Barry Davison

Davison, who succeeded David Kovarsky on his appointment as Times Media Limited MD on September 1, said in his yearly review "The outlook for a recovery in world markets is uncertain and the ferrochrome market is heavily dependent on a more buoyant global economy"

Struggled

He said although some high cost ferrochrome producers would halt production in the current year, this would be counterbalanced by aggressive marketing by other subsidised producers and the possible commissioning of extra furnace capacity

CMI is SA's and the world's second largest ferrochrome producer after Samancor, but both companies have struggled to win higher prices in the past year

Nominal SA producer prices rose 6% at the end of last year, but a glut of material has led CMI and Samancor to offer increasing discounts on their material in an effort to win back lost market share

More than three-quarters of ferrochrome output is used in the stainless steel industry, but SA producers have faced stiff competition for their material from stainless steel scrap, cheap Indian, Turkish and Russian supplies, and slack demand because of slow economic growth in the US, Japan and Europe

Davison said western world stainless steel production reached a new high of 10,82-million tons in 1991, consuming 2,6-million tons of ferrochrome — equivalent to 84% of available ferrochrome capacity

CMI and Samancor have been criticised by US customers for increasing prices before shutting down their furnaces in an already depressed market

Buoyant

However, Davison said "I would like to thank our customers for their support during the year We realise that to some extent the financial hardships we are experiencing are mirrored by them"

CMI looked forward to sharing with them "the fruits of a more buoyant world economy"

He noted "stiff resistance from the stainless steel industry to increased SA prices, resulting in a loss of market share by SA suppliers as cheaper ferrochrome was available on the spot market"

STAR 18/9/92

CMI biding its time

By Derek Tommey

A more buoyant global economy is needed before there can be an improvement in the fortunes of the ferrochrome industry, says Barry Davison, chairman of Consolidated Metallurgical Industries, the world's second-largest producer of ferrochrome

But even with a revival in world markets, the oversupply of ferrochrome is likely to inhibit ferrochrome price increases, he says.

He expects certain high-cost producers to stop production

But this is likely to be counterbalanced by aggressive marketing by certain subsidised produers aas well as by the commissioning of additional furnace capacity. (18 9 A)

But CMI, whose Rustenburg plant is now one of the lowest-cost producers in the world, is well placed to cope with difficult market conditions

CMI had a taxed profit of R4,17 million in the year to end-June

This represents a turnaround of almost R29 million when set against last year's loss of R24,7 million

World conditions harm Samancor

BIDAY 24/9/92

(189A)

MATTHEW CURTIN

FIGURES in Samancor's 1992 annual report show the extent to which slowing economic growth worldwide and weak commodity prices have wrought havoc with the group's results.

The knock-on effects on the local economy have been severe, as Samancor's profit has been hammered, along with profits of rival ore and alloys businesses like Consolidated Metallurgical Industries and Highveld Steel and Vanadium, which also serve world steel markets

Although Samancor took on 5 000 extra workers in buying Middelburg Steel & Alloys' ferrochrome business and a share in its stainless steel division last year, 2 600 people lost their jobs in the subsequent restructuring of Middelburg and through cutbacks at Samancor's chrome and manganese divisions

Samancor's decision to shut down its ferrochrome furnaces for three months earlier this year, and the continued operation of other ferro-alloy plants below full capacity, has hit demand for locally produced coal and electricity, affecting Eskom's and SA collieries' revenues

Of the seven key products Samancor sells, only the dollar denominated prices of chrome and manganese ore have risen in nominal terms since Samancor's boom period in 1988/1989, when attributable earnings soared to R569m from R186m the previous year Samancor reported attributable earnings of R277m in the year ended June 1992, 24% lower than in 1991

In contrast, ferromanganese prices fell 9% to $543 a ton in June 1992 from $599 in 1989, silicon metal by 18% ($1 207/t from $1 480/t), manganese metal by 24% ($1 333/t from $1 747/t), silicomanganese by 30% ($536/t from $767/t), and ferrochrome prices by 31% ($0,513/lb from $0,746/lb — European producer prices)

The rand's loss in value against the dollar has offered only meagre relief as the exchange rate at year-end 1992 was R2,81, only marginally lower than R2,78 at year-end 1989

The 3% fall in Samancor's turnover to R2,06bn from R2,13bn in 1989 reflects the weak prices and slack demand for its output World consumption of carbon steel fell 1% in 1991 from the year before, with the trend continuing so far this year Growth in the stainless steel industry, the main consumer of ferrochrome, has turned out to be sluggish, up only 1% at 10,7-million tons in 1991

Samancor chairman Brian Gilbertson said the group would be hard pressed to repeat its performance of 1992 in the current financial year without a significant improvement in world market conditions

However, Gilberston said in his yearly review that Samancor was "well placed to weather the extended downturn" Analysts said yesterday the key to the commodities business was the ability of a producer to weather the long commodity-cycle troughs to make the super-profits which inevitably accompanied commodity booms Another one of those was still a long way off, they said

Gilbertson added that the Columbus Stainless Steel expansion project, in which the group had a 50% stake, was "still" likely to be given the go-ahead in calendar 1992

He said the project was approved in principle by Samancor's board in July, with the proviso that the final estimate of its capital cost did not exceed R3,1m in escalated terms

ALUSAF FM 25/9/92

Time marching on (189A)

Everything is in place for Alusaf's R6,3bn expansion, except final approval of the proposed site in Richards Bay, but major shareholders Gencor and the IDC are hesitating about pushing the button

Alusaf MD Rob Barbour says both groups are committed to the expansion "I am confident that the project is going to happen," he says, but will not commit himself to a date The decision should have been taken in July It has been delayed apparently because of the costs involved Barbour says shareholders are still "getting to grips with the funding" A decision should be taken by November

Gencor, which effectively controls Alusaf, apparently wants to bring in more equity partners to share the cost — and the risk — of the project, particularly as it seems Alusuisse will not follow its rights

Time, in this case, really is money Barbour points out that, for every month the start of the project is delayed, inflation adds another R60m to the total cost Estimated cost has already risen from the R5,5bn being talked about at the beginning of 1991 It will take four years to complete the expansion once the decision to go is taken

That's why a lot may hinge on this week's visit to the Alusaf plant by some SA financial institutions, who may be interested in taking equity stakes in Alusaf Two institutions are already directly involved — Sanlam holds 1,5% directly in addition to its interests through Gencor, while Southern Life holds 0,7%

Alusaf is controlled by Genmin through a combination of a 6,4% direct holding as well as its 69% stake in holding company Alugen which has 49,5% of Alusaf

Barbour says Alusuisse has not yet made a final decision, but he feels it will not follow its rights This is not because Alusuisse believes the project is a dud but rather because the Swiss group is cutting back internationally on its exposure to the primary smelting industry Alusuisse is keen to buy the refined metal from Alusaf

Another equity candidate is Eskom, which has negotiated a precedent-setting contract to supply power to Alusaf at a tariff linked to the LME aluminium price

FM 25/9/92 (189A)

Barbour says Eskom has an option to invest in the project "My feeling, however, is that they will not, because it is not their kind of business and they would have difficulty in justifying a decision to put money in"

Last week's presentation to journalists showed how far the proposed project has progressed, and how much it has benefited from the political changes in SA

The latest smelting technology is to be provided by French company Pechiney, which three years ago refused to do business with Alusaf, because of SA's pariah status The Pechiney technology has been thoroughly proven through installation in five smelters around the world

Contracts to supply nearly 1 Mt of alumina the new smelter will consume annually have been signed with Alcoa Australia and Shell subsidiary Billiton Alcoa and Billiton have contracted to supply the alumina at prices linked to the LME aluminium price, and to buy back 50% of the 466 000 t of refined metal the new smelter will produce annually at full output

The Eskom and alumina supply contracts effectively link 60% of Alusaf's costs to movements in the aluminium price That protects Alusaf by making it one of the lowest cost producers in the world when prices fall, at the expense of giving away some profits when aluminium prices rise

Gencor intends using the remaining production to promote downstream beneficiation of aluminium in SA Barbour says Alusaf could have sold this metal on forward contracts long ago

He adds that Gencor is also interested in moving upstream in the aluminium industry by getting involved in mining bauxite, the raw ore containing the metal That would mean moving into international mining

But times are tough in the aluminium business with the price sitting around US$1 200 t Another difficult year is expected, but Barbour is confident that the aluminium market will return to its long-term annual growth trend of 2,5% and that Alusaf will not have problems slotting its extra 466 000 t of production into the market It amounts to 3% of current annual Western world aluminium consumption of 16 Mt Added to the present 170 000 t/year output of the existing smelter, this would make Alusaf the world's fifth largest producer

While there are no definite plans to list the company, increased involvement by a number of financial institutions would make an early listing more likely *Brendan Ryan*

Low steel price pressures Iscor

CT 28/9/92 (189A)

From EDWARD WEST

JOHANNESBURG — Iscor will be hard pressed to match its 1991 performance as local and world economies are slack and steel and iron ore prices are expected to remain weak for some time, says chairman Marius de Waal in his 1992 annual review

MD Willem van Wyk said although a slight improvement in the international market was expected in the next 12 months, this should be seen in the context of the existing market oversupply position and falling dollar prices

Iscor's response to the recessionary environment was to operate production assets as cost-effectively as possible, reducing unit costs by producing at record levels and targeting the best export markets

High productivity levels as well as the completion of plants to produce value-added products would enable Iscor to take advantage of any meaningful domestic upswing or increased demand on international markets, De Waal said

However, cost pressure from high inflation remained a matter of grave concern. The increased percentage of exports in the sales mix coupled with a rand-dollar exchange rate which did not fully discount the inflation differential between SA and its overseas trading partners exacerbated the situation, he said

In the year to June 1993 Iscor was hoping to again dispatch more than 6-million tons of steel products and to export more iron ore than in the past financial year

Van Wyk said Iscor's total steel product dispatches rose 7,5% to a record 6,035-million tons More than 7,6-million tons of liquid steel was produced, which was higher than the previous record of 7,4-million tons recorded in 1980, before rationalisation of certain primary steel-producing units in 1983 The number of employees dropped by 1 287 to 57 000 in 1992

Local steel dispatches in 1992 fell 5% to 2,82-million tons from 2,97-million in the 1991 financial year, the lowest level in 15 years, but the demand for tinplate remained buoyant

Capital expenditure in the year to end-June 1993 was expected to fall from R872m in the 1992 financial year to about R600m, to finalise projects already committed and for replacement of existing plant amd equipment, said Van Wyk.

Alusaf smelter may be relocated

B|Day 1/10/92 (1897)

MEREDITH JENSEN

ALUSAF is prepared to spend R170m on upgrading its existing smelter at Richards Bay to limit environmental damage to the area

In addition, the company said yesterday it was prepared to relocate its new multibillion-rand smelter project to another site in Richards Bay, despite a R14m increase in land costs

Alusaf MD Rob Barbour was responding to an environmental impact assessment report which indicated that none of the three proposed sites for the smelter was optimal

"We are now looking to Site D which is situated north of John Ross Highway and west of the road between Indian Ocean Fertilizer and Richards Bay central business district" He said the purchase price of Site D was estimated to be R32m, as opposed to R18m for the original Site E location

According to Alusaf, the first phase of upgrading half of the installed capacity at its existing smelter would cost nearly R170m If the entire facility was upgraded, the company would need to spend R730m

The impact study was conducted jointly by the CSIR and the University of Cape Town's Environmental Evaluation Unit Factors such as air and noise pollution as well as potential damage to vegetation were taken into account.

"Should upgrading not take place, none of the three sites would be considered for the new smelter," he said

Once improved, the smelter would meet internationally accepted emission standards Barbour said Alusaf was committed to the environmental impact assessment findings and would immediately upgrade half of the existing aluminium production plant if the new smelter project was given the go-ahead

Alusaf said it would host a formal meeting in Richards Bay on November 5 to discuss comments and queries regarding the environmental impact assessment

John Raimundo of the UCT environmental unit said all of the sites were suitable as far as human health was concerned

"Air pollution was the most important factor in determining the preferred Site D because of the risk of vegetation damage"

Raimundo said the upgrading of Alusaf's existing smelter, as well as the reduction of emissions from other unnamed factories in the area, were mandatory to the overall environmental acceptability of the project.

LINDA ENSOR reports from Cape Town that the University of Stellenbosch Business School is to introduce a course on environmental strategy with the objective of making it a compulsory topic in its degree and management courses

Acting school director Prof Dave Tromp said businesses had a great responsibility to conduct their business in such a way as not to damage the environment Many smaller businesses tended to ignore this imperative, he added

SA businessmen needed to be able to take business decisions which would meet the demands of a developing country, without this leading to the exploitation of its natural resources, Tromp said

EC car slump dents demand for rhodium

BIDay 1/10/92

189A

MATTHEW CURTIN

EUROPEAN car makers are buying much smaller amounts of rhodium than they were expected to in the runup to the implemention of new clean air rules in the EC, says Impala Platinum (Implats) senior marketing manager John Hollely

Hollely says the slump in the EC car industry has dented rhodium demand and prices The metal is a key ingredient in modern three-way car catalyts, and high rhodium prices have helped SA platinum producers weather falling platinum prices in the past two years

Rhodium prices have fallen 16% to $2 270 an ounce this week from recent highs of $2 700 in mid-July Firmer platinum prices have not brought any respite to producers because the metal has consistently fought shy of the $370 mark Platinum was fixed in London yesterday afternoon at $367,40, more than $3 higher than Tuesday's afternoon fix of $364,25, but $0,10 down from the morning mark

The prospect of another year of disappointing platinum group metal prices has hit market sentiment on the JSE Only shares in market leader Rustenburg Platinum (Rusplat) and developing mine Potgietsrust Platinums (P P Rust) have weathered erratic platinum group metal (pgm) prices so far in 1992

P P Rust closed at a new high of 725c yesterday, equivalent to a 25% increase since the start of the year Rusplat shares have risen 34% in the same period, although they closed 35c down at R78,00. Heavy trade in P P Rust shares followed last week's announcement that management had cut the Platreef open-cast mine capital cost by R79m to R475, and revised estimates of its working costs, 18% down at R100 against R122 a ton milled

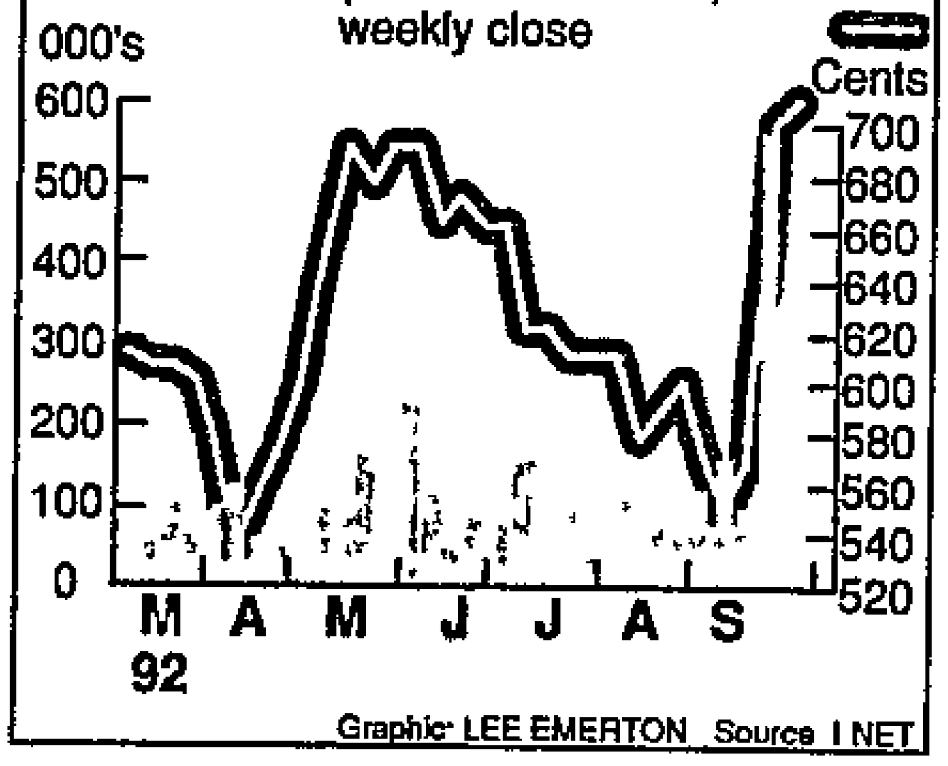
Bearish market sentiment has knocked the shine off Implats, Lebowa Platinum, and Messina shares. Analysts said market confidence in Implats, dogged by labour unrest in 1991, was knocked by fears that the ANC's mass action campaign might spark political unrest in Bophuthatswana which could spill over into the group's mines Implats shares rose 75c to R42 on the JSE yesterday, equivalent to a 46% or R36 discount to Rusplat stock

Hollely said yesterday that the build-up in demand for rhodium in the EC, whose new clean air legislation mandated heavier pgm loadings in catalytic convertors in all new cars from 1993, had turned out to be more sluggish than expected

He said British and French car manufacturers had appealed to their governments for dispensation from the new regulations because their stock of 1992 models, not fitted with the new catalysts, were so large that they would have to sell many of the vehicles in 1993

P P Rust

Share price and volumes, weekly close



Graphic LEE EMERTON Source I NET

(189A) ARG 3/10/92

Iscor's 'rust run'

Shares dip, but long-term prospects may improve

MARC HASENFUSS
Business staff

ISCOR hit an 80c low this week on the Johannesburg Stock Exchange, putting the market value of the share at less than a quarter of its net asset value a share of about 360c.

Small shareholders, initially attracted to the share via a high-profile promotional campaign in 1989, have grown increasingly incensed with the financial performance of the steel giant

After the recent financial statements disclosed a profit drop of 43 percent to R171 million, much criticism has been aimed at the chairman and board of directors.

■Individuals might be considering Iscor stock on a long-term view. Although at an all-time low Iscor is well placed to benefit from upturns in the steel markets.

Other despondent shareholders grabbed what they could salvage by selling off their holding in the group

The exodus of small investors from Iscor was already apparent at the release of the steel giant's financial, year figures at the end of June

At the time of reporting the financial statements, the share was at 137c on the JSE Since then it has plummeted through the 100c psychological support level (being half its November 1989 listing price), further spooking cash-strapped small investors and recession-ridden companies alike

The market believes the share could still go lower and this, coupled with a less-than-optimistic view for the next financial year, could see the 'rust run' continue

At year end June 1992 individual shareholders totalled almost 196 000 compared to 212 000 in the previous year

But, at that stage it appears that some bullish individuals bought up additional Iscor stock with the holding increasing to 180,6 million (previously 173,5 million) shares or 9,66 (9,29 percent) percent of the issued share capital

Individuals might be considering the stock on a long-term view. Iscor is well placed to benefit from any upturns in the domestic and international steel market

Companies also fled the share in the period under review In 1991 1 580 companies held 378 million shares or about 20 percent in Iscor. By year end 1992 the number of companies invested in Iscor dropped to 1 356 holding 315,7 million or 16,9 percent of the issued shares.

Insurance companies dropped their holding to 20 percent from 23 percent in the previous year The holding for pension and retirement funds was relatively static

Most market analysts advise against buying Iscor for six months or at least until the interim performance can be gauged

Alusaf may be listed

ALUSAF, which is considering a R6,5-billion aluminium smelter, could be listed on the JSE in November, institutional sources told Reuters.

(1897)

Alusaf management denied that a final decision had been taken. S/Times (Buss) 4/10/92

Sources said Alusaf planned to raise R1,3-billion from institutions. Most would come from the issue of 10% convertible debentures at R27,50 each. Ordinary shares would be issued at R16,50 each, but no dividend would be paid until after 1996. This would raise R550-million.

Alusaf major shareholder Gencor, which has a 42% stake, is expected to put up R1-billion. The IDC is expected to contribute R800-million. The rest will be raised through loan finance.

Signs that Alusaf timing is right

B/DAY 9/10/92. (189A)

MATTHEW CURTIN

CONFIDENCE that Alusaf has timed its R6,3bn smelter expansion project to coincide with a mid-'90s aluminium boom may be boosted by predictions by Reynolds Metals, the second largest US aluminium producer, that there might be severe aluminium shortages in the next 10 or so years

The Financial Times reported that Reynolds executive vice-president, metals and raw materials, Harry Helton said the Western world's aluminium industry needed to build 13 new smelters costing about $1bn apiece by the year 2002, if it was to match expected growth in demand

However, Helton said the industry was being forced by low aluminium prices to delay starting work on new capacity. That might lead to a very tight supply situation at the end of the '90s

Two major aluminium conferences have recently taken place in St Petersburg and Oslo, with conflicting reports about the long-term strength of the aluminium market

Some analysts said yesterday the biggest question mark hanging over the Alusaf project, which would catapult the company into being the Western world's fifth biggest producer, was future supply/demand for aluminium

Floods of cheap Russian material have severely depressed aluminium prices in the past two years, but Alusaf MD Rob Barbour said recently that increasing environmental restraints would curb aluminium supply in the medium term

With expectations of more significant world economic growth, and the increasing use of aluminium in sectors like the car industry, Alusaf's 466 000-ton-a-year expansion would reach full capacity in time for an increase in aluminium demand

Alusaf forecast that world consumption would rise from 15-million tons in 1990 to about 18-million tons in 2000, and 25-million tons by 2020

However, Paul O'Neill, chairman of the world's largest aluminium producer Alcoa, said last week that aluminium exports from the CIS would not "evaporate"

Semi-fabricated aluminium supplies could increase, and there was no sign that the local industry would absorb the metal its aluminium producers were making

Helton said that Reynolds' estimate of future aluminium demand was conservative

It was based on an assumption that yearly demand for the metal from fabricators would grow by 2% a year, but it took no account of forecasts that suggested a big upsurge in the use of aluminium in cars, nor did it assume any substantial drop in imports from the CIS

It also took account of much faster growth in the use of recycled (scrap) aluminium compared with the use of primary metal

He said Reynolds was involved in new smelter projects in Nigeria and Venezuela, but it was moving cautiously on the African project, while the weak market conditions had lowered the Latin American scheme on the group's list of priorities.

Hanson bids for food firm

LONDON — Anglo-US industrial conglomerate Hanson yesterday disclosed a £780m cash bid for UK food manufacturer Ranks Hovis McDougall

The hostile offer values each Ranks Hovis share at 220p, representing a 26% premium over the 175p closing price on the London Stock Exchange on Friday

The offer also represents a 57% premium over the 140p-a-share price on September 4 when, Hanson claimed, Press speculation over a possible bid began

But the bid represents a comedown in the fortunes of Ranks Hovis In 1988, Hanson said Ranks Hovis rejected an offer of 465p a share

BDM 6/10/92

Ranks Hovis "seems to have lost its way forward since the time of the bid in 1988, when you turned down 465p a share and such a bright picture was painted", chairman Lord Hanson wrote in an open letter to Ranks Hovis chairman Stanley Metcalfe

"We believe our financial strength and management skills will provide a vital new dimension to your company at a time when there is likely to be considerable restructuring needed in the milling and baking industry"

In the year ended August 31, Rank Hovis's pretax profit rose 15% to £150,2m on a decline in sales to £1,53bn from £1,77bn It lifted its full-year dividend to 13,36p a share from 12,74p — AP-DJ

Sanlam unit trust portfolios static as income is used to build liquidity

BDAY 6/10/92

LINDA ENSOR

CAPE TOWN — Sanlam's five unit trusts, with total assets of about R1,8bn, were not active players in the buying and selling of shares during the quarter to end-September, instead using the inflow of cash to build up their liquidity levels, senior portfolio manager Stafford Thomas said yesterday

Liquidity levels increased to 16,9% (12,4%) for the Sanlam Trust, 16,7% (11,7%) for the Sanlam Index Trust, 31,3% (21,3%) for the Sanlam Dividend Trust, 19,8% (13,7%) for the Sanlam Industrial Trust and 14,8% (9,3%) for the Sanlam Mining Trust

The slump in the stock market meant that the yields of the five trusts in the year to end-September — Sanlam Trust (3,9%), Index Trust (0,23%), Sanlam Dividend Trust (5,2%), Industrial Trust (9,6%) and Mining Trust (-10,8%) — did not match those of former years

Thomas noted that the Sanlam Industrial Trust had produced an annualised yield of 23,9% during the past three years — the second best in the industry — and the Sanlam Dividend Trust a yield of 17,6%, which placed it fifth During the three-year period the all share index grew by about 15,5% while the inflation rate averaged 14,8%, Thomas said

Sanlam Trust paid out 25c a unit for the past quarter and the Dividend Trust 9,6c

Thomas said no major restructuring of the share portfolios was envisaged during the coming quarter

Liquidity would be allowed to build up a few more percentage points

"The potential for share prices in general to rise significantly from current levels is rather limited over the short term The primary reason is the recessionary conditions prevailing in the SA and international economies," Thomas said

"Political uncertainty is also adversely affecting investor sentiment Recent positive developments may lead to improved confidence A volatile market is expected in the short term

"We believe investors in unit trusts will continue to receive good returns over the medium and longer term"

In the past quarter Trans Natal, Samancor and Transhex shares were sold and Servgro, Ofsil, Datakor and a small number of platinum shares were amongst those bought

The 10 largest holdings in the Sanlam Trust were Richemont, Metropolitan Life, Tiger Oats, Remgro, SA Breweries, Remgro Beherend, Murray & Roberts, Suncrush, Gencor Beherend and Sasol

Steel producers face gloomy prospects

TOKYO — Prospects for the world's steel makers were gloomy, International Iron and Steel Institute general secretary Lenhard Holschuh said yesterday

"Given the morose world economic climate, steel demand will not rise in 1992 and is unlikely to show much improvement in 1993," said Holschuh, in Tokyo for the institute's 26th annual conference

Total world output of steel products would stand at about 623-million tons this year, the same as in 1991, and would only rise to 632-million tons in 1993, he said

In the longer term, the institute estimated demand would grow only moderately and not return to the record highs of 1989 and 1990 (664-million tons and 654-million tons respectively) until after the middle of the decade

Steel demand in the US would rise 10% to 85-million tons this year, but only 3% in 1993 because of the "tenuous nature of the economic recovery" there, Holschuh said

In Japan, the steep 13% drop in output to 81-million tons expected this year would be followed by a modest 3% growth next year In the EC, after falling 2-million tons in 1992 to 105-million tons, steel consumption would probably only increase about 1-million tons in 1993 — Sapa-AFP

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BDay 6/10/92

(189A)

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Doubts on Albanian chrome deal

MATTHEW CURTIN

1897

MORE than two years of talks between Samancor and the Albanian government about the group's possible involvement in the former communist country's chrome industry are drawing to a close, but analysts are sceptical that a deal will be signed BDAY 6/10/92.

Samancor MD Hans Smith said yesterday that the group had submitted a final proposal to the government for the exploration, mining and upgrading of Albania's high-grade chrome deposits.

Albania is a small producer in world terms, with a yearly output of 30 000 to 40 000 tons of ferrochrome, compared with Samancor's capacity of more than 1-million tons a year. However, the country has high-grade chrome reserves, and high-grade ferrochrome sells at a premium to lower grade material on world markets.

Smith said that if an Albanian joint venture went ahead, it would give the group access to a wider product range, adding to its existing output of charge chrome and high-carbon ferrochrome. However, no deal had been signed as yet. Samancor was interested in other overseas chrome reserves, the best of which were in Albania, Russia, Turkey and Zimbabwe.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said "Turkey and Albania have always been on SA producers' shopping lists", but the attraction of Albania's high-grade chrome reserves was offset by the irregular geology of the deposits, and political instability in the Balkans.

Irish Menell Rosenberg analyst David Russell said the poor quality of Albania's economic infrastructure would entail a huge capital commitment by a group like Samancor.

Alusaf listing timed for November

Investors, govt set to back R6,5bn project

BDAY 9/10/92 (189A)

MATTHEW CURTIN

FINANCIAL institutions and government are on the brink of giving unequivocal backing to Alusaf's R6,5bn smelter expansion — SA's largest new capital project in years.

Alusaf will be listed on the JSE in early November through a private placing of shares and debentures to institutional investors including Liberty Life, Old Mutual and Sanlam

Alusaf chairman Fred Roux said last night institutions had been given one week to indicate their support for the project Roux said that once Alusaf had their response, it would give them another 24 hours to commit themselves to subscribing for new Alusaf shares Institutional response had been favourable so far

"We will know where we stand in a week to 10 days," Roux added

The financing of the expansion scheme, which will catapult Alusaf into one the world's major aluminium producers, is breaking the mould of traditional mining house finance in SA because of its huge capital cost.

Institutional investors are being asked to finance the project from its start, whereas in the past mining houses have tended to bring mines and other new ventures to full production before offering other investors a stake

The institutions will be investing in convertible debentures and shares, on a deferred subscription basis, giving them both a return on their investment before the project reaches full production in 1994, and spreading their financial commitments over the intervening period Alusaf is expected to pay dividends in the late '90s

Alusaf will have a market value of R3,7bn, with the company as it stands now valued at R600m

Roux said that in the past two weeks the company "had been through the hoop with all the major institutions in Cape Town and Johannesburg" Alusaf had canvassed all but the smallest institutions in a series of roadshows BDAY 9/10/92

It had also submitted its application for income tax concessions to government

Roux said "Alusaf has met the relevant criteria comfortably, and we see no obstacles at this stage to qualifying for the concessions"

Alusaf is hoping to qualify for concessions designed to facilitate export-orientated beneficiation projects, and which allow for the accelerated write-off of capital costs in terms of the revised section 37E of the Income Tax Act

It is understood that institutions are being asked to provide 42% or R1,3bn of the total R3,1bn equity finance which the project partners plan to raise

Alusaf will issue fully paid shares with a deferred subscription, 10% of which investors will have to subscribe for in November Eight months later they will subscribe for a 20% tranche, six months later a second 20%, and then 25% and a further 25% at full subscription in 1994

The subscription price will be rolled up at an annualised rate of 6,5% That takes account of the time cost of money, and

☐ To Page 2

Alusaf

BDAY 9/10/92 (189A)

☐ From Page 1

allows institutions to minimise the effect of capital commitments on their cash flow

Alusaf is controlled by Alugen, in which Gencor, through mining arm Genmin, has a 69% stake, and the Industrial Development Corporation (IDC) which has a 30,7% direct interest

Gencor plans to provide R1bn in equity finance, with the IDC contributing R800m

The remaining R3,5bn capital cost will be funded by R1,7bn in debt made up by credits and through supply contracts The IDC will contribute another R800m in the form of redeemable preference shares, with the remaining R1bn made up of bank loans

The major task Alusaf has faced has been convincing fund managers of the wisdom of a project with such a long lead-time, given their inclination towards investments with short-term performance

ASSOCIATED ORE FM 9/10/92

No upswing yet (189A)

Activities: *Mining holding company with interests principally in base minerals and metals*
Control: *Oresteel Investments 52%*
Chairman and MD: *D Sacco*
Capital structure: *1,4m ords Market capitalisation R308m*
Share market: *Price R220 Yields 2,5% on dividend, 4,3% on earnings, p e ratio, 23, cover, 1,7 12-month high, R220, low, R130 Trading volume last quarter, 11 100 shares*

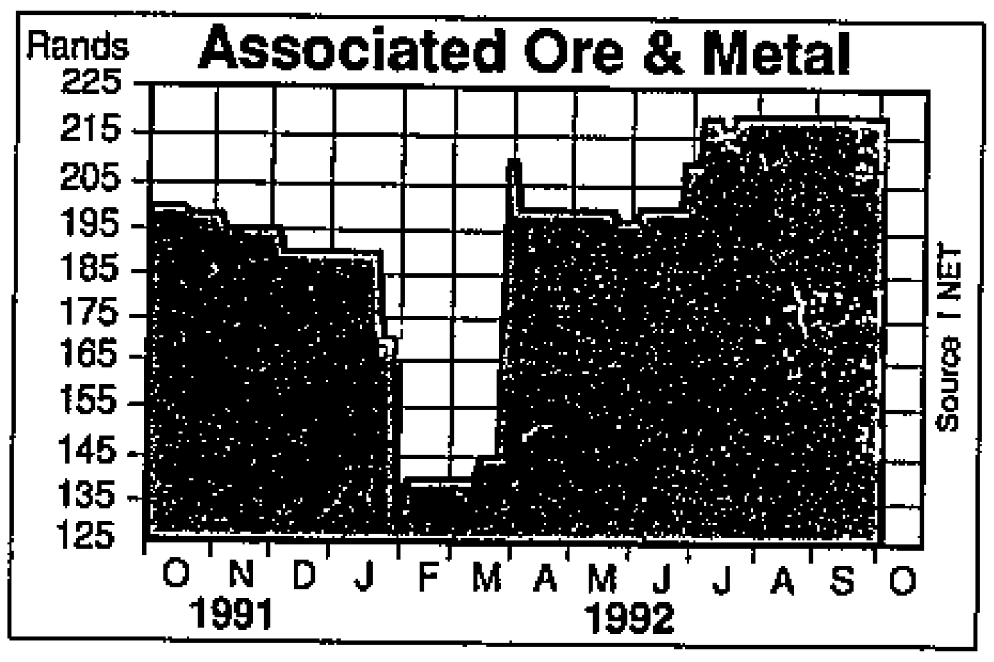
Year to June 30	'89	'90	'91	'92
Pre-int profit (Rm)	41	44	21	18
Attributable inc (Rm)	36	38	16	15
Earnings (c)	2 483	2 619	991	953
Dividends (c)	700	1 000	550	550
Net worth (R)	308	352	386	387

This company's results reflect accurately the state of the international markets in which it operates — and the picture is an unhappy one for shareholders

Attributable income has more than halved in two years and the same is true, of course, of earnings, which have fallen to 953c from the heady 2 619c of 1990 Chairman Desmond Sacco says account has to be taken of the unusually strong performance of ferrochrome markets in 1989 and 1990

"It's a cyclical business," he says, "and I really believe the company's current levels of profitability, which are more in keeping with those of 1987 and 1988, are reasonable" Some small comfort is that the dividend has been held at R5,50, at the expense of cover

Associated Ore & Metal (Assore)'s business is largely tied up with its major investment in Associated Manganese Mines (Assmang) and in that company's wholly owned



FM 9/10/92 (189A)

subsidiary, Ferralloys Assmang mines manganese and iron ores in the northern Cape and Ferralloys produces ferromanganese and chrome alloys at plants in Natal and the eastern Transvaal

Sacco says the group has been operating in uncertain markets for the past 18 months "Demand for ferrochrome is weak at present," he adds "All SA's ferrochrome producers are suffering right now, I don't know of anyone who's really making money in this area" However, Sacco says the markets for iron and manganese ores are holding up well

What will happen this year? Sacco is reluctant to commit himself to any forecast Any change in current conditions, he says, is "contingent upon the state of the world economy and more specifically a strengthening in world demand for steel It is unlikely that any major improvement will occur in these markets before mid-1993"

In other words, shareholders should not hold their collective breath while waiting for a demonstrable upswing, on the face of it, Assore won't produce a substantial improvement in its results before the 1994 financial year

This makes the current strength in the share price — it is on a 12-month high — all the more intriguing Over calendar 1991, a paltry 8 000 shares changed hands, so far this year 236 000 have been traded — 17% of the issued stock For a tightly held counter, that volume of activity certainly indicates nervousness on the part of erstwhile shareholders

Sacco disagrees with this assessment The large volume of shares traded this year reflects, he says, a substantial bookover between two institutions "Institutions are buying every Assore share they can," Sacco adds "We are a company with very little debt and a strong balance sheet and we're well positioned to take full advantage of the market when it turns"

Nevertheless, Assore is on a p e of 23,1 against a sector average of 16,7 Given the comparative poverty of its markets at present, that is a ratio which can hardly be justified and brave investors would be better advised to seek a direct investment through another vehicle *David Gleason*

CMI FM 9/10/92.

Battened down (189A)

Activities: *Producer of ferrochrome*
Control: *JCI 35,4%*
Chairman: *B E Davison; CE A I Wood*
Capital structure: *42,5m ords Market capitalisation R360m*
Share market: *Price 850c 12-month high, 1 050c, low, 700c Trading volume last quarter, 177 000 shares*

Year to June 30	'89	'90	'91	'92
Turnover (Rm)	324	215	274	306
Operating inc (Rm)	171,1	68,9	(6,4)	14,8
Taxed profit (Rm)	100,6	70,9	(24,7)	4,2
Earnings (c)	237	167	(58)	(12)
Dividends (c)	115	115	—	—
Net worth (c)	363	415	357	417

Consolidated Metallurgical Industries (CMI) returned to operating profitability in the year to June, but ordinary shareholders could face another two years of dividend

P.T.O

FM 9/10/92 (184A)

CMI's Davison *difficult market conditions*

drought because of gloomy prospects for the ferrochrome business

Former chairman David Kovarsky described the group as being "in survival mode" in mid-August, when the preliminary year-end figures were released That was just before the announcement of his appointment as MD of Times Media Ltd New chairman Barry Davison, who ran CMI before becoming MD of JCI's platinum division, is more euphemistic "CMI is well-placed to cope with the difficult market conditions which are likely to prevail," he says

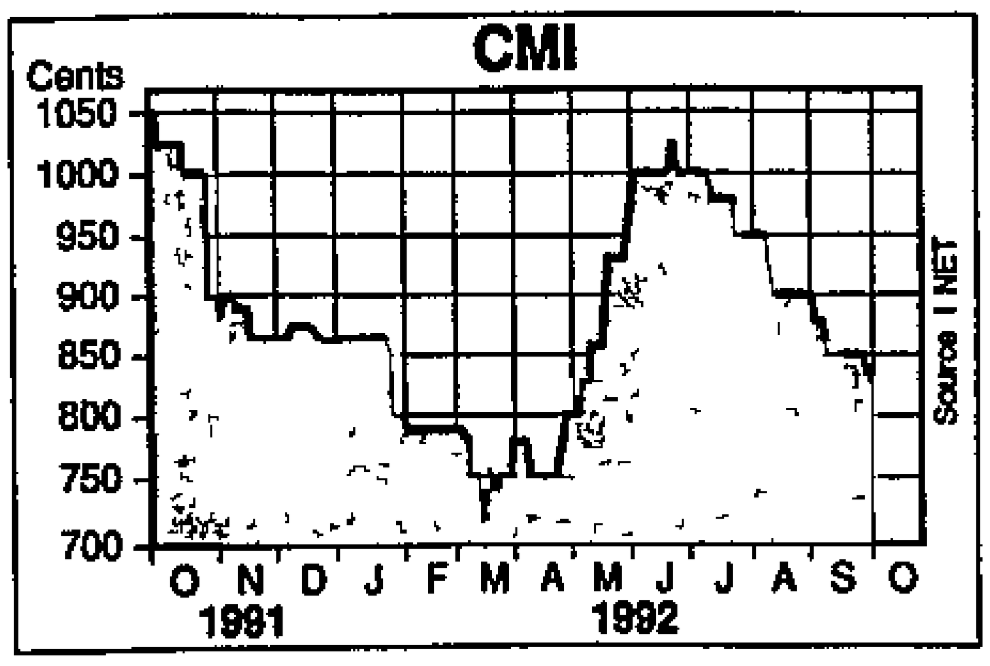
Davison has made one major management change, bringing in Sandy Wood — formerly of JCI's platinum division — as deputy chairman and CE but leaving Zed van der Walt as MD Wood will run the company

Ferrochrome producers are generally suffering from the international recession CMI also has the additional problem of financial indigestion, after using debt to fund its purchase two years ago of Purity Minerals

Interest-bearing debt was reduced at year-end to R132,7m from the year-ago R216,2m, following the preference share issue But Davison repeats Kovarsky's warnings that CMI will have to live with a debt equity ratio of around 50%

Operating profit in 1992 of R14,8m (1991 R6,4m loss) was swamped by R10,6m (R19,4m) in interest payments and R9,4m (nil) in preference dividends CMI had to borrow to meet the pref payments to JCI

Davison says even if world markets recover, the oversupply of ferrochrome is likely to inhibit price increases. Marketing director Allan Kuhnert expects equilibrium in the ferrochrome market to be reached only by about mid-1995



That's why the current price is under so much pressure, making a mockery of Samancor's stated aim last year of getting the ferrochrome price back to US$0,55/lb Major producers Samancor, CMI and ChromeCorp Technology made a concerted bid to get the price up in the fourth quarter of 1991, from $0,49/lb to $0,52/lb, and all cut production to make the increase stick

Customer reaction was to swing away from the SA suppliers, mopping up everything available on the spot and stainless steel scrap markets rather than pay the higher prices The SA producers believed customers would eventually have to return and pay their asking prices Davison now indicates this proved to be only half correct

"SA suppliers have, over the last few months, regained most of their market share, but at the cost of increased discounts," he says

Discounts are something the ferrochrome producers won't discuss publicly During normal times, consumers can get discounts of around 3% on the quoted price, depending on the quantities they buy. Industry sources say discounts of up to 7% are now available

In these conditions, cost control becomes all-important CMI's production costs rose only 3,7% in the 1992 year and its plans are to maintain this level of performance. CMI's Lydenburg plant is going to try to duplicate the cost reduction achieved by the creators of the pre-reduction technology — Showa Denko — through recent advances at their Shunan plant in Japan CMI will employ some Showa Denko staff at Lydenburg

Given the gloomy and uncertain outlook for ferrochrome over the next two years, there seems little reason to buy CMI at current prices The share could head back towards its 12-month low *Brendan Ryan*

Ferrochrome sells below list price

(1897)

JONO WATERS

FERROCHROME producers are remaining tight-lipped on details of sales contracts, but certain amounts of ferrochrome have been discounted well below the list price in the past

Irish Menell Rosenberg analyst Dave Russell said it was likely producers would receive above $0,52/lb

It was possible they would increase their discounts to large volume contractors, he said BDM

Consolidated Metallurgical Industries chairman Barry Davison confirmed yesterday the company had signed a number of ferrochrome contracts for the final quarter. 9/10/92.

However, he declined to disclose details of prices

Meanwhile, Samancor, the world's largest producer of the alloy, was still busy with negotiations over the prices, chrome division GM Wilrich Schroeder said

He said he did not want to speculate about what prices the company would receive

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said he did not see producers pushing for a price increase above the current list price of $0,52/lb because of oversupply of the alloy. The current spot price was $0,44/lb

Ferrochrome is used with nickel to manufacture stainless steel

The stainless steel markets were also oversupplied and Kartun said this was reflected in low nickel prices

Nickel traded at around $6 639 a ton on the London Metals Exchange yesterday It has fallen from around $8 000 at the beginning of the year

Squeeze on ferrochrome

B/Dy 14/10/92. (189A)

JONO WATERS

FALLING ferrochrome prices and the resulting squeeze on margins were renewing pressure on SA producers to shut down furnaces to conserve cashflow, market sources said yesterday

Samancor, Consolidated Metallurgical Industries (CMI) and Chromecorp Technology (CCT) — SA's three largest producers — said yesterday that although they were operating below full capacity and had no immediate plans to close furnaces, they would be forced to reassess the situation if prices remained low

Samancor MD Hans Smith said yesterday that the group, the world's largest ferrochrome supplier, was not looking at closing any of its furnaces at present However, if market conditions deteriorated, Samancor would reconsider its position

Samancor, CMI and CCT posted an increase in official prices to $0,52/lb from $0,49/lb in the December quarter last year. Trying to make the price stick, Samancor closed its ferrochrome operations down in February for three months, easing pressure on its cash flow and using up stocks. Other producers cut back production severely

However, the SA companies lost market share, and have been forced to abandon their producer price setting mechanism, and increase discounts on listed prices to record levels in a fight for orders

Smith said Samancor was running at 65% capacity

Samancor has 16 furnaces, but Smith would not comment on how many were operational.

CMI CE Sandy Wood said the group's five furnaces were operating at between 65% to 70% capacity.

Wood said they would maintain the present volumes for the next quarter; they were "quite comfortable" operating at the present capacity. If market conditions still did not improve, Wood doubted whether CMI would close all its furnaces

A CCT spokesman said the company was still operating two of its three furnaces He did not forsee CCT putting its third furnace into operation for some time, but it was unlikely the company would cut back on its present production.

Fergusson Brothers analyst Philip Marillier said producers' stocks were low and were unlikely to close down the plant.

☐ The Brazilian government has imposed a provisional 6% import tax on SA ferrrochrome, after a complaint filed by Brazil's sole ferrochrome producer Ferbasa, said a report in the latest Metal Bulletin.

Analysts disagree on Alusaf listing

S1 Times (BUSS) 11/10/92. (189A)

By CIARAN RYAN

ANALYSTS are at odds over Alusaf's proposed listing next month.

Alusaf needs to raise R3,1-billion in equity to fund a 466 000-ton-a-year aluminium smelter expansion at Richards Bay The total cost is R6,4-billion, SA's largest-ever private capital project.

Some analysts say the project will be supported by the public and institutions because of the lack of suitable options They say the project has almost become a national priority in an effort to revive economic growth But not everyone supports the project as planned

Iscor

Kevin Kartun of stockbroker Frankel Max Pollak Vinderine says the project is an attempt to rescue the 170 000-ton-a-year Alusaf smelter which is nearly 30 years old and uneconomic

Dr Kartun says Alusaf could have gone to Eskom and asked for a more favourable electricity tariff for the existing operation

"They should have tried to turn the existing operation around before embarking upon the expansion" He says cash flow could have then been used to a greater extent in financing the expansion

Dr Kartun says "The project offers a 6,5% real rate of return, which I do not think is commensurate with the risk"

However, most analysts agree that the project is low risk On a projected real return of 6,5%, assuming a metal price of $1 650 a ton compared with the current $1 250, the project is viable

A report by one analyst says Alusaf will have the lowest cash costs of any smelter in the world

The report says up or downstream integration will turn Alusaf into a diversified international business

Alusaf will lift the economy by 1,2% when operational and by a further amount through the multiplier effect, according to Alusaf management

The Cosatu-sponsored industrial strategy project, which is looking at ways of increasing SA's manufacturing growth, supports strong State intervention in the form of tax breaks and cheap equity to encourage growth

"Alusaf has no option but to go ahead with the project," says one analyst "But equity participants will have to wait for about 10 years before receiving a return The best route is through the convertible debentures with a 10% coupon"

Genmin

Some analysts query the project's dependence on "artificial supports", a reference to a preferential electricity tariff from Eskom and accelerated tax write-offs in terms of Section 37E of the Income Tax Act There are fears that companies claiming 37E, which is export specific, contravene the anti-subsidy code of the General Agreement on Tariffs and Trade (Gatt)

Genmin minerals economist Francois Prins says a third of the world's aluminium smelters have some form of power contract linked to the LME price of the metal

Other analysts say 37E tax write-offs are no different to schemes available in other countries or SA's mining industry

A World Bank informal discussion paper, South Africa Macroeconomic issues for the transition, decries tax benefits for minerals beneficiation projects as "precisely the wrong approach to South Africa's investment problem"

It says fewer jobs are provided through capital-intensive as opposed to labour-intensive investments

A study by Mr Prins puts capital expenditure an employee at R2,98-million for Alusaf, compared with R340 000 at the proposed Moab extension of Vaal Reefs

Alusaf will employ 1 900 workers once building is complete, compared with 5 000 at Moab Industrial Development Corporation (IDC) studies suggest the existing Alusaf created an additional 4,9 jobs a direct employee, compared with 2,5 in gold mines

Spare

It is estimated that for every R1-million earned in forex, 23 jobs are created by the multiplier effect On this basis, Alusaf will create 35 000 jobs as opposed to Moab's 10 000

On a base-case scenario, electricity accounts for 23% of total costs At current aluminium prices of R1 250/ton, Alusaf would pay roughly 30% less than the normal tariff

Alusaf will use 800 megawatts of power, helping to reduce spare capacity of about 8 000mW, thereby reducing unit costs for all consumers, says Eskom

Dave Russell of Irish, Menell & Rosenberg Inc says the only real risk is political A plus factor is Alusaf's toll refining agreement with the suppliers of alumina which guarantees sales of half the smelter's output at 75% of the LME price

Many analysts say SA needs Alusaf to provide growth at a time of deepening recession It is hoped that other large investment projects will go ahead once Alusaf is under way

After its initial hostility, the ANC now supports the Alusaf expansion because of the benefit to forex earnings and wealth creation

Optimistic

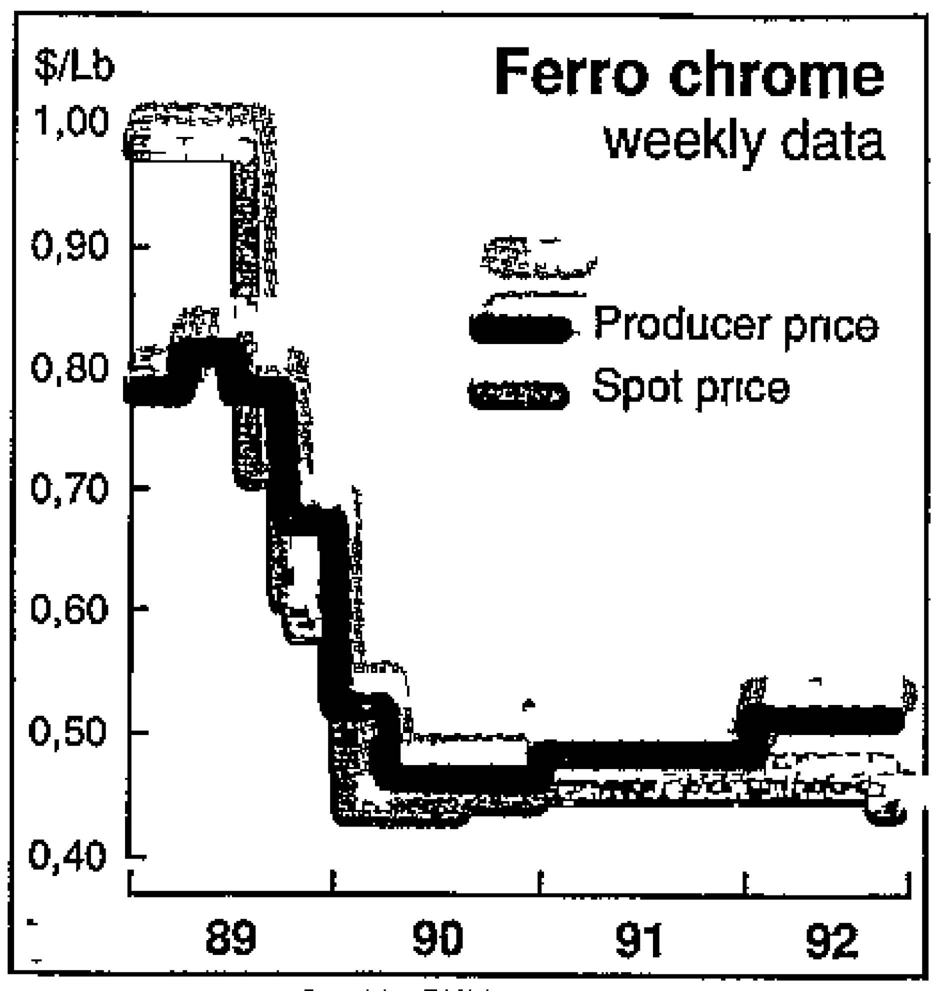
One report says conversion of the debentures into equity will take place in about eight years It advises prospective investors taking a long-term view to take up the ordinary shares, priced at a 6,5% discount to the debentures

The debentures will be priced at a 65% premium to ordinary shares, the differential being the present value of the income stream until the expected conversion date in 2001 Gencor will provide R1-billion in equity, the IDC R800-million and the balance of R1,3-billion will be raised from a private placing with institutions

Some analysts believe the aluminium trend price of $1 650 used in the base-case scenario is optimistic Because 60% of the inputs — electricity and alumina — are tied to the LME price, Alusaf has the lowest cost profile of any smelter in the world, with a breakeven of $1,064/ton on an ungeared basis Even if prices remain depressed, Alusaf is viable

The report says if prices remain depressed for a long time, high-cost European smelters will be forced to close

In spite of oversupply of aluminium, no new smelter capacity is expected to come on stream after 1994, causing a shortage in the latter part of the decade



Graphic RUBY GAY MARTIN Source I NET

SA ferrochrome prices dropping

(189A)

EDWARD WEST and MATTHEW CURTIN

SA ferrochrome producers are struggling to maintain ferrochrome prices for the December quarter because of a worldwide glut and slow growth in demand for stainless steel. BDAY 12/10/92

A senior industry source said at the weekend prices had fallen by as much as 5% for SA exports to the US, Japan and Europe. In some contracts, the producer price was reduced to nearly $0,49 a pound, whereas in others, discounts on listed price of $0,515 to $0,52/lb, unchanged for a year, were widened

He said the SA producer price, in the past the benchmark for ferrochrome prices worldwide, was "losing its significance" Samancor and Consolidated Metallurgical Industries, the world's two largest ferrochrome producers, were in the middle of December quarter price talks

Recent quarterly negotiations have proved particularly difficult Some US sources have questioned the role of producer prices, given that spot prices are trading at such large discounts to them US market sources have said spot market supplies of ferrochrome had been available at less than $0,40/lb ex-warehouse in Pittsburgh, while Europe has been flooded by cheap material from the CIS at similarly low prices

German news agency VWD reported at the weekend that Samancor had offered $0,49/lb for shipments from October to December, 5% down from $0,515 in the previous quarter

☐ To Page 2

Ferrochrome

BDAY 12/10/92 (189A)

☐ From Page 1

Quoting a Japanese chrome trader, VWD said the change came as a surprise to Japanese buyers and traders, who widely expected Samancor to leave the price unchanged at the previous level

Samancor MD Hans Smith said yesterday that the ferrochrome market was weak, but he would not comment on prices with many negotiations still under way

Irish Menell Rosenberg analyst Dave Russell said at the weekend the varying discounts offered off the benchmark $0,52/lb, depending on factors such as volume, were normal, with some discounts in Europe being offered down to $0,42/lb

He said the extent of the variance of the discount on the benchmark price was an indication of conditions in the market

☐ An incorrect statement attributed to Russell in Business Day on Friday said it was likely that producers would receive above $0,52/lb for ferrochrome The statement should have read that producers were unlikely to receive above 0,52/lb

Ferrochrome producers in price battle

(1898)

CT 12/10/92

Own Correspondents

JOHANNESBURG — SA ferrochrome producers are struggling to maintain ferrochrome prices for the December quarter because of a worldwide glut and slow growth in demand for stainless steel

A senior industry source said at the weekend prices had fallen by as much as 5% for SA exports to the US, Japan and Europe In some contracts, the producer price was reduced to nearly \$0,49 a pound, whereas in others, discounts on listed price of \$0,515 to \$0,52/lb, unchanged for a year, were widened

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Samancor MD Hans Smith said yesterday that the ferrochrome market was weak, but he would not comment on prices with many negotiations still under way

Columbus set for export tax break

MATTHEW CURTIN (189A)

COLUMBUS Stainless Steel has handed in its multibillion-rand expansion proposal to government for approval for export tax concessions, market sources said yesterday BDM 13/10/92.

They said Columbus was expected to win the concessions, and the launch of the R3bn project was imminent

Highveld Steel and Samancor, which jointly control Columbus, had submitted their application for export incentives in terms of the revised Section 37E of the Income Tax Act That allows for accelerated write-offs of capital costs on export-orientated projects which add value to base minerals

The Highveld and Samancor boards approved the project in July, with the proviso that the project's capital cost did not exceed R3,1bn in escalated terms

Columbus CE Fred Boshoff was unavailable for comment yesterday

The analysts said that the new-look project, based on the revamped stainless steel plant formerly owned by Middelburg Steel & Alloys, would not require outside capital inputs from borrowings or rights issues — from Highveld or Columbus — for the first two years of construction

Thereafter, the partners believed that the worldwide economic recovery would have boosted the companies' profits to preclude a rights issue in year three

☐ To Page 2

Columbus

BDM 13/10/92 (189A)

☐ From Page 1

One said the major factors which were helping Highveld and Samancor contain the project's capital costs were the strength of their balance sheets, their likely qualification for Section 37E, existing export incentives, and as a bonus the improving profitability of the existing Columbus operation

Highveld had cash on hand and on deposit of R450m included in current assets of R1bn at December 31 1991 Highveld's net current assets were R430m compared with Samancor's R1,2bn at June 30 this year

In acquiring the Middelburg plant, the partners had won a headstart, by saving on the project's capital cost and being able to integrate existing facilities with the new venture.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said Columbus would be given the green light soon even though the prices of the commodities Highveld and Samancor produced were falling, straining the companies' profitability

Highveld was knocked by weak vanadium, ferro-alloy and steel prices, and Samancor was affected by poor ore and alloy prices, particularly ferrochrome

However, risks associated with the venture were reduced as Columbus was an important cash generator and the project would be debt-free in its early stage

The existing Columbus plant was now operating at full capacity of 150 000 tons a year and was made more cost efficient The expansion will take output to 600 000 tons at full production, about three years after construction starts

Till the frenetic pace of expansion slows, potential investors would do well to consider the alternatives *David Gleason*

SAMANCOR (189A)

Still expensive

FM 16/10/92.

Activities: *Base metal ores and alloys, including ferrochrome and ferromanganese*
Control: *Gencor 41%*
Chairman: *B P Gilbertson, MD H J Smith*
Capital structure: *189m ords Market capitalisation R5,2bn*
Share market: *Price R27,30 Yields 3,3% on dividend, 5,5% on earnings, p e ratio, 18, cover, 1,7 12-month high, R37,50; low, R27 Trading volume last quarter, 850 000 shares*

Year to June 30	'89	'90	'91	'92
Turnover (Rm)	2 128	2 006	1 806	2 063
Pre-tax profit (Rm)	839	916	567	381
Attributable pft (Rm)	569	539	362	277
Earnings (c)	379	322	216	151
Dividends (c)	200	180	110	90

This time last year, *(FM* October 18 1991) Samancor stood at R30 and looked expensive given the short-term outlook It is now down to a 12-month low of R27, which still looks expensive given the latest short-term outlook The group faces a torrid time as major economies battle to escape from recession and in the face of grim markets for both major earners — manganese and chrome

Chairman Brian Gilbertson says "In the absence of a material improvement in market conditions, management will be hard

continued →

 FM 16/10/92 (189A)

pressed to maintain earnings" Substitute 1991 for 1992 and that's virtually what he said a year ago

The group had hoped to do better, but conditions in the ferrochrome market turned out a lot tougher than MD Hans Smith had expected Rebellious customers did not return to the fold as quickly as hoped in the wake of the combined action by SA producers to push the price for fourth-quarter 1991 delivery to US52c/lb from US49c/lb

Smith had hoped to get prices up to US55c/lb but continuing recession put paid to that CMI chairman Barry Davison commented in his review that it has taken hefty discounts to get customers to accept the nominal producer price of US52c/lb

Samancor closed its ferrochrome smelters for three months early this year to cut stocks and make the new prices stick That boosted cash holdings to R270m (1991 R102m) but the group had to take a charge of R102m against profits for unabsorbed fixed costs

Ferrochrome production is now running at 65% of capacity of about 1,1 Mt/year Smith can see no improvement in market conditions for the next year and production could be cut back a bit more

Manganese alloy production is at about 70% of capacity, with high-carbon ferro-

Samancor's Gilbertson *looking to expect Columbus*

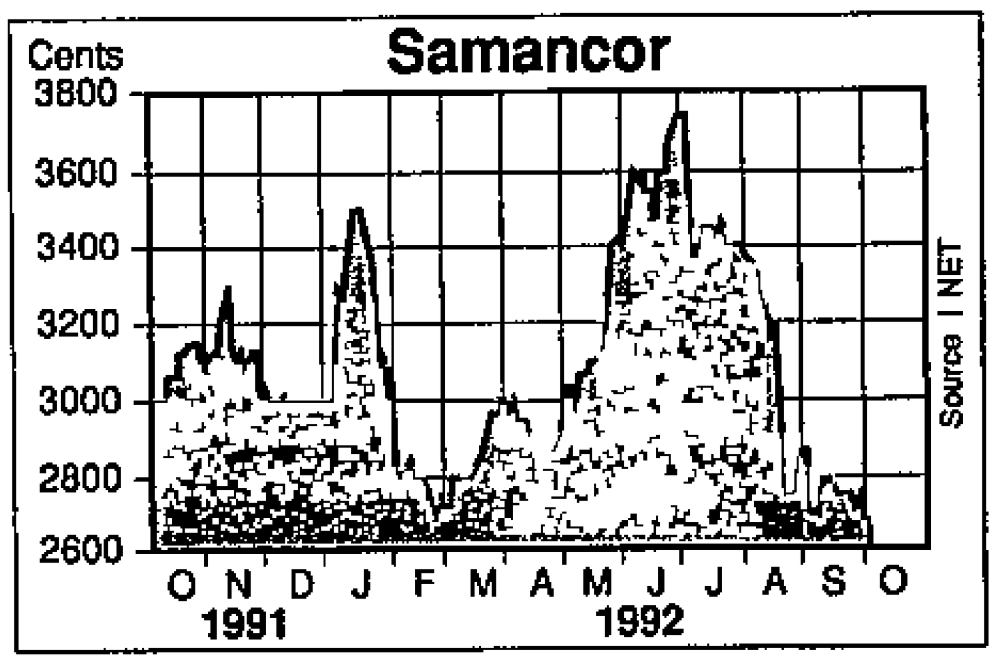
manganese prices down 20% during the year and silico-manganese prices down 17%

Newly acquired Columbus (ex-Middelburg Steel & Alloys) is running well and produced 110 000 t stainless steel Results include R13,5m attributable from Columbus, though Annexure A in the report shows the share of Columbus' earnings as a R1,2m loss after R15,3m extraordinary items

Smith explains this relates to adjustments on the purchase price taken below the line Columbus actually made a R27m operating profit in the accounting period, split equally with partner Highveld Steel & Vanadium

Columbus's order book is full and it plans to produce 120 000 t this year The Samancor and Highveld boards have approved in principle the expansion at Columbus, but a final decision depends on the final tenders, which close this month

The boards stipulated the extra 395 000 t capacity must not cost more than R3,1bn in escalated terms They want confirmation of this before they commit themselves



Gilbertson expects the go-ahead to be announced by end-December and says Samancor will be able to fund its share of the capex without recourse to shareholders

Samancor won the non-gold mining category of the Investment Analysts Society's 1992 Best Reporting & Communications Award, but there's still room for improvement — for example, breaking down earnings from chrome and manganese Also, it could learn from sister companies Impala Platinum and Trans-Natal Coal, which give far more detailed and informative reviews of their markets *Brendan Ryan*

Ferrochrome prices hit CMI

BIZDAY 16/10/92

189A IONO WATERS

CONSOLIDATED Metallurgical Industries (CMI) would struggle to break even in the coming financial year as a result of the low ferrochrome price, CE Sandy Wood said yesterday

Earlier predictions from chairman Barry Davison were that the company was well placed to cope with the difficult market conditions likely to prevail

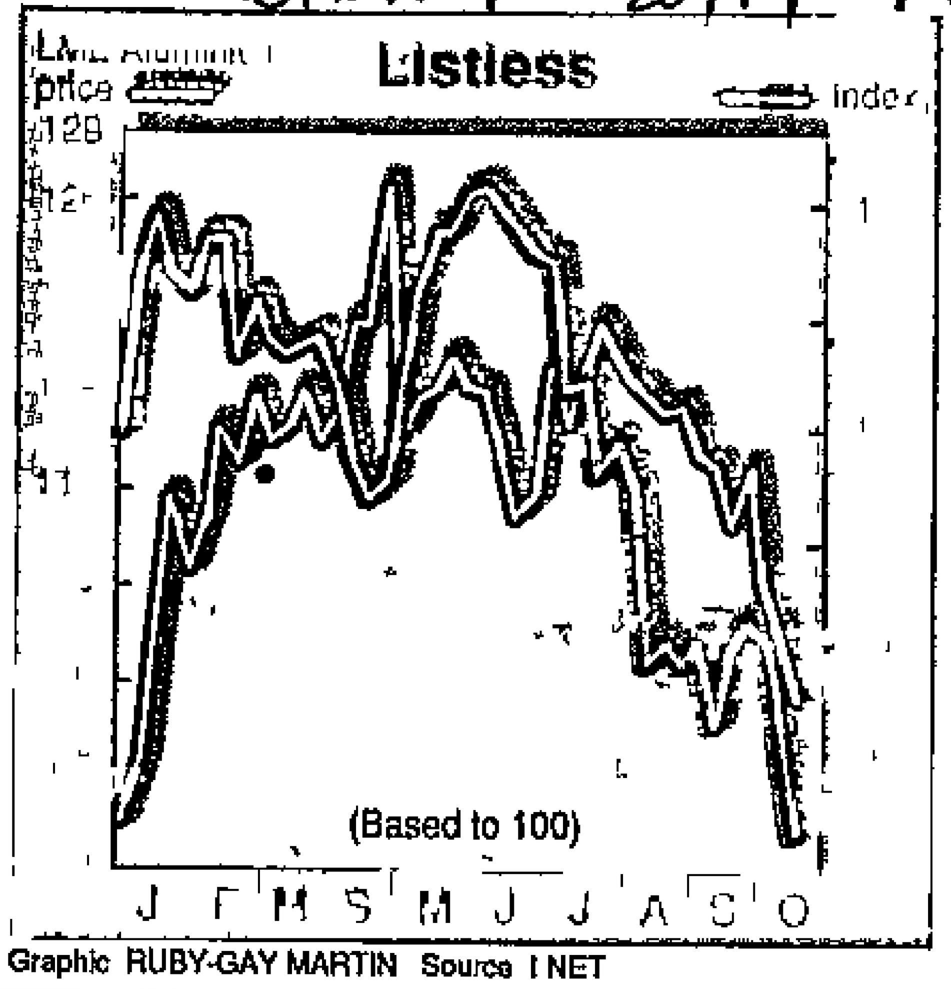
However, Wood said a cost control programme was under way, but the market was weak and the exchange rate not helping the company either

He said volumes in ferrochrome and stainless steel were still good, but producers were unable to achieve price increases — largely as a result of ferrochrome supplies on the spot market.

He declined to spell out what discounts CMI was offering customers

Big Alusaf project may be delayed

BLOEM 20/10/92



Graphic RUBY-GAY MARTIN Source I NET

MATTHEW CURTIN

COLLAPSING investor confidence on the JSE and a 10% fall in aluminium prices in the past month has cast last minute doubts on the timing of Alusaf's R6,4bn smelter expansion project

(189A)

Market sources said yesterday depressed market conditions might force Alusaf to postpone plans to raise R1,3bn in a private share placing with institutions, but the project was likely to go ahead.

It is understood key Cape Town institutions will decide whether to back the project, after reacting favourably to it at first, at board meetings this week.

Chairman Fred Roux would not com-

☐ To Page 2

Alusaf

BLOEM 20/10/92.

(189A)

☐ From Page 1

ment last night on progress in attracting institutional backing Roux said "We will not give the go-ahead until we have secured all the money we need."

Simpson McKie analyst Rodney Yaldwyn said yesterday the new 466 000-ton-a-year smelter "is without doubt good news for SA, and will be a signal to the outside world of domestic confidence in the economy" However, the depressed local share market and weak aluminium prices might deter the group from going ahead with the listing next month.

Yaldwyn said Alusaf might "gamble" with deferring the listing. That would ease pressure on institutions to back the project, with Gencor and the IDC able to finance the initial stages of the scheme

Alusaf has planned to raise R3,1bn of the project's finance through equity. Parent Gencor would put up R1bn, the IDC R800m, and institutions the remainder

Aluminium prices, at historically low levels, have fallen to $1 163 a ton, down from $1 345 a month ago, and 17% below their high for the year of $1 400 Alusaf used a base aluminium price of $1 650 for its feasibility study, at which the project would generate a 6,5% real rate of return.

At the same time, the fall in the all share index has continued.

Davis Borkum Hare analyst Jacques Pickard said institutions were likely to appreciate the project was a sound long-term investment.

ALUSAF FM 23/10/92

Street fighting (189A)

Between them, Hollard and Diagonal streets are at sixes and sevens over Alusaf's proposed R3,1bn placing (of which R1,8bn has already been committed) and subsequent listing, scheduled for next month

A research document indicates sponsoring broker Martin & Co expected the placing of ordinaries or automatically convertible debentures to start on October 21 and close on October 23, with listing on or about November 4 But the going may have been harder than Gencor expected and, given the state of the market, the listing may be delayed

The London Metal Exchange aluminium price of US$1 180/t is nearly $500 below the base case of Alusaf's feasibility studies The scheme entails the erection of an aluminium smelter with capacity of 466 000 t/year The base case price of $1 650 gave an ungeared real rate of return of 6,5%

It must be assumed that at the current price the project is barely viable However, it's only fair to report that, at this price, about 65% of Western output is being turned

FM 23/10/92 (189A)

out at below effective cash production cost

It is reported institutions are taking their time about responding to the offer, probably prompted by the substantial overhang of uncommitted metal on world markets and low metal prices, plus generally depressed international economic conditions

The unusual element of the project is that SA has no commercial bauxite deposits Alusaf's feedstock will be imported, mainly from Australia, which means that, for once, SA is doing what Western countries do with such conspicuous success — add considerable value to someone else's raw materials

Another aspect is the project's potential to earn foreign currency Two-thirds of costs and all sales will be dollar-denominated It is estimated that more than 85% of total production will be exported

Genmin executive director and Alusaf chairman Fred Roux expects final confirmation of institutional backing over the next week, and confirms that it has formally been decided to proceed with the project subject to securing funding It is clear from this that Gencor, which is committed to contributing R1bn, is approaching the matter with caution "However," says Roux, "it would be unwise to write the project off just because there has not been a flood of financing"

Metals have a clearly discernible economic cycle it makes sense to launch a four-year capital programme at the bottom of the cycle so that full production coincides with the upturn But that has never been an easy concept to sell to hesitant portfolio managers

David Gleason

Aluminium prices 'to fall in 1993'

CT 27/10/92 (189A)

LONDON — The price of aluminium is likely to suffer from a worsening economic climate in 1993 and is not set to recover until 1994, consultants Anthony Bird said in a report published here yesterday

Prices, which are at the lowest level this year, were not expected to reach a "reasonable" level in the terms of mining companies until 1995, the report said

Experts expect the average price to be 57,8c per pound in 1993 compared with 58,7c this year but count on an average price of 81c in 1995, the report said

Supplies would continue to exceed demand until 1995 because stocks were high

But a slowing of exports from the Commonwealth of Independent States were expected to fall to 277 000 tons in 1995 from 824 000 tons this year Consumption should grow more quickly than production so that a balance would result

Between 1991 and 1995 consumption of aluminium should rise from 14,808 million tons to 16,679 million and production should rise from 14,814 million tons to 15,797 million tons Production cuts by several founderies in response to weak prices should also help to reverse the trend

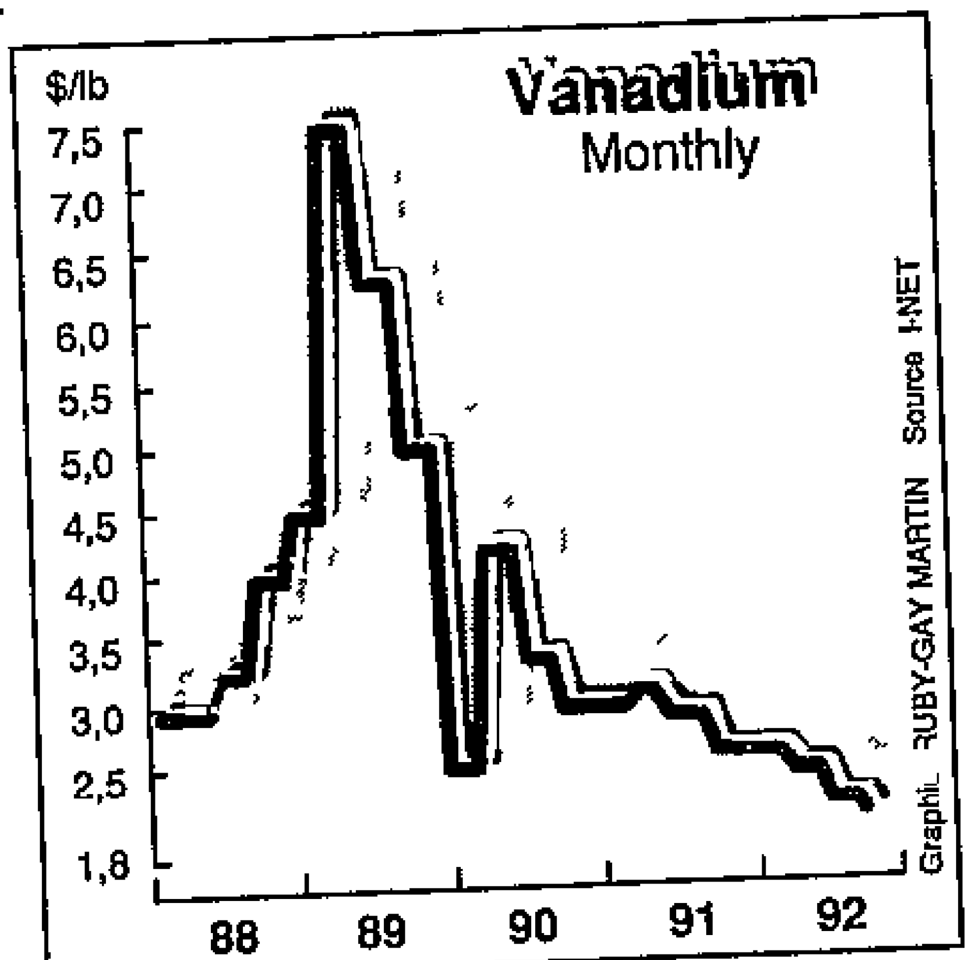
Production, costs had stabilised in recent months at 54c per pound but European foundries continued to suffer from fluctuating exchange rates — Sapa-AFP

Highveld's vanadium pentoxide prices cut

(189A)

BDAY 28/10/92

JONO WATERS



HIGHVELD Steel & Vanadium has cut its vanadium pentoxide prices for the sixth successive quarter, but MD Trevor Jones said Highveld was one of the few companies that could survive at current prices

Jones said yesterday that prices for the fourth quarter had fallen to \$2,10/lb from \$2,20/lb in the September quarter

Prices have been falling steadily since the second quarter of 1991 when the price was \$3,10/lb.

Spot prices are currently running at \$1,80 to \$1,90, and ferrovanadium prices, which lead pentoxide prices, have sunk below \$11/ton

Jones said there was "nothing dramatic" about the fall in the price as steel production was still languishing along with the prices of other commodities and metals

Highveld is the world's largest producer of vanadium pentoxide, which is used mainly in the manufacture of special carbon steels

Other producers, especially the Chinese, were selling their vanadium cheaply, he said "The fundamentals combine and exert downward pressure on the price.

"If steel demand picks up, vanadium will follow very quickly," he said

Jones expected a recovery in prices in the medium to long-term

Jones said it surprised him that producers were still entering the market when it was oversupplied

The poor market conditions have cast doubts over whether Rhombus Vanadium, whose joint venture with Usko fell through in 1991, will go ahead with a multimillion-rand beneficiation plant, which is understood to have won Industrial Development Corporation backing

The London-based Metal Bulletin reported this week that SA's second vanadium pentoxide producer, Vantech, had overcome its problems with the quality of its pentoxide output

Sales were now being made in Europe and the Far East

The report quoted a source as saying that Vantech now had its eye on the US market, but the duties were a deterrent

Vantech was expected to reach an annual average production level of 2 000 tons by the beginning of 1993 and 2 500 tons by the end of next year

The report added Vantech appeared to have adopted a "softly softly approach" to sales in the light of poor market conditions

"We are not keen on selling agressively," the source said

Alusaf could cash in on projected supply shortage

1891

BIDVM 2/11/92

JONO WATERS

ALUMINIUM is expected to be in short supply by the mid-1990s but analysts are divided on whether it is the right time to give the go-ahead to the Alusaf smelter

The Financial Times reported last week that increased production from the ageing Commonwealth of Independent States (CIS) smelters had depressed world prices, but producers predicted shortages from about 1996 onwards as no new smelters were being planned

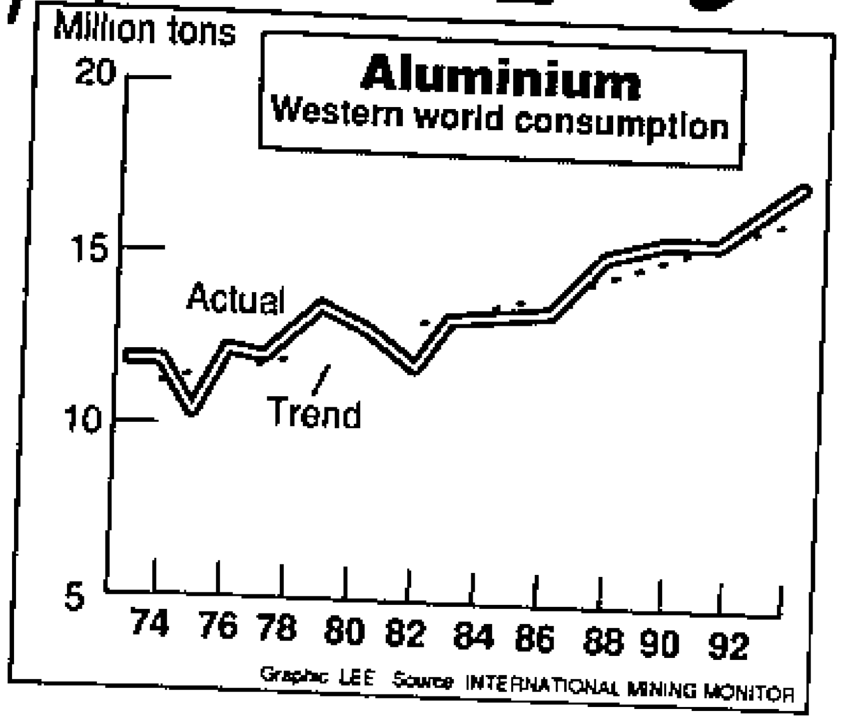
Martin and Co analyst Richard Stuart said there were no new smelters being committed at the moment as 60% of the world's smelters were operating below cash-cost

He said aluminium prices were cyclical and "the timing was dead right" to initiate the Alusaf project

Alusaf would be one the most competitive smelters as it had the most competitive power and alumina formula in the world, he added

But, another local analyst argues, the fundamentals might have changed in four years' time as Alusaf reaches full production

Alumax president Bond Evans was quoted in the Financial Times as saying the timing of their Lauralco smelter in Quebec four years ago was unfortunate because they did not



forecast the collapse of communism which led to the increase in production in the CIS

The analyst said there was also a great deal of capacity from the past that could be brought on line again, which would threaten Alusaf Nearly 625 000 tons of production had been halted temporarily as a response to the CIS flood

The Financial Times report said Japan's Sumitomo Corporation, one of the world's biggest metals trading groups, estimated that an aluminium shortage might bite as early as 1995 The corporation suggested demand for the metal would outpace supply by 1,23-million tons

Nearly 1-million tons of new capacity was coming on stream this year, but there were no new plans to increase capacity after 1993

The report added that the industry anticipated a big surge of demand from carmakers, similar to the boost in the 1980s when beer and soft drink cans moved to aluminium

US producer Reynolds Metals executive vice-president Harry Helton calculated that the industry needed to build 13 new smelters by 2002 if it was to meet growth in demand

The biggest problem seemed to be that producers overseas could not go to shareholders to raise the capital until there were signs of an upswing in the price — by which time it could be too late

Stuart said there was likely to be a fairly extended period of depressed prices which would be required to knock out some of the older, more inefficient smelters

He said in Europe the power contracts for certain aluminium producers would come up for renegotiation in 1995/1996 and the terms would not be as favourable as they were now

Stuart added that the period of low prices was also required to knock some of the CIS smelters out of production, as some were terribly inefficient and badly located across the former Soviet Union

Some of the permanent closures last year as a result of the increase in CIS supply further depressing world prices were in Austria, Brazil, Germany, Hungary, India, Italy and Mexico

R6,4bn Alusaf project likely to get approval

BDAY 11/11/92. 189A

JONO WATERS

GENCOR was expected to announce tomorrow the go-ahead for the R6,4bn Alusaf project, the largest single private capital investment in the country, analysts said yesterday

However, analysts said it seemed likely Alusaf would be listed only when market conditions were appropriate, the aluminium price cycle was more favourable and the project closer to paying dividends

The full R3bn in equity needed to build Alusaf's planned new smelter had apparently been raised

Sources close to the mining house said there was an 80% chance the project would be given the go-ahead Major institutions were finalising written commitments

The institutions, which included Old Mutual and Sanlam, would be investing in shares on a deferred subscription basis, spreading their financial commitments over the next two years The smelter would reach full production by late 1996

Institutions were expected to provide R1,2bn or 40% of total equity. Alusaf was recommended as a long-term investment as it was expected to pay dividends only in the late 1990s.

Alusaf is controlled by Alugen, in which Gencor, through its mining arm Genmin, has a 69% stake The Industrial Development Corporation (IDC) has a 30,7% direct interest

Gencor planned to provide R1bn and the IDC R800m of the equity. The balance would be funded through debt.

Alusaf has entered a long-term power contract with Eskom, linking the deal to the London Metal Exchange (LME) aluminium price.

Alusaf expects to receive accelerated tax write-offs in terms of Section 37E of the Income Tax Act, which provides for rebates on beneficiation projects

Aluminium is expected to be in short supply by the mid-1990s, when the Alusaf project is expected to reach full production. The metal was trading at $1 141/ton on the LME yesterday, down from over $1 300/t a month ago

The metal's high for the year of $1 400/t was still substantially below the base aluminium price of $1 650/t used for the feasibility study in which the project would generate a 6,5% real rate of return.

Australia's Alcoa and Shell Oil's Billiton have agreed to buy half the aluminum produced at Alusaf, and Gencor the rest

Smelter project nets tax incentives

BDay 12/11/92. (189A)

LINDA ENSOR and JONO WATERS

ANGLO American's second billion-rand project in less than a month — Namakwa Sands — has been granted tax incentives in terms of Section 37E of the Income Tax Act.

Details of the R1bn heavy minerals project are expected to be released by Anglo chairman Julian Ogilvie Thompson at a news conference organised by Anglo's new mining business division on Monday

The project was delayed until finalisation of the application for tax incentives

Ogilvie Thompson triggered off the first blast at Anglo's R1,7bn Moab gold project in the north-eastern Free State last month.

The west coast project, at Brand se Baai outside Vredendal, about 80km north of the Olifants River, involves the construction of a R1bn smelter which will process heavy minerals for export. The project will be owned 80% by Anglo and 20% by De Beers.

The project will involve the removal of 16-million tons of sand annually, at peak production, from the mining area to concentration plants where the heavy minerals will be separated and then transported to a separation plant Two heavy mineral concentrates, ilmenite and a mixture of rutile, leucoxene and zircon, will be produced for export

The area is rich in titanium minerals like ilmenite, rutile and leacoxene, which when processed are used as a base for the manufacture of paint and other products Zircon — used in ceramics manufacture — and small quantities of monazite are also present.

The project is the second heavy minerals operation in the country. Richards Bay Minerals on Natal's north coast, which is principally owned by RTZ (50%) and Genmin (25%), has been operating since the mid-1970s The Namakwa Sands site boasts a higher component of zircon than the Richards Bay site

The mine will have a lifespan of 35 years, which could be increased by using ore reserves from elsewhere in the west coast region.

About 900 new jobs will be created; operating expenses were estimated last year to amount to about R80m annually.

• An Anglo spokesman said no details of the project would be made available before the news conference on Monday

ALUSAF FM 13/11/92 (189A)

Prying open the purses

Where are the investors for Alusaf's proposed smelter at Richards Bay? The project, which has passed its environmental test with flying colours, has been touted by parent Gencor as a good investment and a patriotic venture that will boost the economy.

An announcement concerning the listing of the company was initially expected in June but was postponed until the end of October so that the public could study the R1,2m environmental study carried out by the CSIR and the Environmental Evaluation Unit of the University of Cape Town.

Then the listing was postponed again because investors were showing no interest. "When the world is pessimistic, it's very difficult for anyone to be optimistic," says Alusaf chairman Fred Roux. "Have you seen the De Beers share price lately?"

The R6,5bn venture is expected to be funded with R3,5bn in debt and R3bn in equity. Gencor is putting up R1bn and the Industrial Development Corp about R800m. Alusaf's main problem is the R1,2bn in equity it still needs. And it may need even more money if the rand continues to fall against the dollar. The project's costs are based on R2,987/$1 and this week the dollar was headed towards R3,10 and higher.

This week, analysts said that Alusaf had found another R700m from local institutions, but Roux declined to comment.

Until now, the institutions had been holding back. This week, spokesmen for Old Mutual, Liberty and Sanlam, who are principal shareholders in Gencor, still were not commenting on whether they would be backing the venture.

The banks are a little more forthcoming. Standard Bank project finance divisional GM Rob Wassenaar says Standard is looking at the project "from a loan point of view."

Nedbank divisional director Mike Leming says Nedbank would be happy to play a part in a project that SA needs. "But we need to be satisfied that all the environmental issues are cleared up."

The smelter will use technology from the French company Pechiney, the world's largest aluminium producer, but Pechiney itself is not investing in the Alusaf venture. "They are in the business of providing technology and running their own smelters," Roux says.

Another potential Alusaf backer, Alusuisse, a Swiss-based, diversified aluminium producer, has reduced its 22% option to 15,4% following an earlier rights offer in January. "We believe they (Alusuisse) have taken a policy decision not to invest any further in primary aluminium production and that suggests they will not follow their rights," Roux says.

Eskom has an option to take a 25% stake in the venture but it seems unlikely that it will take it up. A decision was expected at last week's meeting of the Electricity Council, but Eskom has declined to comment.

Analysts also have mixed views on the issue. Dave Russell, of Irish, Menell & Rosenberg, says the timing of the expansion is right from a capital expenditure point of view and that "the only real risk is political."

The major deterrent for investors is the

murkiness of aluminium market projections for the mid-Nineties, says Kevin Kartun, of Frankel Max Pollak Vinderine. "The assumptions are based on $1 650/t, which is quite an optimistic price, but at the current price, $1 143/t, the venture offers a real return of about 2%. That's very small assuming 100% equity funding."

Right now, the world aluminium market is in the doldrums. Prices are at levels last seen in 1987, having declined from a high of $1 950/t in 1989.

The plummeting price has been caused by overproduction, decline in demand due to the recession and excessive exports to the West from smelters in the former Soviet Union, Rice Rinaldi analyst Philip Murphy says in a report.

Future aluminium market trends will depend on a world recovery from the recession, inventory drawdowns, events in the CIS and consumption growth prospects, says Murphy.

Though the project has been based on an aluminium price of $1 650/t, even at the current price of $1 143/t the project will still be above its operating costs and "definitely above our cash cost," Roux says.

At the current price, 65% of the world's producers, accounting for 10 Mt of aluminium, are operating below their cash cost. Even at $1 650/t, 20% of the world's producers (3 Mt) will be operating below cash cost.

With both Alusaf smelters producing a combined output of 636 000 t/year, all Roux wants is a fragment of the world market. "Only a tiny bit has to fall out and there will be room for us."

He adds: "Demand is set to increase — for the past 20 years, the aluminium market has been growing between 300 000 t and 400 000 t/year."

Roux says 41% of the new smelter's dollar revenue will be spent on power and alumina, which will make up only 65% of Alusaf's costs. With 59% of revenue covering the remaining 35% of costs, the smelter would survive even lower aluminium prices, he says. "Those are great numbers."

The project will create directly some 5 000 jobs during construction and about 1 400 jobs once it is in full production, with a further 500 contracted out. The 466 000 t/year smelter will generate an estimated R1,5bn net a year in foreign earnings. Alusaf has the safety net of a long-term contract with an Australian buyer that will take up half the new smelter's production.

The key to the project's viability is the power contract negotiated with government-owned Eskom that links the cost of electricity to the aluminium price on the London Metals Exchange.

Eskom, sitting with six of its 15 coal-fired stations in mothballs, is desperate to use some of its surplus capacity and electricity-intensive operations like aluminium smelters are ideal customers. Smelting uses up to 15 kWh for each ton of aluminium produced, power comprises between a quarter and a third of production costs. "Aluminium smelters are preferred customers — once you switch it on, it's on forever," Roux says.

In an earlier feasibility study commissioned by Alusaf and Eskom in January last year, John Raimondo, of the UCT Environmental Evaluation Unit, says only energy supply can provide a strategic advantage to the new smelter.

Another sweetener for Alusaf is the expected approval of Section 37(E) tax breaks for the venture. The Act allows for accelerated depreciation of machinery, plant and buildings used in the beneficiation of minerals. Originally, Alusaf, which will use imported inputs, did not qualify because the Act covered only local minerals. But the Act was amended in March to include imported raw materials and intermediate products.

Roux dismisses speculation that the combination of the Eskom deal, IDC funding and the 37(E) incentives could result in foreign producers calling for trade penalties on Alusaf's production. For one thing, he says, "the 37(E) incentives are just a levelling of the playing fields."

Paul Ash

Crisis looms for steel giant Iscor

ARGT 13/11/92 (189A)

Business Staff

PRETORIA. — Steel giant Iscor faces a crisis period in the next 18 months, says Iscor general manager: finance and business services Mr Louis van Niekerk

Although Mr Van Niekerk did not want to present a picture of future doom, he warned the crisis situation would most probably last until early in 1994

This was based on the latest estimates of the Wall Street Journal Europe, which predicted the international steel markets would only recover in 1994, he said.

He said the crisis was a result of one of Iscor's most important aims — to improve its debt situation.

Iscor therefore had to generate more cash than it spent, he said.

But if Iscor succeeded in improving its debt situation and generating more cash than it spent — and the markets turned in the company's favour again — it could "make a potfull of money", Mr Van Niekerk said

He was being quoted in the latest edition of Iscor's newsletter, The Iscorian, and his comments were made at an in-house briefing for employees

Although he admitted the international market did not look at all good, Mr Van Niekerk said Iscor was placed in No 1 position in the "Fortune 500" classification of steel companies by the influential American financial magazine.

Iscor's plant and technology was also of the best in the world and had made it a company with several investments in added value processes, he said.

He called on Iscor employees to tighten their belts and actively contribute to an improvement in the company's profit and cash position.

He said no investment was expected from international investors because of their own trade dilemma and the prevailing political and economic risks in South Africa

But he said it was not an exclusive management function to overcome this and restore confidence.

Mr Van Niekerk said from a viewpoint of Iscor's financial performance over the past five years, it was clear the local domestic market had slumped by 18 percent during the past two years

On the other hand, Iscor's exports had increased by 63 percent in these two years and more than half of total production is exported, he said

"Steel use has decreased worldwide to such an extent that demand is currently lower than the world's production capabilities

"Trade simply does not take place according to fixed price lists and international prices have dropped by 25 percent in dollar terms in the past two years

"Most companies are attempting to maintain full production, to provide their local market as best as possible and to export the oversupply at very low profit margins."

Mr Van Niekerk said for similar reasons, Iscor was maintaining optimal production levels to spread production costs over as much tonnage as possible

Although the local steel market had shrunk and exports were taking place at low profit margins, Iscor's mining division was performing well.

"With the exception of a share of coking coal, the company is self sufficient in raw materials and, in addition, is in a position to export large volumes

"Iscor's shares on the Johannesburg Stock Exchange have dropped to about 75c compared with a net asset value of about 361c a share," he said.

As possible solutions, Mr Van Niekerk suggested more perseverance, a reduction of stocks and that cost savings must enjoy priority in decision-making

Reducing risk attracts investors to greenfields projects

BDAY 13/11/92. JIM JONES (189A)

THE green light for Gencor's Alusaf project should do much to allay a major misconception about today's SA — the misconception that financial institutions would never invest in greenfields industrial projects. The fact that half a dozen local institutions are to contribute about R1,8bn in equity funds (a quarter of the project's estimated R7,2bn capital cost) should help dispel any misconceptions.

In part, the misconceptions derive from the way in which the country's mining and industrial groups set about new projects Normally much of the risk of establishing, say, a new gold mine is taken by the mining house It can afford to finance the long exploration and evaluation process from its own resources. Generally, it is only after a project has been proven and partly developed that shares are sold to outsiders

The immensity of the Alusaf project persuaded Gencor that it could not or should not handle the financing alone Mining houses, too, need to lay off some of a major project's risk. That will be the case when the Columbus stainless steel joint venture between Samancor and Highveld (essentially Gencor and Anglo American) is given the green light.

However the misconceptions were formed about institutional willingness to finance greenfields projects, they have coloured foreign investors' attitudes. Why, they ask with more than an eye cocked towards daily reports of violence here, should we invest in SA if the South Africans themselves will not? Fact is, life assurers, pension funds and so on have stringent fiduciary responsibilities They cannot invest in high-risk ventures as the mining houses can. So they have tended to direct investment funds towards equities in established companies, real estate and so on.

Alusaf, despite its comparatively long lead time, despite its size (the project's capital cost is about twice that projected for Columbus), despite its greenfields nature and despite the current world oversupply of aluminium, appears to be low risk. That is by design, taking advantage of the fact that Eskom's installed generating capacity is a significant 20% greater than required for present national consumption and the fact that the present aluminium oversupply has made alumina producers eager to sign long-term sales contracts.

Aluminium smelters are favoured customers of electricity utilities. Once they switch their smelters on, they rarely switch them off. Their electricity usage is heavy and steady Eskom has agreed to sell electricity at a price linked directly to the price of aluminium quoted on the London Metal Exchange (LME)

On a sliding scale, Alusaf will pay 20 mills a kw/hour when the LME aluminium price is $1 800/t. (A mill is one thousandth of a US dollar) Twenty mills was the average price of electricity to the world's aluminium smelters in 1991, so Alusaf's price is not out of line. More to the point, Alusaf has been brought into line with what is normal elsewhere in the world's aluminium industry.

Alcoa and Billiton have respectively signed 20-year and 15-year feedstock alumina supply contracts at prices also linked directly to the LME aluminium settlement price. Furthermore, Alcoa and Billiton have agreed to buy about half of Alusaf's eventual 678 000t production of aluminium metal at LME-related prices. Essentially, Alusaf has become something of a toll smelter.

These types of arrangements apply to about 30% of the world's primary aluminium capacity at present and, so, are not unusual But what they add up to is a significantly lower risk than, say, that of a stainless steel plant whose input costs bear no fixed relation to the final product's variable selling price

Also crucial to Alusaf's financial viability was the extension of Section 37E tax concessions They allow tax credits on capital spending to be claimed immediately 37E tax credits are negotiable and can be sold to others with tax bases. Essentially, the tax credit becomes part of the project's initial cash flow and, crucially, does not depend on the project generating profits.

Indirectly, 37E credits allow greater flexibility in the debt:equity structuring of the project In SA, where nominal interest rates are significantly higher than in countries with lower inflation, corporate debt structuring takes on a more important aspect.

One argument against investing in greenfields projects in SA is that many depend on subsidies or favourable treatment from the state. Mossgas is a case in point — it would be a white elephant if exposed to market competition No investment manager with any sense would put money into a venture whose viability depends on long-term market-distorting state intervention

Competing successfully in the mature aluminium smelting industry depends on efficiency. The smelting process is well-proven and quantum improvements are unlikely But sanctions prevented SA from acquiring state-of-the-art equipment. Pechiney, the French firm supplying the new smelter, would not sell to SA while apartheid remained in place. Now that it will supply its technology, Alusaf can plan to enter the market as one of the world's lowest cost producers

That will be highly important in a market characterised by chronic oversupply, in which the growing availability of secondary or scrap material restricts growth prospects for primary metal and in which two-thirds of the world's smelters are reckoned to be operating below cash flow break-even

American metal traders scratch their heads over Gencor's decision to redevelop Alusaf now, at a time when the market is in a trough Gencor argues this is not a valid concern if the plant is among the lowest cost producers and if losses will force the eventual closure of other, high-cost operations

Alusaf's expanded capacity is expected to start delivering metal as the aluminium market emerges from its present recession No one else is building aluminium capacity at present, high-cost European smelters, once closed, are unlikely to reopen quickly; and the flood of Russian metal being sold at distress prices to generate foreign exchange will eventually abate

That expectation may not prove correct, but Alusaf's position on the global cost curve should give it a competitive edge in one of the world's toughest primary product markets That, in turn, will be important if Gencor's eventual plans to enter downstream aluminium markets are to succeed

The timing of the aluminium market's eventual recovery may be open to question But even if it is delayed, Alusaf should be profitable and stand on its own feet.

One factor which makes Alusaf stand out against other, similar beneficiation projects is the fact that the purchase contracts for alumina and electricity are linked to the LME aluminium price as, too, is the contract to sell half of the plant's output to the alumina suppliers That limits the downside risk, but does not completely peg the upside profit potential if aluminium prices lift off

Of course, it is impossible to eliminate risk entirely, but any reduction is not to be ignored in SA these days

Lessen the risk element by structuring a project appropriately, and institutions can invest in greenfields ventures while honouring their fiduciary responsibilities to policyholders The lesson might not be wasted on foreigners looking for international investment targets It will not be wasted on local developers seeking entrance-level financing from the institutions

Institutions are committed

R6,5bn Alusaf project given the green light

BDAM 13/11/92. (189A)

JONO WATERS

GENCOR is to proceed with the R6,5bn Alusaf smelter expansion project at Richards Bay after receiving letters of commitment from institutional investors this week.

Chairman Brian Gilbertson said yesterday Gencor had received R500m from eight institutional investors, with Old Mutual and Sanlam contributing 80% of the amount

Alusaf has raised R3bn in equity and the balance of R3,5bn will be made up of debt and export credit loans Gencor put up R1,13bn, the Industrial Development Corporation R975m, Eskom R300m and Genbel R100m

Gilbertson said Gencor's contribution was less than half of the group's available cash and reserves.

Alusaf — the largest single private investment in the country — would create 1 400 permanent jobs and about 4 800 temporary jobs during construction of the 466 000 ton-a-year smelter An additional 30 000 jobs would be created in the SA economy through the multiplier effect

The project was expected to generate R1,5bn in foreign exchange in 1993 terms and increase GDP by 1,2% The smelter would start production in November 1995 and reach full production one year later

Gilbertson said the plant would be the largest aluminium smelter in the Western world and its size would bring about enormous economies of scale

Alusaf chairman Fred Roux said that at the current aluminium price of $1 160/t 65% of the world's smelters were operating below cost.

The feasibility study for the project had been based on a price of $1 650/t, and at this price 20% of world capacity would be running at a loss

Roux said Alusaf had "arguably the lowest cash break-even in the world" and the project would generate a real rate of return of 8% or a nominal return of 24%, depending on the inflation rate

Asked why Alusaf would not list immediately as had been expected, Roux said the institutions were comfortable with not going to the market right now. "Listing would carry the threat that low equity and aluminium prices would see the share trade at a discount" He said they would rather wait for more certainty in the market and then it could trade at a premium.

Alusaf has a long-term power contract with Eskom which links the cost of power to the aluminium price on the London Metal Exchange (LME) It also has the price of its main input, alumina, from Alcoa Australia and Shell Oil's Billiton, tied to the LME price Current alumina costs would be $30/t landed at Richards Bay.

Roux said the Eskom contract was a formula and not a subsidy, and at an aluminium price of $1 300/t most producers would be paying $320/t for power while Alusaf, under the Eskom formula, would be paying $202/t

Of the R6,5bn, R160m would go towards the upgrading of Alusaf's present capacity Total production for the new and old smelters would amount to 678 000t a year.

□ To Page 2

Alusaf

BDAM 13/11/92. (189A)

□ From Page 1

Site D had been chosen for the smelter as the environmental impact assessment had found site E not to be as environmentally desirable Roux said the move to site D had cost "tens of millions of rand".

Alusaf MD Rob Barbour said questions had been raised as to whether SA had the ability to handle a project this size, but he was convinced it had.

Roux said Canadian group SNC/Lavalin, which had been involved in the building of eight of the 10 smelters constructed in the world recently, would be one of the managing contractors for the project

He said the project had "massive intrinsic benefits" as it was going ahead when no other smelter in the world was expanding, it had alumina suppliers queuing up and the Pechiney AP30 technology was the most cost-efficient in the world.

Gilbertson said he was impressed with the institutions for providing funding, especially when commodity markets were weak and equity markets were tumbling.

Our Durban correspondent reports KwaZulu businessmen breathed a sigh of relief yesterday on learning the smelter would be built.

"This decision is going to save the bacon of many businesses which have been hanging on artificially during the recession in anticipation of the project going ahead," said the region's Chamber of Commerce and Industry spokesman Mike Patterson

Patterson said he believed one third of businesses in the area would have closed down if the project had been abandoned He said it had been estimated that 25 000 jobs would be created in the area

● See Pages 3 and 10

Hope against a wasteland

S Times (Buss) 15/11/92. (189A)

THE R7,2-billion Alusaf aluminium smelter is finally under way. But is it a symbol of economic hope or an expensive way to provide jobs? By CIARAN RYAN.

ALUSAF is taxiing down the runway with the Government, business, unions — including Cosatu and Numsa members — determined to see it succeed.

South Africa needs Alusaf to stop it from sliding into economic ruin Like Sasol or Mossgas before it, Alusaf has become a strategic imperative. Perhaps even a symbol of patriotism

Alusaf will become a milestone in the country's return to economic growth. SA Chamber of Commerce deputy director-general Ron Haywood says Alusaf dispels the myth that South Africans are not prepared to invest in their own country

"It will be a tremendous confidence booster One should also not underestimate the strong multiplier effect that it will have on the economy."

Critics

The project has not escaped controversy The International Monetary Fund has criticised the R700-million of taxpayer's money which will be used as tax credits.

The World Bank says capital-intensive projects such as Alusaf are exactly what SA does not need with its growing unemployment problem. With each Alusaf job costing a reported R3-million compared with the Small Business Development Corporation's R5 000, the IMF has a point

A point of controversy has been Eskom's agreement to supply electricity from surplus capacity at prices linked to the price of aluminium on the London Metal Exchange.

Another subject under discussion is the fact that SA does not have exploitable reserves of bauxite, the base metal used to make aluminium It has to be imported from Australia

Megawatts of electricity are used on the bauxite before it is turned into aluminium

Eskom will provide R300-million in loans, which in time will be converted into equity. Eskom will then have 8,2% of the shares

Should a power utility become a shareholder in an essentially private sector business?

But for every critic who says that it would be cheaper to import aluminium and beneficiate it in labour-intensive industries, there is a businessman who has been dropping on his knees daily to pray that Alusaf goes ahead

The 466 000-ton smelter expansion will be the largest in the Western world, generating R1,5-billion a year in foreign currency and providing 1 400 permanent jobs and 30 000 elsewhere in the economy

Gencor puts the project cost at $5 000 a ton of new production, suggesting a total project cost of R6,9-billion at current exchange rates Gencor says the project will cost R7,2-billion after interest payments

Alusaf chairman Fred Roux says equity funding of R500-million has been raised from eight institutions, Eskom providing a convertible loan of R300-million

Equity funding of R3-billion has been raised from institutions, the Industrial Development Corporation (R975-million), Genbei (R100-million) and Gencor (R1,13-billion) The balance of R3,5-billion is loan funding, representing a gearing ratio of 54%

Alusaf is being made possible by tax concessions in terms of Section 37E of the Income Tax Act and a preferential electricity tariff from Eskom

The use of 37E incentives for capital-intensive projects such as Alusaf has been roundly condemned by the IMF and World Bank as being an inefficient vehicle for creating wealth and jobs.

Section 37E could also run foul of the General Agreement on Tariffs and Trade (Gatt). Should Alusaf ever export to the United States, an unlikely event in the medium term, the aluminium might attract countervailing duties.

Catalyst

But for all the nagging doubts and heated debate, Alusaf is ready to go while most alternatives are yet to reach the drawing board

It should arrest the deepening economic decline by stimulating industry and fixed investment

Alusaf will lift gross domestic product by 1,2% After three years of a shrinking economy, it will boost confidence.

Alusaf may be the catalyst for a new growth phase in SA

Eskom looks at foreign smelter deals

(189A) PETER DELMAR (2&3)

ESKOM had held talks with two foreign aluminium companies which were considering setting up smelters, possibly in SA, corporate business development consultant Guy Joubert said at the weekend

Last week's announcement that the R7,2bn Alusaf expansion would go ahead had boosted efforts by Eskom to encourage investment in electricity, he said

Eskom had a corporate business development unit which aimed at persuading investors "that they can make money by putting up an electricity intensive plant"

The announcement that the Alusaf expansion would go ahead had "given a lot of credibility" to Eskom's efforts to promote new investment. BIDAY

Eskom initiated feasibility studies into the Alusaf investment, which will increase production to 466 000 tons a year In terms of Eskom's contract with Alusaf, the cost of power is linked to the London Metal Exchange's platinum price 16/11/92

Joubert said one of the foreign companies considering setting up smelters, possibly in SA, was Kaizer Aluminium of Germany It had teams investigating suitable smelter sites worldwide, including in Mozambique and Iceland

He said Richards Bay's location and its good sea harbour facilities were major factors in determining the success of the Alusaf project

The other crucial factor, he said, was SA's cheap power SA's electricity is among the cheapest in the world

Internationally, Eskom's major competitor for new investment is Hydro Quebec, the Canadian utility whose power is based mostly on hydroelectricity Quebec's costs are in the region of $0,018c per kilowatt hour Eskom has committed itself to reducing its cost to a similar level

"SA's competitive advantages lie in cheap energy and minerals Those are our strong points and we need to play to these advantages," Joubert said

He said Eskom studies had shown that it had considerable potential to expand consumption in the processing of base metals and chemicals A mining house was also investigating a proposal by Eskom to link power prices to the gold price

BARLOW RAND

FM 20/11/92

Smoothing out the cycles

(189A)

For now, profits depend on acknowledged strengths

Little more than a year ago, Barlow Rand embarked upon uncharacteristic and radical surgery. It sold Middelburg Steel & Alloys (MS&A) and related chrome interests for R1,1bn, and more recently it unbundled the troubled Rand Mines, further distancing itself from cyclical commodity markets.

In substance and in the signals sent to financial markets, these events mark a turning point for the normally expansive Barlows. Essentially, management is seeking to bring about a change of direction that will give the conglomerate greater control over its own destiny.

In an era when even conglomerates are tending to focus their portfolios more sharply, this approach — from a new management team led by chairman Warren Clewlow and MD Derek Cooper — could bring rewards. Still to be seen is whether the stock market will respond with a more favourable rating for the share.

Cooper

Barlows now has large funding capacity and probably more resilient profits. The investment emphasis has been swung steadily towards the higher-growth and higher-margin activities. That will largely involve building on acknowledged strengths, in areas such as food, pharmaceuticals, packaging and electronics.

On the face of it, much is being done to eliminate weaknesses that have impaired the rating of the share — which has often performed disappointingly. Though seen as a blue-chip counter, it has invariably stood at a discount to the JSE Industrial index. That remained true after release this week of the 1992 results, showing attributable earnings 5% higher but EPS and dividends up by a marginal 2%.

The 9,8 p e and 3,9 dividend yield on the R44 share price respectively indicate discounts of 26,7% and 40,3% to the index averages. The Industrial index is, of course, heavily influenced by some focused, high-growth companies such as Richemont, Rembrandt, SA Breweries and Safren. But that is largely why the much more diversified Barlows is still accorded a rating based on stock market expectations of earnings that will be good quality — but solid rather than high growth.

Three adverse perceptions have influenced the market. One is that earnings have historically been highly volatile, with periods of strong growth followed by phases of weak earnings and dividend plateaus. A five-year dividend plateau in the mid-Eighties (when Barlows was known slightingly as a fixed-interest stock) was followed by years when EPS grew at rates of 28%-43%/year. The gyrations of MS&A's profits were partly to blame for the swings. It's hoped that the disposal of this company has smoothed the earnings volatility.

Another problem — common to conglomerates — was that difficulties in a particular division tended to generate negative perceptions out of proportion to the direct effects. Aside from the stated strategy of retreating

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P.T.O.

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from cyclical businesses, this was presumably part of the motivation for unbundling Rand Mines

If so, it is only a partial solution Troubled gold mines such as Harmony are still identified with Barlows, though the effective shareholding is now negligible Last week there was news of what could be serious geological problems in two Eskom-tied collieries operated by RandCoal, now the backbone of remaining mining interests

What probably weighs more heavily on market perceptions is the view that Barlows' size and diversity make its profits overly and inextricably dependent on growth in the local economy Hence some analysts believe that, over time, the returns are unlikely to be better than average

For his part, Cooper believes this is a misconception that overlooks the changing sources of profits, the enhanced flexibility and the directions in which Barlows is being nudged The past year has seen a marked swing in the profit mix towards consumer products. Cooper estimates these provided 40% of 1992's earnings, against 31% in 1991 Commodities' contribution fell from 27% to 19%, while that from capital goods linked broadly to fixed investment was roughly maintained at 28% (29%) as were the profits generated overseas, at 13% (13%) Most of the divisions are involved in exports, so the rand-hedge element remains significant though somewhat reduced by the sale of MS&A

While it's obviously difficult to be dogmatic about the earnings breakdown (other managers offered slightly different figures), it indicates the growing impact of Barlows' more successful companies such as Tiger, Adcock Ingram, ICS, Nampak and Reunert — all market leaders Of course it's also partly a reflection of the economy, which in recent years has been driven primarily by consumer spending, while fixed investment and the mining industry have lagged

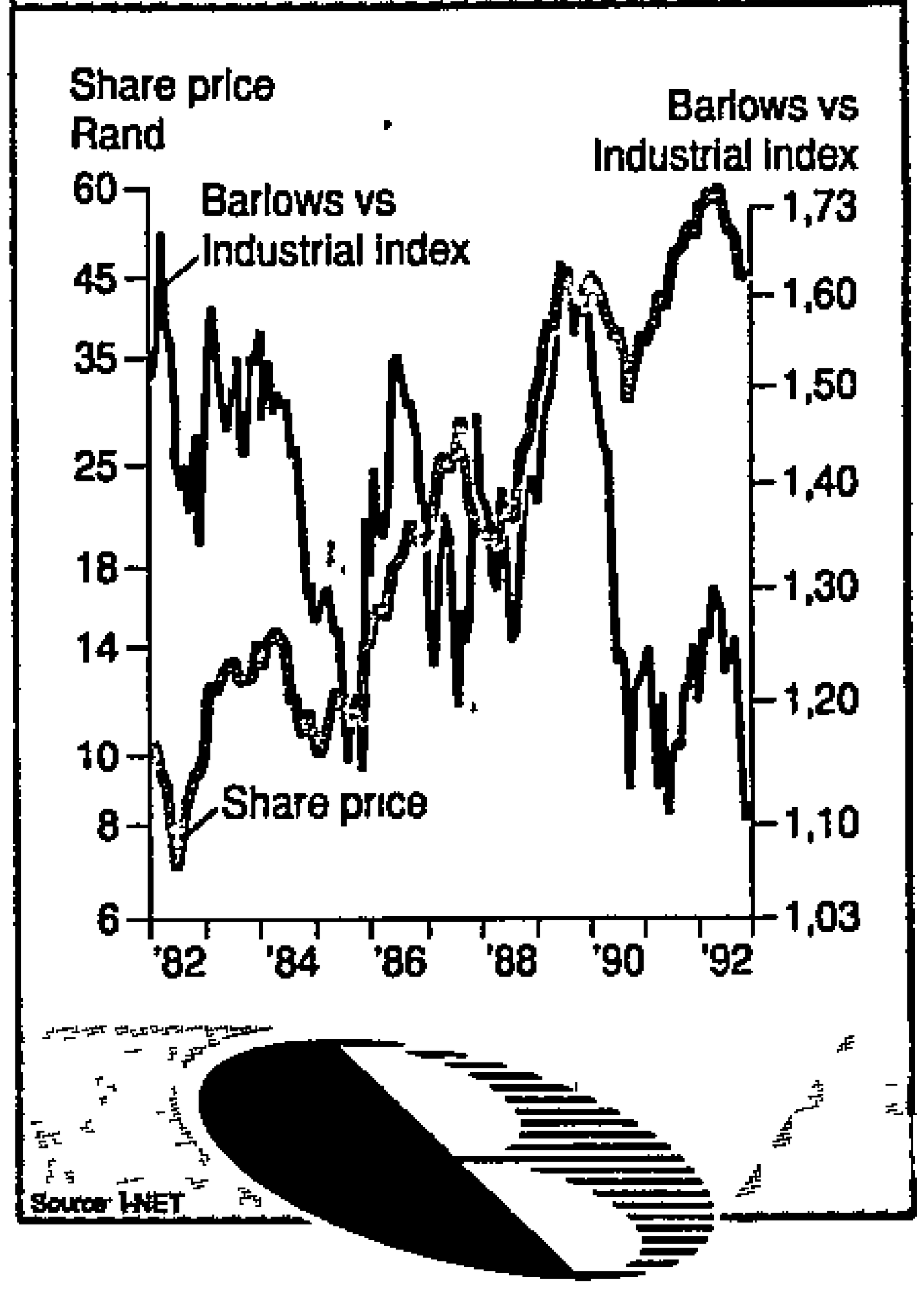
But Cooper emphasises that capital spending is changing in the same direction as the profit mix Whereas a few years ago about 60% of the capex was going into mining (and MS&A), the bulk is now going elsewhere Of the R1,8bn capex allocated for this year, about R900m will go into food and packaging

He says there is no intention of moving out of capital equipment, which includes Caterpillar, the original business Investment in this field could be stepped up quickly when necessary, but for now the demand for consumer goods with strong brand names — which would be steadily boosted by urbanisation — is seen as the best source of growth

Presence in the portfolio of "selected commodities" — mainly coal and cement — is intended to ensure exposure to cyclical upturns, without being unduly affected by downturns About half the coal profits come from Eskom-tied collieries, which normally offer steady profits However, the disclosure about the geological problems at Khutala and Majuba could place those prospects in a different light

Volatile performer

Barlow Rand



Aside from its liquidity, Barlows' cash generating capacity has been fundamentally improved by the sale of MS&A, which, Cooper says, was a cash drain for the past 10 years and would have needed substantially larger investment during the Nineties if it was to hold its market share Platinum was another cash drain

Barlows has not been shy about laying out funds net capital spending (capex less disposals plus new investments) averaged R1,89bn between 1988-1991 In 1992 the gross figure was R2,25bn, including R685m on acquisitions and R1,13bn on expansion capex But better generation and deployment of cash is essential if the rating of the share is to move closer to the likes of SAB, Rembrandt or Safren — all of which are lauded for their cash generation

From this standpoint, the 1992 accounts are promising Cash generated by operations increased by almost 21% to R1,54bn, a markedly faster pace than profit growth With the scrip dividend option offered last year, only R461m (1991 R623m) was paid to shareholders, and the cash retained from operations was up 65%, at R1,1bn Funding requirements actually fell by R695m, having risen by R222m in 1991

After the MS&A deal, a stronger balance sheet was to be expected Net gearing fell to 31%, with cash and near cash standing at R1,49bn Future investments will continue to be made, largely by the subsidiaries Some of these could push further cash injections up to Barlows, PPC, for example, paid a special dividend, and others may do so if they have cash that isn't needed

But some R800m of the cash is held at the centre, available for investment by head office Cooper says there are several options for this One would be to buy more shares in some of the existing subsidiaries, such as 60%-held C G Smith — or directly in Tiger Oats, a subsidiary of C G Smith via CGS Foods

It would be extremely expensive to eliminate this pyramid structure (C G Smith is capitalised at about R5,7bn and CGS Foods at R4,3bn) Even so, larger holdings could help to soften another market criticism that Barlows has small effective holdings in its best business (Tiger/Adcock) and large stakes in slower-growth activities

Other options for the cash would be to follow investments by the subsidiaries (rights issues by Tiger and Bibby were followed this year), or even to buy a new division These would be within the four main areas of the present sources of profits Cooper says any new investments made overseas would have to be in activities where the SA group has skills — an example being Bibby's recent acquisition of Finanzauto, the Caterpillar distributor in Spain

It's costing Barlows some £28m to follow part of its rights in the Bibby issue, but it has not yet decided how this will be funded For now, it has borrowed abroad, and the deal is being treated in the accounts as if it were being financed through the financial rand

Cooper contends there are no remaining weak areas in the group, though some plainly need further attention Romatex has begun to improve off a low base after selling its textiles operation earlier this year In the unlisted interests, building supplies company Federated Blaikie is being rationalised after making a loss in 1992 Profits from consumer durables and paint are "down on last year," while motors and steel merchanting are facing "difficult markets" The capital equipment business merely maintained profits, with help from exports to Angola

Rationalisation and repositioning have not been without cost to shareholders In 1991 R433m was written off as an extraordinary item, most relating to disposals of assets In 1992 there was an extraordinary charge of R374m, the biggest item being goodwill Had these not been made below the line, earnings would have looked very different

Stodgy markets will continue to dampen prospects next year Cooper says the target is at least to maintain earnings and dividends, but he considers growth to be highly unlikely in 1993

For that, a political breakthrough is essential — and even then the profits won't benefit immediately

Barlows remains less focused than, say, SAB, AVI, Malbak or Murray & Roberts It is, however, looking more structurally and financially sound, and holds market leadership in some key sectors If it can convince the market it will produce more consistent earnings during the Nineties, the share should be rated more favourably relative to the index But the economy will have to regain some life before the potential is fulfilled

Andrew McNulty

ALUSAF FM 20|11|92 (189A)

Getting the green light

Alusaf's R7,2bn aluminium smelter expansion at Richards Bay is going ahead Last week the company's directors announced that they had raised the money and that construction should begin in April

The fund-raising, however, did not go the way Alusaf had hoped Eight institutions are investing only R500m, roughly R700m less than Alusaf wanted Sanlam and Old Mutual are providing 80% of the R500m

To make up the difference, Eskom, which has promoted the project from the beginning, is making a R300m loan, the IDC has raised its equity stake from R800m to R975m, and Genmin has chipped in R225m

The rest of the nearly R3bn in equity funding will come from Genbel (R100m) and Gencor (R1,13bn) Loans will supply about R3,5bn of the funding, representing a

cont

FM 20|11|92 (189A)

gearing ratio of 54% The IDC is lending R800m of this total Interest payments will make up R500m of the project's cost

Eskom, which had the option of taking a 25% stake in the venture, instead provided a loan "It's not our policy to lend money to such projects, but in this case there is a unique set of circumstances," says Eskom's executive director, finance and services, Mick Davis In the past, he says, the government-owned utility lent money to coal mines in which Eskom would benefit from dedicated supplies

Eskom was instrumental in getting the smelter project under way by commissioning feasibility studies with Alusaf (*Business & Technology* November 13)

The smelter, which will be the largest in the Western world, is expected to generate about R1,5bn in foreign exchange earnings It will employ 1 400 people but estimates of how many jobs will be created indirectly vary widely Eskom and Alusaf say 30 000-35 000 and the IDC says 9 500

Says Eskom's Guy Joubert "We worked out how much the smelter would earn in foreign exchange Then we estimated that if the project earned R1 in foreign exchange, the economy would expand by R2," with the number of jobs created based on how much the economy expands

But Eskom has had trouble explaining how earning foreign exchange would help expand the economy any more than earning rands would Some economists say Eskom's figures are hogwash, that there is no such thing as a special foreign-exchange spin-off

The IDC economists computed differently "They didn't believe the flow-through would be as great," IDC GM Fred Clarke says

Meanwhile, world aluminium markets continue to be plagued by a slump that has depressed the metal's price to levels not seen since 1987 The current figure of \$1 147/t is well down on its 1989 average of \$1 950/t But Alusaf expects the price to pick up by the time its smelter goes on line in 1996 ■

IDC set to invest R3bn in projects

B/DAY 20/11/92

Own Correspondent

DURBAN. — Projects worth nearly R18bn have been given the go-ahead, or are being investigated, by the Industrial Development Corporation.

The IDC says it will be involved to the extent of R3bn and that the list represents a total capital investment of about R10bn over the next four years, most of which will be invested by other companies.

The corporation's latest report details schemes ranging from the R7,2bn aluminium smelter for Richards Bay to the R3,4bn Columbus stainless steel venture.

The Alusaf smelter, which will make 466 000 tons of aluminium and use a substantial amount of Eskom's spare capacity, was given approval earlier this month.

Other schemes include:

- Sasol is far down the track in the construction of a R385m acrylic fibre plant at Prospecton in Durban which will produce 36 000 tons of fibre for the textile industry.
- AECI has invited the IDC to take part in a R280m planned lysine project. Lysine is an important amino-acid essential in feeds for mono-gastric animals.
- Steel production and a plant worth R3,5b are on the agenda. The feasibility of a mini steel mill to produce 1,2-million tons of hot-coiled steel rolls a year for export is being examined.
- The IDC is playing "an active role" in promoting downstream petrochemical production at Mossel Bay.

240

189A

Columbus bid to cut building cost

S/Times (Bus) 22/11/92. (189A)

By CIARAN RYAN

THE R3,1-billion Columbus Stainless Steel expansion project will kick off early in the new year if negotiations with equipment suppliers succeed.

Executive director Fred Boshoff says negotiations are being held with potential equipment suppliers to bring the project cost within the predetermined R3,1-billion cut-off mark.

Samancor chairman Brian Gilbertson says his company, which will have a 50% stake in the project, has approved the project in principle provided the capital cost does not exceed R3,1-billion

An industry source says the preliminary costing exercise put the project cost at about R3,7-billion

Mr Boshoff admits there were some "unpleasant surprises" in the quoted costs of equipment and services

"I am nevertheless confident that we can negotiate with the suppliers to bring this cost down If we cannot achieve the target of R3,1-billion, the whole concept will have to be redesigned and that will be a serious blow for Columbus and the whole country"

Capacity

Shareholders Samancor and Highveld Steel & Vanadium will be presented with revised costings at the end of this month Provided the R3,1-billion target is met, board approval is expected shortly thereafter The expansion is expected to come into full production in 1995

Mr Boshoff says the enlarged Columbus will have an output capacity of 500 000 tons The existing Columbus plant, the old Middelburg Steel & Alloys, will produce 125 000 tons this year

Shareholders are expected to provide more than R2-billion in equity financing No more than 30% of the capital cost will come from loans

Columbus will generate R2-billion a year in foreign currency No new direct jobs will be provided, although many will be created in downstream industries and in the engineering and construction sectors, says Mr Boshoff

The expansion can take place without hiring additional labour, contributing to cost savings

The project will incorporate technology recommended by the suppliers The most likely contenders for the contract are TEW of Germany and Japan's Nisshin Steel

The decision to stick with proven technology has been slated as overcautious because more advanced technology offering greater efficiencies is available

Details of the project are yet to be published, but at first glance it appears more robust than the recently announced R7,2-billion Alusaf aluminium smelter expansion

Subsidies

The cost of the project is less than half that of Alusaf and the primary raw material, nickel — accounting for 40% of production costs — is in plentiful SA supply Alusaf depends on imported raw materials

Stainless-steel prices are at record lows, but even at these levels the project should be profitable, says Mr Boshoff

"Columbus is profitable now despite record low prices for stainless steel The technology it uses is from 1978 Since then there have been major improvements in production performance We will use technology which is far more efficient, with greater economies of scale in our expansion."

Columbus will become one of the top five stainless-steel producers in the world, producing about 5% of total output of 10,7-million tons (1991) Demand for the steel is growing by about 3,5% a year

The world market is worth more than R90-billion a year A recovery in prices in line with the expected economic upturn between now and 1995 augurs well for Columbus

Nickel is used in the manufacture of ferrochrome which is then processed into stainless steel Samancor, the world's largest supplier of ferrochrome to stainless steel-manufacturers, may encounter problems with its foreign customers because of its competitive interest in Columbus

Another concern is the project's reliance on tax write-offs in terms of Section 37(E) of the Income Tax Act, a direct export incentive

CMI FM 27/11/92

Temporary closure

(189A)

Deteriorating conditions in the ferrochrome market have forced Consolidated Metallurgical Industries (CMI) to shut its Rustenburg smelter and chrome mine for two months CE Sandy Wood says that when the plant re-opens it will run at about 70% of capacity of 110 000 t/year of ferrochrome, while the Lydenburg plant will continue to run at 66% of capacity of 220 000 t/year

Wood says the market has been undermined by ferrochrome from the Commonwealth of Independent States (CIS) being sold at unrealistically low prices "CIS and other material is being sold on the spot market for between US$0,38/lb and $0,40/lb delivered in the US and there is no way we can compete with that"

The closure means that CMI will make an operating loss in the year to end-June, despite earlier hopes that it would break even SA ferrochrome companies will not provide precise production cost figures or disclose discounts to customers, but breakeven is believed to be around $0,45c/lb Market sources say discounts of up to 7% are available on producer prices

Samancor was forced to drop its price for fourth-quarter delivery to Japan to $0,49/lb from $0,52/lb, and a 7% discount on the latest price works out to an effective 45,6c/lb

Samancor chrome GM Wilrich Schroeder says the group's furnaces are operating at between 60%-65% of capacity It closed all its ferrochrome smelters for three months at

* continue →

FOX FM 27/11/92

(189A)

the beginning of the year

ChromeCorp Technology (CCT) marketing director Alan Esquino says CCT has one furnace out but plans to keep the other two going until the end of the year CCT shut all its operations for a month at the beginning of the year and Esquino says overall production this year will amount to about 60% of capacity of 200 000 t of ferrochrome

"We will produce in accordance with our orders and try to keep stocks at reasonable levels There is no reason to believe conditions are going to improve next year In fact, they may get worse," he says *Brendan Ryan*

Alprom wins Alusaf smelter contract

B/Day 27/11/92

(189A)

EDWARD WEST

ALUSAF's first local contract for R300m has been awarded to Alprom, a SA-based joint venture between M & R subsidiary Engineering Management Services and Montreal-based SNC-Lavalin (HSE)

The contract, signed last Friday, was awarded to Alprom for engineering and project management services for the entire R7,2bn smelter project, M & R said yesterday

Alprom's project manager will be Pierre Lamontagne of SNC-Lavalin He is currently completing work on an aluminium smelter in Australia

EMS's Basil Bagg, who played a leading role in projects such as Mossgas and Pelindaba's urananium enrichment plant, has been appointed deputy project manager

Baggs said the 466 000 ton smelter was the largest built at one time.

...sed power-sta-
...n emissions in the Witbank

Alusaf contracts

189A

ST Times (BUSS)
29/11/92.

ALUSAF has awarded the first major contract of its R7,2-billion smelter project to Alprom, a South African company jointly owned by Engineering Management Services and SNC-Lavalin of Montreal

The R300-million contract is for the engineering and project management services for the entire project.

French company Aluminium Pechiney has won the contract for the AP30 technology to be used by Alusaf.

Alusaf contracts

(1891)

S Times (Bus S) 29/11/92.

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Rhovan plans to build R85m plant

BIDAY 30/11/92 (189A)

JONO WATERS

RHOMBUS Vanadium (Rhovan) planned to raise R35m in a rights issue in the new year and build an R85m vanadium oxide plant at its mine, CE Rob Still said at the weekend

The plant had been designed to produce up to 13-million pounds of vanadium oxide a year and would be commissioned in 1995

In October 1991 Usko closed its ill-starred R60m vanadium pentoxide plant near Vereeniging and sold it to Rhovan for R1 Usko represented the market for Rhovan's concentrate and its plant closure forced Rhovan to find alternative markets for its product or face the prospect of closing its mine and concentrator located on one of the world's richest vanadiferous magnetite deposits

Rhovan intended incorporating parts of that plant in its new oxide facility, effectively lowering the cost The rest of the Usko plant would be sold as scrap

"Our mine and concentrator were paid for and we were not prepared to write them off," Still said

The scheme was made possible after US international commodity group AIOC Corporation agreed to invest R28m in Rhovan's holding company, Rhosco Rhosco is a wholly owned subsidiary of Rhombus Exploration (Rhoex) and Rhosco's principal asset is 60% of Rhovan AIOC's investment would give it a 33,3% indirect interest in Rhovan after completion of the rights issue

Rhoex had agreed to put up a maximum of R7m in Rhosco to enable Rhosco to underwrite the rights issue

The balance of the R85m would be raised through a R31,5m loan from the Industrial Development Corporation and Rhovan's own cash resources of R6m The capital costs included R12,5m of re-used plant and equipment from the Usko site

World production of vanadium oxide was in excess of 100-million pounds a year Still believed that Rhovan could compete effectively even though the world's vanadium market was oversupplied and prices were low Feasibility studies had indicated Rhovan would be one of the lowest cost producers in the world

"I'd rather be building a plant in the next

☐ To Page 2

Rhovan

BIDAY 30/11/92. (189A)

☐ From Page 1

two years than running one We have a good base, having spent a year and a half researching this so we are not rushing into it," said Still

Asked whether the plant would qualify for Section 37E tax breaks, Still said there could be advantages, but the Act was not promulgated in Bophuthatswana

AIOC president Alan Clingman said the corporation would continue to invest in commodity related investments in SA and other developing countries

☐ Rhoex profit fell to R1,69m and earnings to 5,03c a share for the year to end-September 1992 Pre-tax profit was lower at R3,2m (R7,56m in the 15 months to end-September 1991) The tax bill of R1,51m (R841 000) reduced the after-tax profit to R1,69m (R6,17m)

Unlike in the previous financial year-end, the company received no income from outside shareholders and extraordinary items and the company's profit remained unchanged (R17,2m)

Still said poor market conditions in the granite industry had necessitated the closure of the quarry operated by Eagle near Parys and the company had been placed under provisional liquidation

Taaiboschspruit colliery, in which Rhoex had a 50% interest, had been commissioned and would contribute towards profit in the coming year Good progress had been reported on Rhoex's mineral sands ventures and further details would be provided in the annual report.

Rhovan to launch new plant with US partner

STAR 30/11/92

By Sven Lunsche (189A)

Vanadium producer Rhombus Vanadium (Rhovan) has announced a partnership with a US company and a R35 million rights offer to finance a new R85 million vanadium oxide plant.

In a statement today Rhovan says the plant, which will be commissioned in 1995, became necessary after Usko's supply contract to Rhovan was cancelled

The long-term viability of the venture was guaranteed only after US commodity trading group AIOC had invested R28 million, which will give it a 33 percent stake in Rhovan's holding company, Rhosco, after the proposed rights issue

The cash injection by AIOC, which will gain a seat on Rhovan's board and has agreed to market Rhovan's production worldwide, will allow Rhosco to underwrite a R35 million rights issue scheduled for early 1993

Rhosco's holding company, Rhombus Exploration (RhoEx), is putting up a further R7 million to underwrite the offer

Apart from the rights issue Rhovan will use R6 million cash resources, R12,5 million re-used Usko equipment and a R31,5 million loan from the IDC to finance the vanadium plant

Rhovan says the plant has the capacity to produce up to 13 million pounds of vanadium a year and, assuming a price of between \$1,75 and \$2,50 a pound, it should produce a yearly profit of between R5 million and R30 million

Rhovan is optimistic that the plant will make it one of the lowest cost producers in the world.

The group has also decided not to restart Usko's vanadium pentoxide plant near Vereeniging, which was closed in October 1991 and sold to Rhovan for R1

The plant represented the sole market for its vanadium concentrate, which was converted by Usko into vanadium oxide.

The announcement coincides with the release of RhoEx's financial results for the year to end-September, which show earnings a share sharply lower at 5,03c (13,95c) on a fall in net income to R3,2 million (R7,6 million).

However, RhoEx has changed its accounting policy to consolidate the results of its mining subsidiaries, lifting last year's earnings from 8,05c to 13,95c a share

Higher vanadium output criticised

STAR 1/12/92.

By Stephen Cranston (189A)

Highveld Steel MD Trevor Jones has criticised Rhombus Vanadium's plan to build another vanadium oxide plant

In a presentation to the Investment Analysts' Society in Johannesburg yesterday Jones said it was not sensible to use scarce resources for more vanadium production at a time of excess world capacity

At the moment SA producers alone can supply more vanadium than the world requires, and Highveld is operating its vanadium plants at just a third of capacity — and from January annual capacity at its Vantra subsidiary will increase from 15 to 28 million pounds.

Jones said that in the past year Highveld's workforce had fallen from 7 200 to 6 500. Some 350 left voluntarily or took early retirement, but a further 350 were retrenched.

In order to get a more balanced investment, Highveld had broadened into less cyclical businesses, he said The first line of the Rheem aluminium beverage can facility would open and be up to full capacity by the second half of 1993

Jones said there were three imponderables which would affect operating performance. One was the rand/dollar exchange rate.

Jones said there were signs the dollar would strengthen next year

The rand's relaitve strength against the dollar had made the past year traumatic

The changes in the Eastern bloc meant that consumption there had fallen significantly

Highveld Steel plans big upgrade

BIDAY 2/12/92

189A

JONO WATERS

HIGHVELD Steel and Vanadium had committed R56m to improving its cost-effectiveness, MD Trevor Jones said yesterday

The money would be used to enhance the quality steel and upgrade the slab caster Improvements would be completed within 12 months

Jones said the announcement on the Colombus joint venture stainless steel project with Samancor, expected to cost about R3bn, was "imminent' Highveld had budgeted capex at R525m next year

The boards of both Highveld and Samancor had approved the idea, but the go-ahead hinged on Section 37E status, which allowed for accelerated tax write-off on capex, capital cost targeted at R2,5bn and funding for the venture

Jones was confident the project would be granted Section 37E status and said it was possible the Industrial Development Corporation (IDC) would put up one third of the funding

Initial tenders for the cost of the project had been disappointing, but had since improved

Highveld and Samancor bought the former Middelburg Steel & Alloys from Barlow Rand last year after Barlows decided to reduce its exposure to cyclical commodity businesses Middelburg's stainless steel plant was the basis of the Colombus Stainless Steel project, which would make SA the world's fifth largest producer

Jones said the existing plant had performed well and Highveld's share was expected to boost company turnover by between 20% to 22%

Colombus would benefit from Samancor's knowledge of chrome "We are now feeling quite comfortable about the magnitude of the project"

He expected the domestic steel market to pick up during the latter half of 1993 as the Moab, Alusaf and Namakwa Sands projects would give industry a boost

International markets were oversupplied and Jones expected a cutback in world production However, Highveld was not really a world player and its production of 1 million tons did not even make up 1% of current world production of 750 million tons a year

He said Highveld would maintain its position in the lower cost quartile of world steel producers

In the world vanadium market, there had "always been an oversupply" and he did not expect prices to increase quickly Highveld is the western world's largest producer of vanadium

RHOVAN FM 4/12/92 (189A)

Taking the plunge

Rhombus Vanadium (Rhovan) has rounded up some heavyweight support in its decision to build an R85m vanadium plant It has procured a R31,5m loan from the Industrial Development Corp (IDC) and a R28m investment from US commodity traders AIOC Corp

The decision has been taken despite heavy opposition from industry leader Highveld Steel & Vanadium (Hiveld), with Hiveld chairman Leslie Boyd continuing openly to predict failure for the project Rhovan MD

FM 4/12/92 (189A)

Rob Still maintains the project is viable, even at vanadium prices as low as US$1,75/lb, and points out the forthcoming rights issue by Rhovan to raise R35m is fully underwritten

That's just as well because, given present commodity and stock market conditions, many of Rhovan's minority shareholders may think twice about stumping up their R14m share, despite the high-risk, high-reward profile

Rhovan is controlled by Rhombus Exploration (Rho-Ex) through holding company Rhosco, which has 60% of Rhovan's equity and will underwrite the rights offer AIOC has invested R28m into Rhosco to acquire a 33% stake in Rhovan on completion of the rights issue Still points out AIOC has paid an effective 64c per Rhovan share The market price is 25c

The deal appears to amount to a change of control because, if AIOC ends up with 33% of Rhovan through Rhosco, then it must hold 55% of Rhosco However, there is no offer to minorities because Rho-Ex intends picking up enough additional shares through underwriting the rights issue to maintain control The Securities Regulation Panel has agreed to this but minorities might, understandably, feel unhappy about it

Included in the AIOC investment is R7m towards underwriting the 40% balance of the rights issue due from minorities which will be matched by Rho-Ex investing another R7m

The new plant will be built at Rhovan's mine site near Brits and will have the capacity to produce up to 13m lb (6m kg) annually of vanadium oxide

Still refuses to specify whether the final product will be vanadium pentoxide or trioxide AIOC will do the marketing and Still says a large part of expected production has already been committed through long-term contracts for conversion to ferrovanadium

AIOC will market the ferrovanadium as well, but Still will not say where the ferrovanadium will be produced, nor which company will produce it

There should be better disclosure than this in the rights offer document if Rhovan seriously expects its minorities to take up what will be at least a two-for-one rights offer, assuming a price of 25c *Brendan Ryan*

US clears Iscor of charges

189A

ARG 5/12/92

Weekend Argus Correspondent

JOHANNESBURG — Iscor has been cleared of subsidising steel exports to the US.

But the Americans say 12 other countries are guilty

They are France, Germany, Brazil, South Korea, Mexico, Sweden, Britain, Belgium, Spain, Italy, Austria and New Zealand

The US has imposed duties on steel from these countries ranging from less than one percent to nearly 59 percent, depending on the subsidisation and type

A spokesman said Iscor had been careful not to give the Americans any grounds to think its exports were being subsidised.

Iscor still has another hurdle to surmount before it gets a clean bill of health from US trade authorities

This is the allegation that it, along with producers in 18 other countries has been "dumping" steel in the US at less than fair prices

The spokesman said Iscor had no doubts that it would be given a clean bill of health on this charge as well

One reason was that its exports to the US were small

Before the US imposed sanctions on Iscor it had been a signatory to the voluntary restriction agreement (VRA) which put limits on exports by signatories to the US

Now that the US market was again open to Iscor, it was continuing to observe the VRA

The US Commerce Department is to issue a finding on the dumping complaint by January 26.

The US International Trade Commission will then rule on whether steel imports are hurting the US economy If it does find injury, the new duties will become permanent

Wall Street analysts said this would help the US steel industry push through a price increase

The Iscor spokesman said exports of steel were running at a high level There had been no sign of an upturn domestically

The Industrial Development Corporation's investigation into erecting a semis plant at either Sishen or Saldanha Bay was continuing

Should the scheme come to fruition it would produce steel semis for export in the most modern plant in the world

Steel would be produced in a Corex plant pioneered by Iscor at its Pretoria works. The Corex plant uses coal intead of coke, which is scarce and more expensive, in the production of steel

Highveld still glowing in bleak times

(189A) S/Times (Buss) 6/12/92.

HIGHVELD Steel & Vanadium has outperformed Iscor by 100% since the national steelmaker was privatised three years ago. So we heard in the preamble to Hiveld managing director Trevor Jones's presentation to the Investment Analysts Society this week

Rather than beating Iscor, Mr Jones was more concerned with the timing of his presentation — slightly ahead, he hoped, of the announcement of the go-ahead for extensions to stainless steel maker Columbus

Hiveld is part of the Anglo American-De Beers stable, both of which are still sore from accusations of having made bullish presentations to analysts earlier this year when bad news followed later

The Anglo defence is not that the presentations were bullish, but that they were made at all that encouraged investor optimism

The indisputable news from Hiveld is that it is to spend R56-million on a new ladle furnace and on upgrading the slabcaster at its steelworks This is part of a capital expenditure programme that will top R525-million in 1993 if Columbus goes ahead, and R120-million if it does not "Even in bleak times we have continued to invest capital in our businesses," said Mr Jones

Iscor was not the only competitor to come under oblique scrutiny Mr Jones showed figures, which even if only half correct, clearly highlighted global overcapacity for vanadium production

Hiveld's two vanadium sources, plus only one other SA company, could comfortably accommodate the world's forecast demand of 73-million pounds of vanadium

Current world capacity is 150-million pounds and Hiveld itself is bringing another 13-million pounds of oxide capacity into its Vantra plant

The point was obvious — he did not believe there was room for yet another 13-million pounds of vanadium pentoxide project as announced by SA independent Rhombus Vanadium this week "Vanadium will be coming out of our ears if we're not careful"

Steel and vanadium made up two-thirds of Hiveld's R1,4-billion annual turnover before Columbus Ferro-alloy producers Transalloys chipped in 12% and Rand Carbide 9% Aluminium producer Rheem makes up the balance

Mr Jones defended Columbus's choice of technology in expanding its production Critics say it is not state-of-the-art and will be overtaken by cheaper processes within 10 years

Mr Jones said the newer technology also has flaws and is not fully proven, whereas the existing method worked well and would give economies of scale

Hiveld's turnover will grow by about a fifth on its holding in Columbus

As another Anglo company Tongaat is doing, Hiveld has sold off 400 of its 1 500 company-owned houses because it helps the balance sheet and because it helps people stand on their own feet Yet many black staff are still reluctant to leave their rural roots and buy in Witbank

The balance sheet is very strong in any event — Hiveld holds "comforting" net cash of R230-million, according to Mr Jones

Globally, the demand for steel is far less than supply, and producers are making losses Hiveld's relatively small size — negligible in world terms — is to its advantage

The domestic market is showing one or two glimmers of improvement — the advent of Alusaf, Moab and Namakwa Sands, for example — and abroad, China is becoming an important trader to Hiveld

China produces vanadium, and also buys it "We are feeling a bit more positive towards China now"

On Rheem, which is to introduce aluminium beverage cans this year, Mr Jones was optimistic that recycling of the cans would work

Distribution would be confined to a small radius and Mr Jones hoped that children would be keen to collect the cans for financial reward

The large difference in cost between smelting aluminium ore and melting aluminium cans for re-use would leave enough margin to pay for their gathering

While it was by no means ra-ra, I thought the presentation had a firm undertone

The analysts appeared to differ with me — Hiveld was offered close to its year low at 900c

All it takes is a change of sentiment for a share like Hiveld to boom

Prosecutions could follow steel 'probe'

(189A)

S/Times (BUSS) 6/12/92

By DON ROBERTSON

THE Competition Board says prosecutions of some steel merchants could follow in the New Year after its probe into allegations of restrictive practices in the R5-billion industry

Pierre Brookes chairman of the Board, says "We have not precluded the possibility that certain matters could be handed over to the prosecuting authorities '

The news has been welcomed by smaller independent, steel merchants who say that for almost two years they have been victimised with the threat of supply stoppages

They also say that in many cases price collusion is evident and that many of the small companies have been swallowed up by bigger competitors

The big three suppliers are Macsteel, Trident and Baldwins.

Dr Brookes says an informal investigation into the steel trade — including stainless steel and ferrous and non ferrous metals — was conducted towards the end of last year After a series of complaints, the Board converted this into a formal investigation in March.

This has now been completed and the report will be released early next year

Dr Brookes says at least 10 of the smaller merchants made submissions to the Board before the date for representations closed at the end of March

On-site investigations took place and the claims and counter claims have been tabulated

"There are allegations of collusion which, if correct, are unlawful. It could, however be price leadership, in which case there is no collusion We are analysing this now but there are certain areas we are looking at."

There have also been complaints that some merchants have refused to supply smaller merchants and if so, it is unwarranted, says Dr Brookes. This is being assessed.

"There has also been allegations of collusion in the distribution of stainless steel and there is also concern on the exporting of scrap But it is difficult to say as it is a concentrated industry

"The report has been written, but it is not possible to say whether this is a restrictive practice.

'There are a number of companies who have had complaints made against them, although not by name, and maybe two of the three could be reported '

One small merchant offered to sell Business Times a tape which he claimed would prove collusion between the big three.

'We followed this up but we do not deal this way," says Dr Brookes

The big three players are however, reluctant to comment until they have seen the Board s report.

Michael Hoffman deputy chairman of domestic sales at Macsteel and chairman of the Steel Merchants Association says "We will wait to see what they say but if it is handed over it will be defended in the appropriate manner

Referring to his association with Macsteel Mr Hoffman says. We do not regard ourselves as having done any thing which could lead to us facing any such charges.'

The Association presented a 150-page report to the Board about six or seven months ago

The general manager of the central processing unit at Baldwins is also unable to comment until the Boards report has been received having also submitted a substantial document ' to the Board

Trident managing director Ben Fourie says he was surprised that the Competition Board should have discussed the matter before the report had been released

'We would like to see the report, and if we are not happy we could discuss it further with the Board '

Some of the smaller merchants who complained to the Board earlier now say they have benefited from the cartel' in that many smaller suppliers were bought by the bigger traders which reduced competition.

The sharp decline in the steel trade has hit the larger suppliers more severely which has allowed them to price more competitively

Having been denied supplies from the larger groups many were forced to buy directly from steel mills which has given them a stronger business base

PIERRE BROOKES We have not precluded the possibility that certain matters could be handed over to the authorities

New exemptions to red meat controls

S/Times [BUSS] 6/12/92 (3) Meat

By DON ROBERTSON

THE Department of Agriculture has taken another step in the relaxation of controls over the red meat industry

Last week the Department promulgated regulations regarding exemption from certain provisions of the Abattoir Hygiene Act 1992.

The exemptions relate to the need by abattoirs to employ vets and meat inspectors, the requirement that all animals be inspected before slaughter and the removal of meat from abattoirs before it has been inspected and approved.

Another requirement which could be exempted is that animals be slaughtered in a humane way and in accordance with certain methods and procedures

Louis Theron, head of media services at the Department of Agriculture, said that should exemptions be granted in the first three instances the meat must be specially marked and may not be transported outside the local authority in which the abattoir is situated.

This further relaxation brings closer the privatisation of Abattoir Corporation (Abacor), which has been postponed for about four months because of the large number of objections Opponents believe that privatisation should not take place until the meat industry has been fully deregulated.

Deregulation of the industry to date has seen the abolition of trade factor registration and freer movement of meat throughout the country, which in effect means the abandoning of controlled areas In addition, offal pools have been handed over to Abacor

Exemptions must be accompanied by comments from the local authority and may be withdrawn at any time In addition, other conditions may be set

Focus blurred

I WOULD like to respond to an article which appeared in Business Times (October 18) under the headline M&F claims top spot

It is unfortunate that the focus of the telephone interview your reporter had with me regarding the activities of rating concerns was so conclusively formulated in two short paragraphs. In particular, the penultimate paragraph does not correctly reflect the policy of the Financial Services Board with more specific reference to the financial and other provision of the applicable legislation.

In addition to information contained in the statutory return the Registrar has the authority to demand information from insurers An insurer who *inter alia* does not comply with the financial provisions of the Act may be prohibited from issuing any further policies, be placed under judicial management or be wound up

Widening horizons

Business Times Reporter

SOUTH African and Namibian companies have been invited to list in the Kenya Horizons Trade Directory, which is distributed to 26 000 businesses covering 22 preferential trade area countries and six Gulf nations.

Anglo and Eskom in tariffs talks

PETER DELMAR

ANGLO American is negotiating with Eskom on a possible special power deal for its Namakwa Sands heavy minerals project on the west coast.

189A

The go-ahead for the project, which is expected to cost almost R1,4bn and generate 4 500 jobs directly and indirectly, was given late last month

Project director Neville Keys said the project, was expected to use more than 50MW of power This would make it one of the biggest new consumers of Eskom power

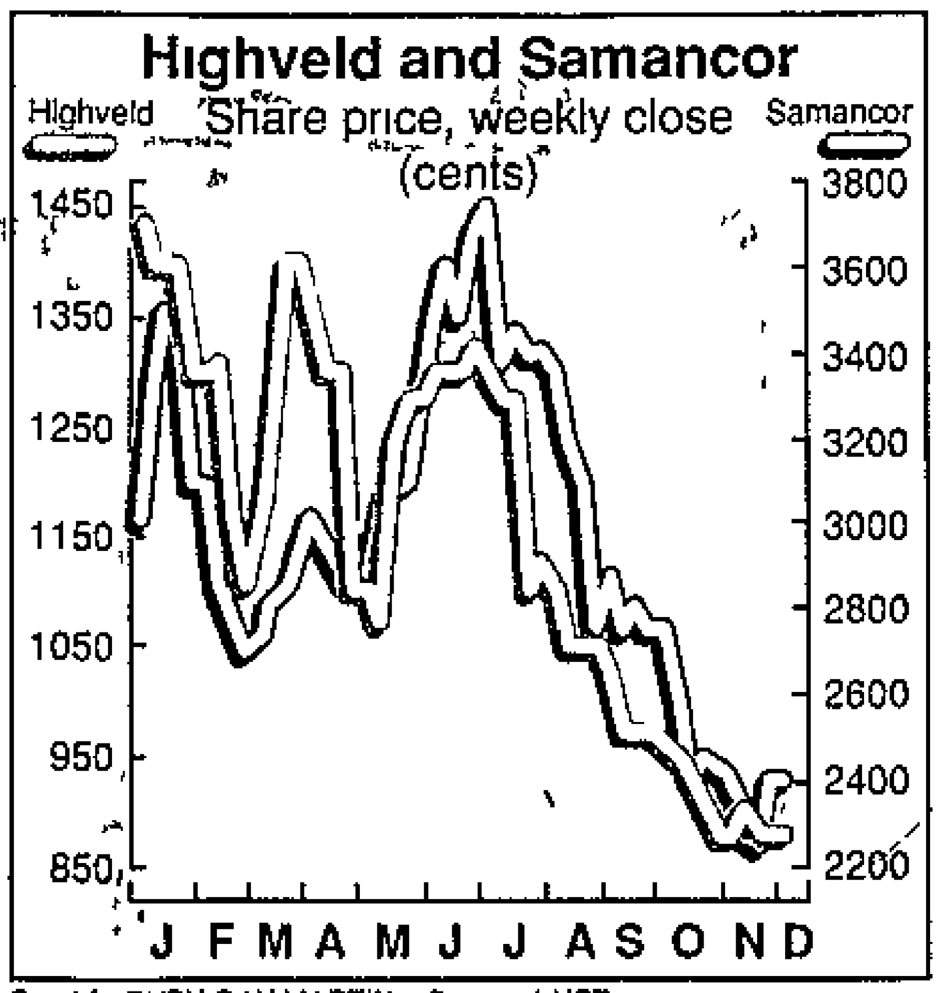
B/DAY 7/12/92.

Keys said studies and projections were based on Eskom's standard tariffs available to large users Discussions were continuing, however, on the possibility of structuring a special deal for the project

The outcome was unlikely to be similar to deal negotiated for the Alusaf expansion, however. Keys noted that the Alusaf contract was based on linking the cost of power to the aluminium price on the London Metal Exchange. There was no comparable yardstick for the Namakwa Sands project

Keys said most of the power consumption would be at the smelter site near Saldanha Bay, not at the mine at Brand-se-Baai near Vredendal

In planning the project Anglo had been "very conscious of the advice that Eskom has been giving, that they intend to retain the escalation in power costs below inflation," Keys said



Graphic: RUBY GAY MARTIN Source: I-NET

Columbus poised for go-ahead

189A

BDAY 8/12/92

JONO WATERS

THE go-ahead for the R3,1bn Columbus stainless steel export project is expected to be announced today.

Sponsored jointly by Anglo's Highveld Steel & Vanadium and Gencor's Samancor, the giant project has been in the planning stages since 1990.

Columbus came closer to fruition in late 1991 when Anglo and Gencor bought the stainless steel and ferrochrome interests of Barlow Rand's Middelburg Steel & Alloys for R1bn.

Sources close to the project said yesterday it was also possible that the Industrial Development Corporation could put up some of the funding.

The names of the contractors and a date for the start of construction are also expected to be announced today.

The Middelburg Steel & Alloy production facility will form the core of the project.

With full production planned at 495 000 tons a year, Columbus is expected to transform SA into the world's fifth largest stainless steel producer.

Samancor is already the world's largest producer of ferrochrome, the main ingredient of stainless steel. Much of the nickel needed to produce the austenitic stainless steel will have to be imported, which could leave the venture open to volatile world nickel prices.

Columbus is expected to benefit from Section 37E, a mineral beneficiation tax which allows credits for pre-production capital costs.

☐ To Page 2

Columbus

BDAY 8/12/92

189A

☐ From Page 1

Fergusson Brothers analyst Philip Marillier said there could be problems with the project being granted Section 37E status as the tax break was seen by some countries as a subsidy. This in turn could be considered as a contravention of the soon-to-be-signed GATT agreement.

However, Marillier said it was a good time to go ahead with the project as he believed the commodity cycle had "bottomed out". He added there was a real possibility that Columbus could be listed in about five or six years.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said his only criticism of the project was that state-of-the-art technology was not being used.

"They are not looking at something that will give them the edge in the future as they are using tried, tested and trusted technology."

Kartun said it would be interesting to see if capex for Columbus came in under the expected R3,1bn and what rate of return the project would offer.

IDC takes R970m stake in Columbus

BIDAY 9/12/92 (189A)

JONO WATERS

ANGLO and Gencor have given the green light for their Columbus stainless steel project, and have brought in the Industrial Development Corporation (IDC) to provide a third of the project's capital cost, estimated initially at R2,55bn

By the time cost escalation and interest on borrowings have weighed in, the project will have cost an estimated R3,5bn

Columbus, which will be owned by Gencor's Samancor and Anglo's Highveld Steel & Vanadium, has been described as an act of faith Its viability will depend on unpredictable metals prices at about the turn of the century It will also depend on the project's production costs being less than the world average

Construction is expected to take two years and full capacity of about 500 000 tons a year is expected by end-1995 Columbus will add an annual R2,5bn to GDP

IDC senior GM Malcolm Macdonald said the IDC believed Columbus was a worthwhile investment and would have a "cascading" effect on other industries

"The future of SA industrialisation lies in mineral beneficiation as SA has comparative advantage in several minerals"

Each partner — Samancor, Highveld and the IDC — would hold a 33,3% stake in the venture and would be required to put up R970m for the project The balance of R600m would come through export credits from equipment supplier countries

However, in terms of Section 37E of the Income Tax Act, which allowed for tax deferral on mineral beneficiation projects, each partner would receive R240m in tax credits, reducing their individual contributions to R730m

Gencor and Samancor chairman Brian Gilbertson said yesterday the project would generate about R16bn in foreign exchange (in 1993 money) in the first 25 years of the its life

"By forging another link in the value-added chain, we will add to SA's growth

To Page 2

Columbus

BIDAY 9/12/92 (189A)

From Page 1

and foreign exchange reserves" He said the project would add 40%-50% to the value of the raw materials

Columbus chairman Leslie Boyd said the expansion would make the country the sixth-largest producer in the world The project would be the biggest single-location producer internationally

Columbus CE Fred Boshoff said the expanded operation at Middelburg would employ 1 800 people, an increase of only 100 jobs, but at the peak of construction, 5 000 people were expected to be working on site A further 10 000 jobs would be created in the downstream construction and engineering industries

The fiscus would benefit by a real return of R6bn through company tax and employees' PAYE over the first 25 years

Construction would start early next year with site preparation at Middelburg By the end of January, the venture partners would announce who would be awarded the construction contract

The cold mill would be the first plant to be commissioned at the end of 1994, followed by the hot mill in the first quarter of 1995 and the steel plant at the beginning of the third quarter of 1995

About 60% of the project's capital would be spent locally, while the balance would be used to buy foreign technology and goods not available locally

Asked what the real rate of return would be on the project, Gilbertson said it was "not a dripping roast", but the returns were "adequate" as the project had managed to satisfy six boards

Boshoff said stainless steel was a commodity with growth, with current world demand for it increasing at a rate of between 3,5% and 5% a year

No special agreement had been concluded with Eskom for a lower tariff as power costs made up only 2% of the total cost of production Negotiations, however, were continuing

Columbus had a competitive advantage, with Samancor being the world's largest supplier of ferrochrome, Boshoff said The nickel for the project, about 25 000 tons a year, would be sourced locally and iron would come from carbon steel scrap

Gilbertson said the project was evidence of the positive role of large corporations in the country as small corporations could never "act on this scale"

Boyd said there was no timetable for listing the project

Columbus project going ahead

STAR 9/12/92.

By Stephen Cranston (189A)

The Columbus joint venture has been given the go-ahead nearly five years after it was first suggested

The three partners, Highveld Steel, Samancor and the Industrial Development Corporation (IDC), will spend R2,55 billion onthe project

Columbus will get R32 billion from exports in the first 25 years of its life, and an additional R16 billion on what would have been earned from nickel and ferrochrome exports

It will pay R6 billion in tax during that time

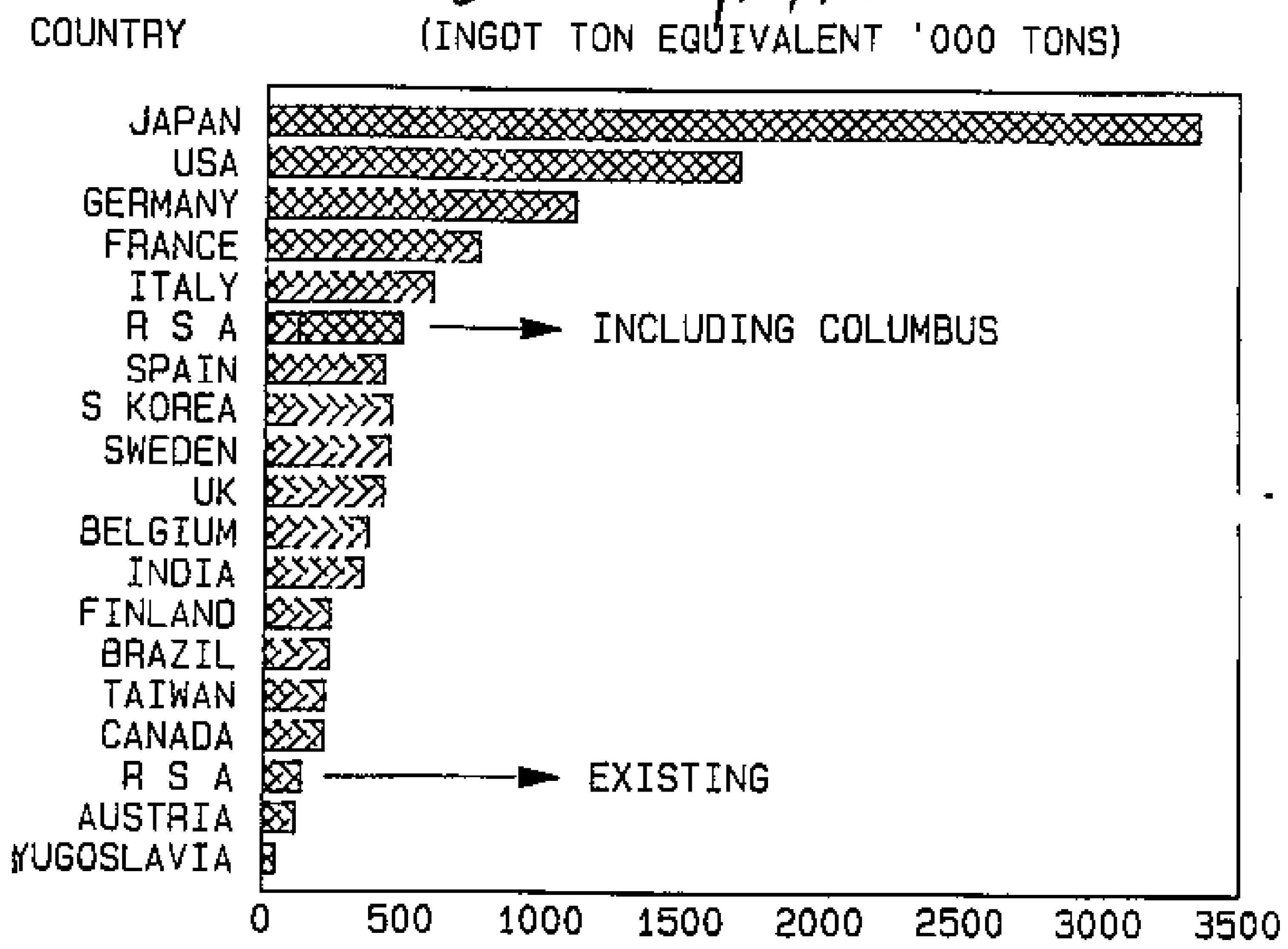
Each partner will spend R970 million on the project by 1996 and will receive R240 million in cash from tax allowances

Cash flow from existing operations, the former Middelburg Steel & Alloys, will fund start-up expenditure and working capital

The project will lift SA's stainless steel capacity from 125 000 tons a year to 500 000 tons

It will be the largest producer in the world on a single site and make SA the sixth-largest stainless steel producer

The project will only create an additional 100 permanent jobs, but during the construction



Annual stainless steel production (1991)

phase there should be 5 000 workers on site and a total of 10 000 job opportunities

Construction work begins at Middelburg in January

Columbus deputy chairman Brian Gilbertson says downstream industries will be encouraged to beneficiate Columbus's stainless steel to add further value

Columbus will assist in the development of downstream industry by providing technical support and product input not presently available

He says that adding value to raw materials should be SA's future strategy The project will increase value added to raw materials by 40 to 50 percent

In the supply chain, one ton of chrome ore is worth R260 This converts to 379 kg of ferrochrome worth R610, which is needed to make 1 250 kg of ferritic stainless steel worth R7 700

Columbus CE Fred Boshoff says the involvement of the IDC is a recognition of its willingness to invest in large projects and emphasise the strategic importance of such a project

"The Government has realised the importance of getting the economy going, and for that reason has adjusted the tax laws

"We are now able to claim allowances from the date of expenditure rather than, as previously, from commissioning of the project"

Boshoff adds that 60 percent of capital expenditure will be spent locally But the most modern technology available will be bought from Germany, Japan and Sweden

"This, together with optimum use of the existing infrastructure and skills, our proximity to raw materials and competitive energy costs will add to our competitive advantage"

SA has 3,5 billion tons of chrome ore reserves, more than three-quarters of the world total, and 10,7 million tons of nickel ore, 8,6 percent of the world total

The cold-rolled mill will be commissioned in late 1994, the hot-rolled mill in the first half of 1995 and the steel plant in the second half of 1995

Gas pipeline for Columbus

(189A) (140)

EDWARD WEST

SASOL would establish a R120m gas pipeline to the Columbus project and other industries in the eastern Transvaal, a spokesman said yesterday

Construction of the pipeline, to stretch from Secunda to Witbank and Middelburg, would be completed by September 1994 B/DM

The feasibility of the pipeline was dependent on the gas consumption of the Columbus stainless steel project, which was given the go-ahead on Monday 10/12/92

Gascor, a Sasol subsidiary, has been operating an extensive gas network, mainly to industry, in the Witwatersrand for the past 28 years It currently services up to 800 consumers in the region

The 73km pipeline between Secunda and Witbank would have a diameter of 400mm The diameter of the 38,5km Witbank to Middelburg pipeline would be 325mm

The new pipeline was expected to increase Gascor's sales by up to 25% from 1994 onwards

The pipeline was designed to supply 900 gigajoules an hour of methane-rich gas from Sasol's Secunda plants where there was excess gas capacity Its energy value was about 35 mega-joule/normal cubic metre

Sasol said the pipeline was expected to attract new industries to the Witbank/Middelburg area The pipeline would not affect the environment as it would be laid underground

Advantages of gas to heat-energy consumers included high heat value and efficiency, low sulphur content, continuous availability, consistent quality, clean burning, no stock keeping necessary, technical support from Sasol and accurate temperature control, the group said

Contractors for the pipeline would be appointed after tenders had been requested

FM 11/12/92 (189A)

COLUMBUS PROJECT (189A)

Ready to roll FM 11/12/92

The R3,5bn Columbus stainless steel joint venture, due to kick off next month in Middelburg, is just one in a series of major construction projects now in the works

Columbus, an equal partnership involving Anglo's Highveld Steel, Gencor's Samancor and government's Industrial Development Corp, follows Engen's R1bn expansion of its Durban refinery, the R7bn Alusaf project and Anglo and De Beers' R1bn Namaqua Sands project — all announced in the past two months

Columbus CE Fred Boshoff says the 500 000 t/year plant would be the largest single-site stainless steel production facility in the world and would make SA the sixth-largest stainless steel producing country

About 70% of the projected R2,5bn annual production will be exported and 60% of the project costs will be sourced locally The plant will also use about 27 000 t of nickel, 170 000 t of ferrochrome ore (sourced from Impala, Rusplat and Samancor) and about 350 000 t/year of locally sourced carbon scrap steels

"Depending on global market developments, we expect a 10%-15% net profit margin," Boshoff says Stainless steel demand is now in the doldrums but the market is expected to turn around by the time the plant is completed in 1997

A key factor for the success of the project is its ability to qualify for section 37E income tax benefits

But, says Brian Gilbertson, the joint venture's deputy chairman and the chairman of Gencor and Samancor, this is no subsidy "All it means is that we do not have to pay tax during the difficult inception period when cash is short But all taxes have to be paid during the duration of the project" Nevertheless, each of the three partners will get a R240m tax write-off benefit, which will substantially reduce their individual R970m commitments to the initial project costs

And, Boshoff says, while these write-offs may sound substantial, during its project life Columbus should earn the fiscus about R6bn in tax (1993 values), while contributing about R16bn in export sales receipts

The plant is one of several megaprojects under construction or on the drawing board

- ☐ The R8bn Lesotho Highlands Water Project continues to churn out work for the local construction, contracting, engineering and support services sectors, and that will continue until well into the 21st century,
- ☐ Rand Water Board last week announced a R3,3bn expansion to its water supply and purification infrastructures, to be spent over the next seven years to meet the water demands of the PWV until the year 2005,
- ☐ The R3bn flogopite project at Phalaborwa, which would meet Alusaf's demands for 350 000 t/year of alumina (enough to produce 170 000 t of aluminium a year) Sourced from waste ores at the Foskor phosphates plant, the plant could also provide SA's potash needs of about 220 000 t/year and make SA a major exporter of magnesia, with projected production of 300 000 t/year After completion of a R107m demonstration plant, a decision is expected in the next two years, and
- ☐ A R2,5bn steel mini-mill, to be erected at Saldanha Bay, to add value to a portion of the 1,5Mt of iron ore flowing from the Sishen mines Export potential is estimated at R1bn/year ■

SUNDAY TIMES, Business Times, December 13, 1992

Megaprojects will boost SA's economic growth

SI Times (BUSS) 13/12/92 (189A)

By CIARAN RYAN

CAPITAL projects worth more than R14-billion have been announced within the last two months which will help to reverse South Africa's declining economic growth rate.

This week's announcement of the R3,5-billion Columbus Stainless Steel venture follows that of the R7,2-million Alusaf aluminium smelter, which together will generate annual sales of about R4-billion

Other megaprojects which have been given the go-ahead include Engen's R800-million Genref refinery expansion and Anglo's R946-million Namakwa Sands and R1,7-billion Moab gold projects

Private sector projects worth a further R15-billion are in the proposal stage Once commissioned, these projects will add 10% to SA's fixed investment levels, generating annual sales of between R8-billion and R9-billion — equal to an annual economic growth rate of 3% in current terms

"A 10% growth in investment levels translates into a 3% growth in the economy," says Frankel Max Pollak economist Mike Brown

These private sector investments show that South African business is prepared to invest in its own country

Mr Brown says a sustainable economic growth rate of 5% is achieveable within three years, provided a greater portion of national savings are diverted to direct investment in productive and development projects

"We can achieve these growth rates if the capital markets are able to finance direct investments, such as low-income housing, to the tune of 2% to 3% of gross domestic product

"Government must also switch from consumption to investment spending to the tune of 3% of GDP, or about R9-billion a year"

Model

SA's fixed investment is currently R54-billion Institutional cash-flows were about R70-billion last year and should exceed R80-billion this year

Life offices and pension funds are preparing a proposal which may divert a portion of these savings into development finance

Minister of Finance Derek Keys is about to announce an economic model to vastly increase SA's investment levels in both capital- and labour-intensive sectors

Capital-intensive projects, such as Alusaf and Columbus, are attacked by the IMF and World Bank because they create few jobs

Columbus will create just 100 direct jobs and Alusaf less than 2 000, although tens of thousands of jobs will be created downstream

Capital spending on existing gold mines, a major source of job creation in the 60s and 70s, declined from R2,7-billion in 1988 to R2-billion in 1991, and capex programmes are being deferred until the gold price shows signs of recovery

More than 140 000 gold miners have lost their jobs since 1987

Frankel Max Pollak's Mike Brown says the country needs both capital-intensive and labour-intensive development projects to improve the economy's ability to create wealth and jobs

Projects such as Alusaf and Columbus will protect the balance of payments during the upcoming growth phase, while increasing the flow of capital to development projects will create jobs and distribute wealth among low income groups

Since the mid-80s, SA's fixed investment levels fell from the IMF recommended target of 25% of GDP for developing countries to 16% this year SA's investment rate, net of depreciation and after inflation, is currently 1,5% of GDP, says the PFI This should rise to about 5%

Another minerals beneficiation project under consideration is a R4,2-billion alumina, magnesia and potash production plant by the IDC It could generate export sales of R1,6-billion a year, making SA self-sufficient in its use of these minerals and a significant exporter of magnesia and magnesia metals

The IDC is currently constructing a demonstration plant for R100-million If successful, a full-scale plant would come on stream in 1997

Viability

The IDC and Iscor are working on a project to convert iron ore to steel using the low-cost Corex process The steel mill would cost about R3,3-billion, generating export sales of about R1,1-billion a year, with commissioning in 1997

The IDC, Engen and Sentrachem are investigating the feasibility of downstream processing of Mossgas fuel with a projected capital cost of R12-billion

This would improve the viability of the state-subsidised Mossgas plant and improve the country's foreign trade balance by about R2,5-billion, according to Malcolm Macdonald, senior general manager at IDC, in a presentation to the Euromoney Conference in London earlier this year

Sasol has obtained Section 37(E) tax approval for several large projects from the Department of Trade and Industry

Competition Board halts deal

STAR 14/12/92.

By Sven Lunsche (18 9vt)

The Competition Board has blocked the proposed merger between Non-Ferrous Metals (NFM) and Haggie subsidiary Copalcor.

The Board's chairman Pierre Brooks said that the merger should not go ahead as the merged company would have a large monopoly both in terms of purchasing scrap metal and selling further downstream

"In all the sectors they operate the two companies have 75 to 100 percent market share — suppliers have no option but to sell to either of the two"

Copalcor MD Piet Malan said he would appeal the Board's recommendations with the Minister for Public Enterprises, Dawie de Villiers

"We do not believe that the Board considered all the aspects of the proposed merger, nor the serious implications for the SA copper products industry"

Copalcor and NFW smelt about 60 000 tons of scrap annually, producing R600 million worth of semi-finished products of which R200 million is exported The total industry supports about 50 000 jobs

The deal, which was proposed a few months ago, was blocked by De Villiers pending the investigation by the Board

Yet, Brooks said, even before the intervention the Board had received complaints that prices of the products sold by the two companies had gone up

The industry is further protected by extensive tariffs on imported goods, which, he commented, affected the export abilities of other copper products manufacturers

Responding to Malan's claim that the proposed merger would generate additional exports worth R100 million over two years, Brooks said there was nothing to prevent the two companies from working together in the export market.

Malan said, however "The key issue here is SA's competitiveness in the international copper products market where size and economies of scale are the major criteria"

Barlows foresees battle for growth in next year

BDM 15/12/92. (189A)

MARCIA KLEIN

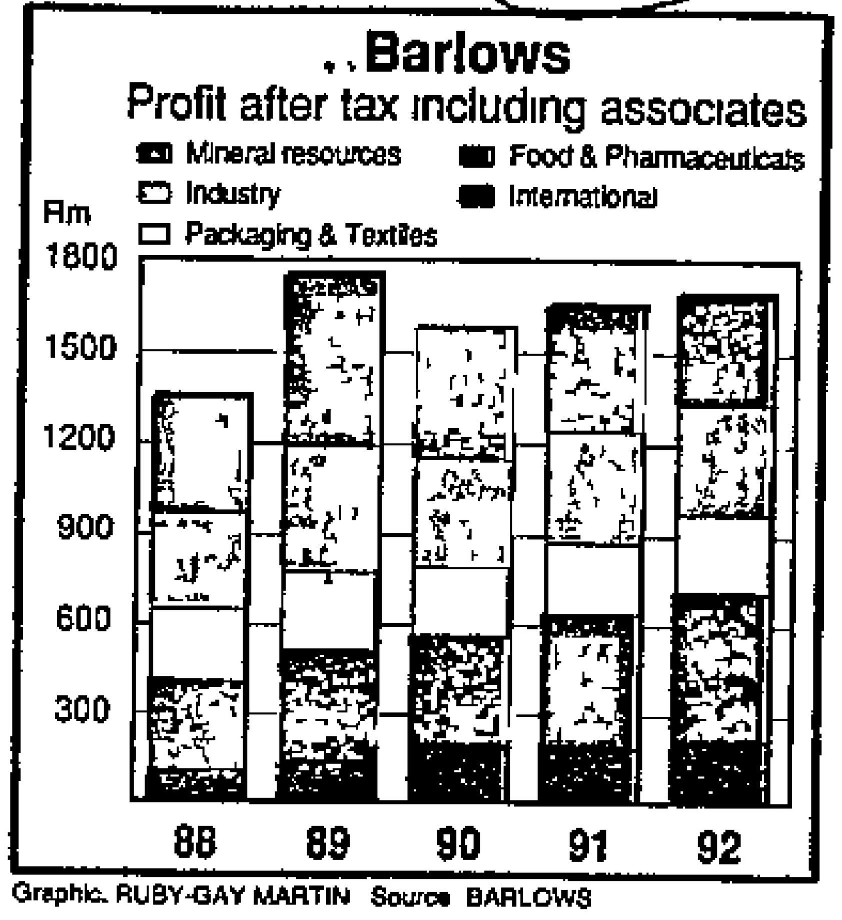
BARLOW Rand would have difficulty showing growth in earnings in the coming year, chairman Warren Clewlow warned in the group's annual review

However, with the group's financial strength, the dividend should be maintained

In the year to end-September, Barlows had increased its turnover by 10% to R35,2bn and attributable profit by 5% to R849m Earnings were up a marginal 2% at 437,5c a share due to more shares in issue A dividend of 173c a share was declared

Major changes during the year were the reorganisation of Rand Mines into four separate companies and the acquisition of Caterpillar equipment dealer Finanzauto by offshore subsidiary J Bibby

Clewlow said about 11 700 people had been retrenched throughout the Barlow Rand group during financial 1992 as some companies in the group had been downsized because of the recession This represented more than 6% of the 180 000 people employed in group companies



Graphic RUBY-GAY MARTIN Source BARLOWS

Further progress had been made in sustaining group earnings Structures had been reviewed and improved to give the flexibility to balance the composition of its investments

The R1,2bn cash inflow from the sale of Middelburg Steel & Alloys and Rand Mines' chromite mining interests had "greatly strengthened the group's balance sheet and added potential for new investments"

Barlows had continued to invest in new ~~and replacement~~ replacement capital projects It had spent R1,8bn in the past year, and budgeted to spend a further R1,75bn in 1993

The group had cash holdings of R1,5bn and net gearing of 30 8%, placing it well to take advantage of an improvement in economic conditions, Clewlow said

MD Derek Cooper said offshore company J Bibby had produced satisfactory earnings The acquisition of Finanzauto and the creation of a capital equipment division had added significantly to its portfolio and signalled "the beginning of a new strategic direction for Barlow Rand's international operations"

However, the acquisition of Finanzauto would not generate positive returns in the short term, although Finanzauto would produce substantial amounts of cash

Barlows' objective was to maintain the quality of group earnings by balancing selected commodities (so that it could share in the cyclical upturns), consumer products with strong brand names, capital goods and export earnings, Cooper said

Pressure mounts on SA ferrochrome

BDAY 17/12/92 (189A)

JONO WATERS

SA FERROCHROME producers are under pressure to cut prices to meet current spot prices when they sign agreements for 1993 first quarter delivery in the US

In the past two weeks ferrochrome has dropped by about 15% to about $0,32/lb delivered, after heavy cuts by producers in the Commonwealth of Independent States The Russians, who are processing large inventories of chrome slag, are reported to have sold their entire 1993 production headed for the US to steelmaker J & L for $0,325/lb The Russian slag inventories are expected to last well over a year

Consolidated Metallurgical Industries (CMI) CE Sandy Wood said he knew that a significant amount of business had been conducted at $0,33/lb "CMI cannot compete at that level"

He said the company would be meeting its customers next week to discuss prices for the first quarter of 1993 Their strategy was to retain market share

Wood said current market conditions might see the formation of a two-tier pricing system, where customers took their requirements from contractual suppliers and some from the free market "Buyers must be tempted by the cheap prices in the spot market which has to be tested for its reliability and quality."

The next two quarters would be extremely interesting in terms of developments in the market place — especially from the supply side, Wood believed The devaluation of the rouble had greatly helped Commonwealth of Independent States' producers

CMI's two furnaces in Rustenburg were closed and were expected to be reopened in January, but the company would have a better idea in the next few weeks once it had its orders for the first quarter

Two of CMI's three furnaces at Lydenburg were operating and operations were running at 50% of overall capacity, Wood estimated

Samancor's industrial minerals division GM Ben Meyburgh said he was not in a position to comment on prices as chrome division GM Wilrich Schroeder was still visiting customers overseas American sources said Samancor had tried to pitch prices in the $0,40/lb region early in November, but with no success The Americans believed Samancor would soon announce the further idling of capacity

Meyburgh said Samancor — which has 16 furnaces and is operating at 60% to 65% of capacity — would reach a final decision on operating capacity in January after Schroeder's return

"Obviously, if production is exceeding demand, we don't want to build up stocks and will be compelled to rationalise"

He said there was uncertainty at the moment as it was difficult to assess the market with ferrochrome entering the market from countries like the Commonwealth of Independent States and China

Copper merger decision expected early next year

STAR 17/12/92 (1897)

A government decision on the proposed merger of Haggie subsidiary Copalcor and Non-Ferrous Metals (NFM) could be taken early next year

The merger of South Africa's two largest firms in the copper industry has been opposed by the Competition Board and its report has been submitted to the office of Public Enterprises Minister Dawie de Villiers.

A spokesman for the Minister's office said this week that once the Competition Board's report had been studied it could be referred to the next Cabinet meeting, which is scheduled for next January

The board's chairman Pierre Brooks said the merger had been opposed because it was not in the public's interests

The export competitiveness of other downstream copper product manufacturers was affected by more costly domestic prices as cheaper imports were subject to tariffs.

The yearly average for 1991 copper prices on the London Metal Exchange was R6 459,78 per ton (equivalent to £1325,11), while the South Africa price was higher at R6 565,38 per ton, according to a Mineral and Energy Affairs Department report.

Prices this year have remained largely depressed because of the reduced demand for copper, but analysts expect it to show an upward trend in the short-term.

If the proposed merger went ahead, the new company would hold a monopoly on both ends of the market in purchasing scrap metal and selling downstream

The two companies concerned are expected to appeal against the Competition Board's recommendations to De Villiers

The companies say the merger would generated an additional R100 million in exports within the next two years thanks to improved productivity, competitiveness and economies of scale — Sapa

COMPETITION ~~BOARD~~ (189A)

Keeping two giants apart

FM 18/12/92

The Competition Board's bar on the estimated R600m deal that would have merged copper giants Non-Ferrous Metals with Haggie subsidiary Copalcor is only the second proposed merger the board has blocked in its 12-year existence The first — last year's Arwa-Burhose merger — went ahead after an appeal to Public Enterprises Minister Dawie de Villiers

Of course the same could happen in this case — Copalcor and Non-Ferrous Metals have indicated they will appeal to the Minister to reject the board's recommendation The Minister could, however, go along with the board's recommendation, which would mean that the companies would have to take the issue to a special court of appeal

Whatever the outcome, the board's recommendation is far-reaching Describing the proposed copper merger as being "not in the public interest," the board found that a merger between the two companies would certainly lead to a monopoly of the entire

to continue →

 FM 18/12/92 (189A)

market — from the purchase of scrap metal through to the sale and manufacture of industrial copper products

The two companies, however, argue that the merger — which was set to take effect from January 1 — would improve productivity and create economies of scale and allow SA to compete more effectively internationally

They argue that the merger would generate at least R100m in additional export revenue within the next two years

The board's recommendation, it seems, was heavily influenced by the controls that regulate the industry rigorously Wouter Meyer, of the board's investigations directorate, says tariff protection and export controls on scrap metal already protect the local industry from cheaper imports and foreign competition He explains that this protection is so far-reaching that local scrap merchants who want to export scrap have first to offer their wares to Copalcor or Non-Ferrous Metals, who then reserve the option to purchase the scrap at 15% less than the international price.

Says Meyer. "The industry — already dominated by the two companies — also leans heavily on the London Metals Exchange and the *Metal Bulletin* to determine local pricing "

This results in undue hardship to local players, as the price is calculated by including the cost of transporting the goods from London, even though the goods never leave the country

It also makes life difficult for local manufacturers who want to export their goods "The high prices they pay locally, makes it near impossible for them to compete internationally with imports and exports," he says "This is contrary to SA's supposed export-led policy "

Meyer points out that the merger would see the new company control around 95% of all scrap nonferrous purchases and 100% of many links in the manufacturing chain "This would result in a lack of competition in the market and price-fixing — criteria that need to be absent before the board will approve a merger," he says

The board is particularly concerned that Copalcor and Non-Ferrous Metals have increased their prices recently, anticipating the merger

But many would argue that a merger between the two giants would merely rubber-stamp what already appears to be an informal monopoly

A scrap metal merchant explains that Non-Ferrous Metals' powerful buying arm — Prime Metals, which has operated mainly in Natal for years, recently merged with Powermet, Copalcor's newly founded buying arm, which operates mainly in the Transvaal, raising more concern among scrap merchants

The board rejected the companies' arguments that the merger was essential to effect the efficiencies and economies of scale necessary to allow them to compete on the international market Says Meyer "While collusion on prices and market share is prohibited by law for the domestic market, companies can legally join forces to strengthen their position on the international market "

Of course, ending controls such as import tariffs and other barriers to entry to the economy would do more for fostering competition than prohibiting mergers and other deals as they arise Meyer agrees "It's much like a chicken-and-egg debate, though And while we wait for these reforms, preventing these abuses is the best we can do " ■

Copalcor test of the watchdog's teeth

W/Mail 18/12 - 22/12/92

189A

By REG RUMNEY

IN a decision which will make or break its credibility as a public watchdog, the Competition Board has attempted again this year to stop a monopolistic merger. The board has halted the R600-million merger of Haggie subsidiary Copalcor and Non-Ferrous Metals (NFM) group.

Its attempt to stop the takeover of Arwa by the FSI Group was overturned earlier this year by Minister for Public Enterprises Dawie de Villiers, underlining a perception of the board as a toothless watchdog.

The board has opposed the Copalcor-NFM merger on the grounds the merged company would represent a monopoly on both ends of the market, both in buying scrap metal and selling it as finished product.

The merging parties can and will appeal to De Villiers to have the board's judgment overturned.

Haggie managing director Chris Murray stresses the export benefits to the country of the merger. "Both companies cannot grow. Both are fighting over a small local market and cannot optimise exports." Neither can afford the capital investment now needed to stay abreast of world markets.

He cites Copalcor's need for a new extruder, and questions why it has to pay R20-million for one when NFM has a machine which is only used a third of the time it could be.

Asked whether the deal would lead to a monopoly, he says it depends on how "monopoly" is defined.

Murray says Copalcor is monopolistic in large segments now. The two companies don't overlap in all areas, he says. In some segments big customers only buy from one company or the other. Tariff protection is 15 percent on average, he contends. The board doesn't buy any of Copalcor's arguments, and is hoping the minister won't. It is trying to signal its seriousness about upholding competition.

Competition Board chairman Pierre Brooks says: "We are trying to get this message across: If a company makes an acquisition in an area in which they have a dominant position they have to be convincing about how it serves the public interest."

The copper companies merger holds out the possibility of increased exports, he says, but this is speculative. However, these exports mainly benefit the companies concerned rather than the public.

Brooks explains the minister's decision on Arwa hinged on competion from imports.

"The minister told us to ensure that tariff protection must not stand in the way of imports We had to monitor the situation for probable abuses." Having done that, the board was able to facilitate substantial imports in consultation with the Department of Trade and Industries

A similar situation applies to the copper firms merger. "It is regulated on both sides of the market. You can't have a monopoly and have tariffs," remarks Brooks. Nor, despite the Arwa decision, is it the board's business to address the tariff. "The barriers must first be removed before the merger can go ahead, but we don't control the barriers."

Brooks notes too that the decision hasn't been taken in a vacuum. "The downstream users were agitated and were forthright in expressing their fears about what might happen if the merger took place."

What has been overlooked is an aspect of the merger which may attract more attention under a new regime — that of further concentration of economic power.

The merger would mean a private company, NFM, is taken over by a company owned by conglomerates Anglo and Sanlam. The move, coming so soon after its own anti-trust conference has attracted the attention of the African National Congress.

ANC department of economy policy's Tito Mboweni noted the board's action with interest. "They seem to be waking up. Whether the move is indicative of a changed approach or just panic is not clear."

However, he noted the decision could still be overturned. If it is, the board will have suffered a blow to its public credibil-

CIS causing anarchy in world metals markets

STAR

22/12/92

189A

By Neil Behrmann

LONDON — Encumbered by economic slump, hyper inflation and huge foreign debt, the former Soviet Union is expected to continue to disrupt international metals markets in 1993.

Base metals prices tumbled in 1992 because of chaotic trading of the former Soviet republics, now known as the Commonwealth of Independent States (CIS)

Precious metals exports of the CIS are better organised, although a few tons of CIS gold are smuggled on to Western markets, say Swiss bankers

The bulk of gold export dealings are conducted through formal sales agents such as Vneshtorgbank of Russia andother foreign trade banks in Uzbekistan and Kazakhstan, according to Swiss bullion dealers Almazjuvelirexport takes care of platinum sales

CIS exports of gold, platinum and palladium fell sharply this year, because production is falling. The trend should continue.

Total 1992 CIS gold sales, mainly from Russia may decline by about 20 percent, or about 50 tons to around 190 to 200 tons, estimates Stewart Murray, chief executive of Goldfields Minerals Services

At least two thirds of CIS gold is produced in Russia and the industry there is in such crisis, that some locals are forecasting a 30 percent decline in output, he says

Meanwhile, exports of platinum and palladium, by-products of the Norilskiy nickel mines in Siberia, are falling because the mines are cutting nickel production.

While lower CIS precious metals exports are helping depressed markets to some extent, base metals markets are suffering from huge surplusses.

"Without CIS exports of 750 000 tons this year, the Western aluminium market would be in deficit," says Angus MacMillan metals analyst at Billiton-Enthoven Metals

CIS base and strategic metal exports have flooded the market for almost three years running.

"At last production is beginning to slide, but domestic demand is so slack that surplus output, stockpiles and metals scrap are being dumped on Western markets at huge discounts," says Jim Lennon, research manager, special steels and alloys at Commodities Research Unit.

CIS trade in base and strategic metals has become "anarchic", says a London dealer who is closely connected with the former Soviet republics.

"The right hand does not know what the left one is doing"

Nickel, aluminium, copper, cobalt and magnesium, manganese, chrome metal, scrap and alloys are being sold from industrial and military stockpiles by a network of CIS and Western traders with the help of former corrupt Communist agenets and officials, says the dealer

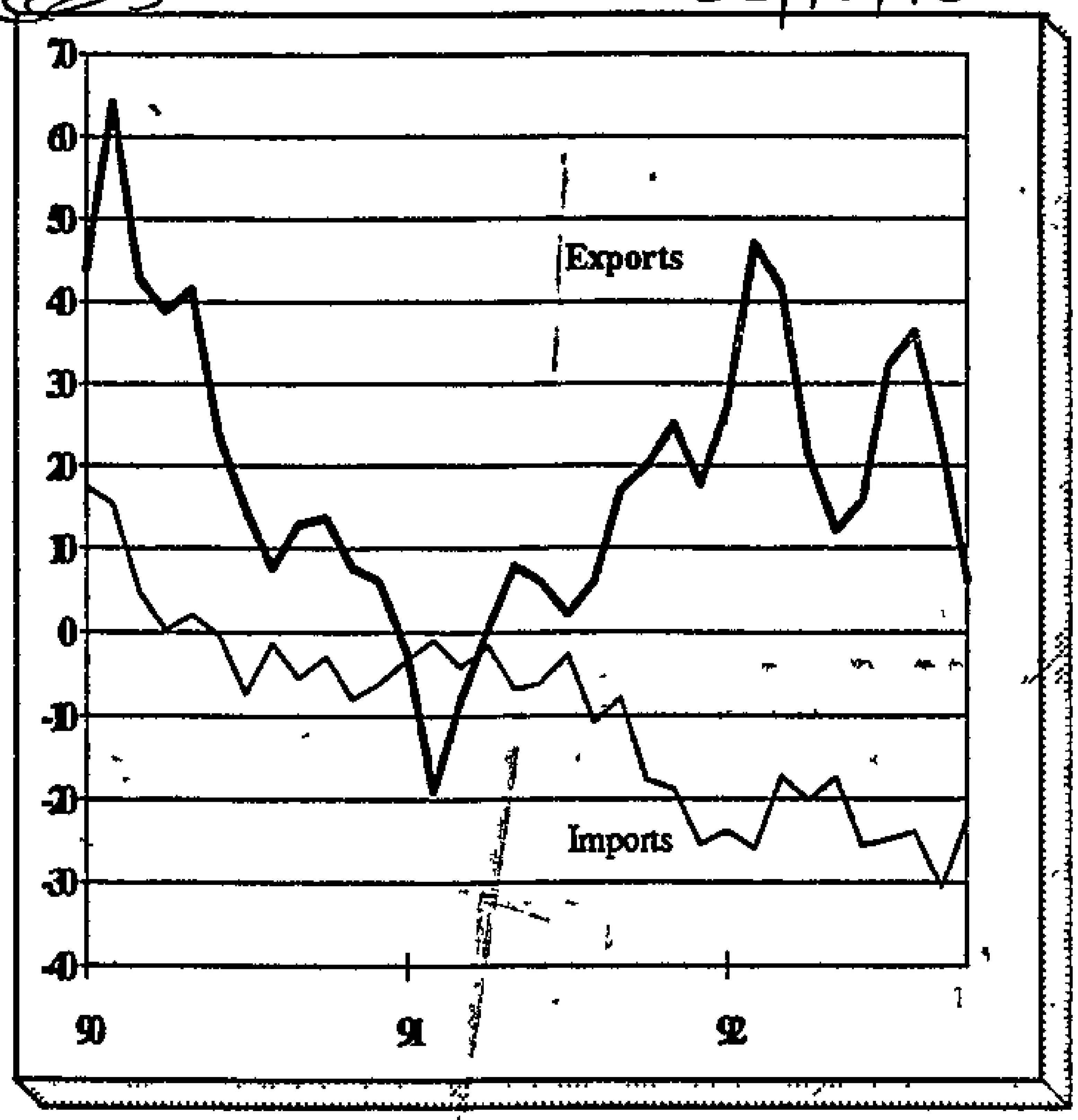
"The CIS is being raped," he says He "would not be surprised" if part of the proceeds end up in Swiss banks and other offshore havens.

"Estonia, a Baltic Republic, is now one of the world's largest exporters of rare metals," says Serguey Bragumsky, a consultant to Salomon Brothers "The metals are smuggled from Russia without any hindrance to the authorities," he says adding that a "privileged minority are generating fantastic profits"

Take nickel as an example.

Official exports of Norilskiy are estimated at 60 000 tons according to mine executives Norilskiy, the largest producer in the world cut output by 15 percent in 1992 and will make further cuts in 1993. Nevertheless total sales of Russian nickel metal, scrap and alloys are estimated at 110 000 to 120 000 tons this year

Most of the nickel that is "sold through other channels", is being sold at discounts of around 15 percent to world market prices.



SA's precious metals exports have declined sharply following weaker metal prices. — Source: Davis Borkum Hare

Steel set to remain in doldrums

B/Day 23/12/92 (159A)

EDWARD WEST

INTERNATIONAL and local demand for steel looked set to remain in the doldrums for the greater part of 1993 with retrenchments continuing into the first quarter, industry sources said yesterday

Steel Engineering Industries Federation of SA economist Michael McDonald expected the world oversupply situation to continue well into the second half of next year, with domestic demand not improving before the beginning of the second half

A stock exchange analyst said the International Iron and Steel Institute had forecast a marginal 1,5% improvement in world steel demand in 1993 Iron ore price negotiations were under way and prices were expected to be 6% to 7% lower, with a commensurate reduction in shipping freight rates Demand for ore was expected to be about 10% lower

McDonald said higher steel prices could be effected by signs of recovery in the US economy

However, president-elect Bill Clinton's wish to revise US options for GATT, together with the French farmers' reaction to the lifting of subsidies, would delay GATT's conclusion until March instead of January, or even stall the talks indefinitely

The US recently cited 12 nations for subsidising steel exports — SA was not included — and imposed temporary duties as high as 59% This move, it was reported, could move US prices up to $20 from $10 a ton

Many European steelmakers moved into the red this year because of poor demand and new sources of supply from former Soviet bloc countries An example of this was British Steel, which recently reported losses of £15m

In a recent move to shore up demand, the EC imposed anti-dumping duties on steel tubes from Poland, Hungary and Czechoslavakia, promising to speed up further dumping probes

This could bode well for SA's leading steelmaker Iscor In its 1992 annual report, chairman Marius de Waal blamed low dollar prices and the US recession for poor international demand

However, said McDonald, there was still "enormous" excess capacity and no indication that any international steelmakers were about to close

Retrenchments in the local steel and allied engineering industries amounted to 2 600 last month, and could total 35 000 this year

SECTION VI

COLUMBUS (189A) FM 25/12/92

Sizing up the funding burden

Finer financial details of the Columbus project underline the essential funding role of the Industrial Development Corp (IDC) — and the fact that the expected annual real rate of return is unimpressive

Gencor and Samancor chairman Brian Gilbertson tells the *FM* the forecast real rate of return on Columbus is 5,8% "That's not as high as we would like but there are not many projects around that offer even this rate of return and Columbus is extremely sensitive to export prices A slight rise in stainless steel prices pushes the real rate of return rapidly to 8%"

Gilbertson also reveals the IDC paid R240m to buy its one-third stake in the existing Columbus venture — formerly Middelburg Steel & Alloys (MSA) That values Columbus at R720m, compared with the R500m Highveld Steel & Vanadium (Hiveld) and Samancor paid a year ago to buy the relevant MS&A assets from Barlow Rand

The IDC revenue will be split equally between Hiveld and Samancor One third of the original purchase price is R167m The IDC has paid a premium over this because the new owners have restored Columbus to profitability and completed the final feasibility work on the expansion programme

Gilbertson, along with other Samancor, Columbus and Hiveld executives, had declined to provide this information when Columbus received its official go-ahead on December 8 This lack of disclosure disturbed a number of JSE analysts because the information is essential in assessing the impact of Columbus on Hiveld and Samancor The amount paid by the IDC for its stake directly affects the ability of Hiveld and Samancor to fund their commitments

Each of the three partners will have to kick in R730m over the next three years as their share of the overall cost of the project after tax allowances One key question is whether Hiveld and Samancor will be able to do this without having to hold a rights issue Both have been through two tough years of sharply declining earnings, with the prospect of a third to come

Initial assessment is that Samancor is in a more difficult position than Hiveld, particularly with the continuing crunch in the ferrochrome business Prices in some markets have slumped to the mid-US$0,30/lb range because of dumped material from producers in the CIS and the former Yugoslavia

At those prices everybody is losing money, but profitability appears secondary to the need of the CIS to obtain hard currency The SA ferrochrome suppliers are the world's cheapest producers but their breakeven price is around $0,45/lb

Hiveld's Boyd *no forced rights issue*

Hiveld at end-December 1991 had R447,3m cash on hand while Samancor at end-June had net available cash resources of R269,7m Hiveld chairman Leslie Boyd comments that, given no unforeseen circumstances, his group will not be forced to hold a rights issue to fund its share of the Columbus expansion

Samancor GM finance and administration, Chris Norval, says Samancor has enough cash reserves to fund its commitments for the next 18 months "We therefore do not have to make funding decisions at this stage and have no specific views on whether a rights issue will be necessary," he says

Some analysts point out the forecast real rate of return for Columbus is below the "hurdle rate" of about 7% which mining houses have traditionally set as the minimum acceptable return on proposed projects

The Alusaf project is also borderline on this rule of thumb, with a forecast real rate of return of 6,5% at an aluminium price of $1 650/t, but rising to 8% at $1 650/t The analysts comment that the partners have gone ahead with Columbus taking a long-term view and bearing in mind that commodity prices are presumably at the bottom of the market cycle

"The forecast rate of return is not great but is acceptable If we cannot make stainless steel at a profit, then who can? SA has all the ingredients needed — nickel, ferrochrome, iron and cheap electricity," comments one analyst

Barring a dramatic recovery in ferrochrome and manganese prices, which seems unlikely during the next year, it seems Samancor will be forced to hold a rights issue or increase borrowings The latter is more likely because Samancor is almost totally ungeared with long-term loans at end-June of just R10,5m The debt would be swiftly paid off when commodity markets return to normal — even if Samancor does not quite generate the kind of cash flows seen in 1990, when pre-interest income amounted to R779m on turnover of R2bn *Brendan Ryan*

ABACUS/IGI FM 25/12/92

Providing support

Saddled with debt and without too many suitors knocking at its door, Abacus has again turned to main shareholder IGI for assistance, and thankfully received a positive response

IGI, offering minorities 14c a share, can hardly be called Scrooge Abacus, formerly Interboard, has two operating divisions, Bruply Doors and Tempest Radio & Hi-Fi The share last traded at 7c Its NAV, about 20c a share at end-September, is shrinking at a rate of more than 1c a month because of high interest payments Borrowings totalled R53,3m at the March year-end, but by end-September had risen a further R5,4m and gearing had climbed to 332%

The proposal is not without sacrifice for Abacus It will lose its JSE listing (in the Electronics sector), and become a wholly owned subsidiary of IGI This will be subject to approval by the JSE, Securities Regulation Panel and the exchange control board

HCI GM Rory O'Donnell puts the total cost of the salvage operation at well above the R6m that might be raised by a rights issue, assuming that were possible, but hesitates to venture an exact figure Since an equity injection of several times current market capitalisation of about R6m is needed, a normal rights issue is impractical

O'Donnell says funding will come from within the broader HCI group's internal resources and borrowings if neccessary The only obvious solution to the Abacus problem is a restructuring of debt as equity Sometimes, he adds, it pays to keep a company such as Abacus in business

IGI unwillingly inherited its 75% interest in Abacus through a complicated process The Reserve Bank held under attachment 130m shares which were converted into redeemable prefs and redeemed at par IGI became the major shareholder following Abacus's purchase of Audiocor, the sale of its 61% share of Audiobuild, and a distribution of the acquisition value of Audiocor to Audiobuild shareholders (other than Abacus)

A rights issue last year raised R16m, with IGI contributing most of the funds

The nature of Abacus's business hardly

licensee's prices substantially This is because they are not restricted to one supply channel, like authorised dealers are, but instead can pick and choose from among many supply sources

The Australian court decision, however, may put an end to all this wheeling and dealing The court ruled that importing goods through the grey market, which is also called parallel importing, is a copyright infringement

Roland Corp, a Japanese manufacturer of electronic musical equipment, argued that its goods were being sold in Australia by an unauthorised importer, Lorenzo & Sons, to the detriment of the licensed agent The court decided that Lorenzo's use of Roland's two distinctive logos — highly stylised versions of the initials R and B — in its catalogues was copyright infringement

John Cullabine, a patent and trademark attorney with Pretoria firm John & Kernick, says the decision could be followed by local courts "If parallel importers can be prevented from using logos and trademarks in their advertising it could go a long way to putting the lid on them "

Under the Australian Copyright Act, the logos were held to be artistic works and would also be considered artistic works in SA Cullabine says the level of artistic originality required to establish copyright is not high, so this avenue would be open to many manufacturers

The Business Equipment Association would welcome a similar case here The association's Les Wood claims that parallel importing is just a form of piracy "Grey importers trade on the goodwill and advertising created by somebody else and they don't follow the legal requirements of the SA Bureau of Standards regarding issues such as electro-magnetic interference "

One agent for Japanese electronics says authorised dealers could take grey importers to court under the current provisions of the SA Copyright Act, which can be applied to any equipment with microprocess chips "But it's a long laborious process and not always successful "

TAKING A BREAK

Tony Koenderman is on leave His Advertising & Marketing column will resume in the new year

Instead, authorised dealers will service only equipment bought from an authorised dealer or imported for personal use "The customer must realise that, without any guarantee or service back-up, the good buy may not be such a good buy after all," he says

Klerksdorp-based Western Bazaars, a discounter that sells a large volume of grey-market goods, is not worried by the Australian decision Joint MD Anver Karim says it will fight in court any attempts by licensed agents to muscle it out of business "We're doing legitimate business and the public is getting the benefit of it " ■

SPENCER STERLING **FACE TO FACE**

Let the economic reforms proceed

FM 25/12/92

Spencer Sterling, the chairman of Samcor and a director of Amic, is the new president of the SA Chamber of Business.

***FM:* What is your priority for the chamber in the year ahead?**

Sterling: My priority is participation in the Economic Forum on an ongoing basis, once it becomes fully operative Economic reform is as important as political reform — and the former must proceed in tandem with the latter This has not happened because there was no business involvement at Codesa and because the Economic Forum had difficulties in getting off the ground Now the forum must focus on economic reform

What do you mean by "economic reform"?

The whole economy must be restructured from being inward-looking and highly protected to being outward-looking, export-orientated and globally competitive This huge task will not only take considerable time, but will also require the understanding and support of all the players involved in the economy Hence the necessity for the Economic Forum to include a wide representation of all sectors of the economy

Does labour see the importance of this process?

I believe that the important issues are clearly understood by both sides — labour and business Labour understands the main objectives that must be achieved in the economy — promoting growth and job creation A great deal of common ground exists

What are the main issues for debate?

The most vital issue facing us is how to restructure the economy to become efficient and competitive in the long run, while also ensuring adequate growth and thus job creation in the short term And if we want to achieve globally accepted levels of efficiency quality and productivity, we must start off by focusing on education and training

What should be done about SA's high tariffs?

In the past, government's role in making industrial policy was characterised by unilateral decision-making and interference In future, government will have to create the right circumstances under which the private sector can restructure the economy It will have to consult with and constructively involve the private sector Tariff policy should not be looked at in isolation but must be part of an all-embracing industrial policy Tariffs must come down, but they must do so in a planned way, progressing over time At the same time, attention must be given to the other factors that impinge on the competitiveness of the economy

SA is a high-cost producer and not only because of the tariff policies of the past, but also because of the high input costs created by factors such as high corporate tax rates, import surcharges, inflation and high interest rates SA's manufacturers will never be able to compete against the high-volume, low-cost producers of the world if their input costs remain higher than their competitors The Economic Forum will have to address all these issues

Is Derek Keys the man for the job?

He is the right man at the right time Not only can business work with him, but so can labour With Keys, I feel that the prospects for the Economic Forum are good, even though there will understandably be major areas of difference that will have to be debated and resolved

Do we need investment incentives to attract foreign investment?

Yes, definitely SA will have to compete for investment with a large number of other developing economies around the world To attract a reasonable share of investment capital we will have to provide competitive financial incentives, as well as a stable and secure political environment

What should be the role of small business in the new SA?

The role of small business may be more important than that of its bigger brother — especially in the field of job creation In each of the world's successful economies, the majority of jobs are created by the small-business sector SA will be no different

And the conglomerates?

Critics of big groups are often naive in their perception of the large, diversified business groups in SA Companies with the best chance of being world-competitive are those that have substantial resources to call on The simple act of unbundling conglomerates will not necessarily lead to more efficiency, a better sharing of resources, or lower prices

What must be done about privatisation?

This has to be a significant factor in restructuring the economy But it cannot proceed before we have an interim or new government

MANUFACTURING — Iron, Steel, (B) Engineering etc

HAGGIE

189B

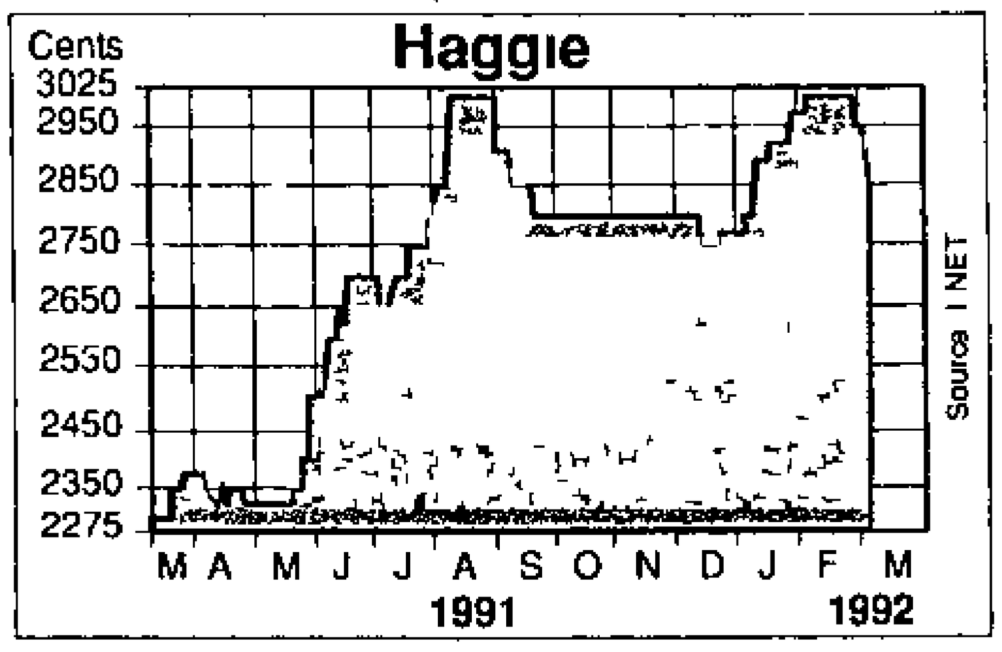
Looking ahead

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

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

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

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



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

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

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

Haggie's Murray *capital requirements will increase*

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

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

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

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

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

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

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

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

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

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

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

P T.O

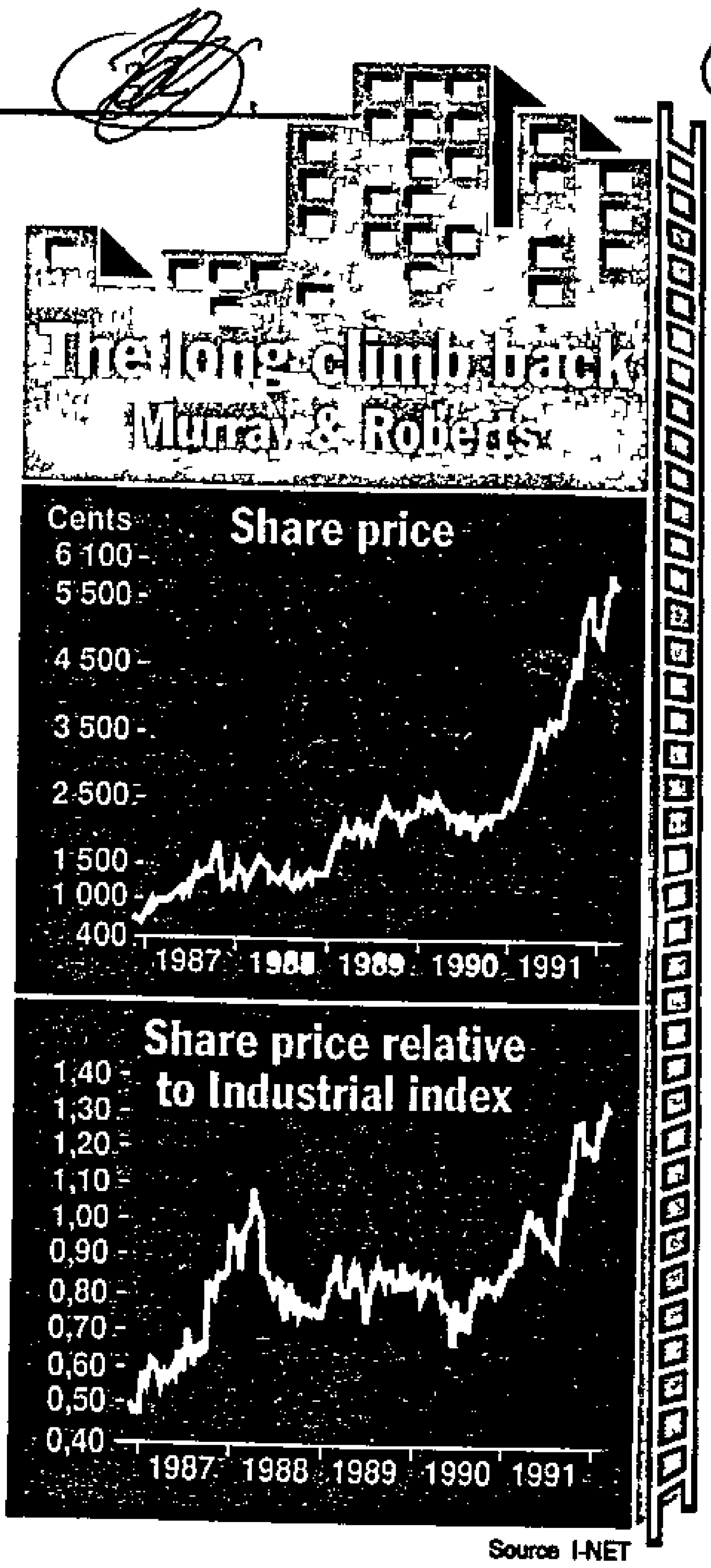
these or was it simply misinformed by Crown management?

Wang and Crown are isolated examples against the numerous successes which Brink has brought to M&R But these problems can arise when a group moves into a business which it does not understand

So far, the market has not taken much note of these setbacks It likes what M&R has achieved to date and has re-rated it accordingly Brink says M&R would not have considered issuing shares to fund the recent purchases if its market rating had remained at 1990 levels.

M&R would have been reluctant to absorb all of these companies at once if it meant paying cash and pushing its gearing to 100% and beyond For some time M&R was treated as a second-line share, despite strong improvements in earnings from 1987 onwards Earnings have risen each year and gross domestic fixed investment has contracted

The market has re-rated M&R in the depth of a recession, when companies operating in the same engineering and construction markets are reporting earnings down by as much as 50% M&R's EPS for the six months to end-December fell by 2% According to Ractliffe, on a comparable basis, earnings from existing operations were also static — implying the quality of earnings in the acquisitions is similar



Source I-NET

At the end of 1990, M&R's share stood on an earnings multiple of about four and a dividend yield of 6% The transition to first-line status has been made with conviction Since late 1990, M&R's market capitalisation has quadrupled, rising from R700m to about R3bn The earnings multiple has improved to about 12, the dividend yield fell to 2,7% and the share price is nudging R60

M&R still has R662m of spare funding capacity and the forthcoming acquisitions are likely to involve a mixture of cash and shares Gearing has fallen from 22% to 14% — when R405m goodwill is taken out of the last balance sheet Daling says M&R might look undergeared, but the lean balance sheet gives flexibility and protection from a downturn It has not harmed M&R's rating in the market, which is highly suspicious of high gearing — as seen in the collapse of the FSI share price

Brink says the Blue Circle and Standard Engineering acquisitions have made M&R more capital-intensive Fixed assets and investments have increased from R705m to R1,271bn This will put pressure on M&R's returns on capital and equity In the last financial year, M&R's return on capital employed was 32,3%, compared with 17,6% for D&H and 23,8% for Standard Engineering — both of which were subjected to asset sweating in the Malbak sauna There was, however, less disparity in returns on equity

continue →

Metal industry pay talks today

SHARON SOROUR, Labour Reporter

METAL industry employers and union representatives meet today to thrash out a new wage and employment deal for more than 320 000 workers

The usually protracted wage negotiations take place against a grim economic background and the retrenchment of more than 35 000 of the industry's workers last year

More than 6 000 workers have been retrenched this year, according to the Steel and Engineering Industries Federation of SA (Seifsa)

Worldwide demand for steel products dropped by five percent last year and experts expect a further decline

While some major projects are expected to boost exports, State expenditure has been "severely trimmed" and it is unlikely that large projects like Mossgas and Eskom power stations will be undertaken soon.

One of the key demands of the 12 unions party to negotiations is a moratorium on retrenchments and an obligation for employers to negotiate rather than consult before retrenching workers

ARG 2/4/92

The unions have submitted more than 48 demands, including wage increases ranging from 14,4 percent to 42,6 percent

(1898)

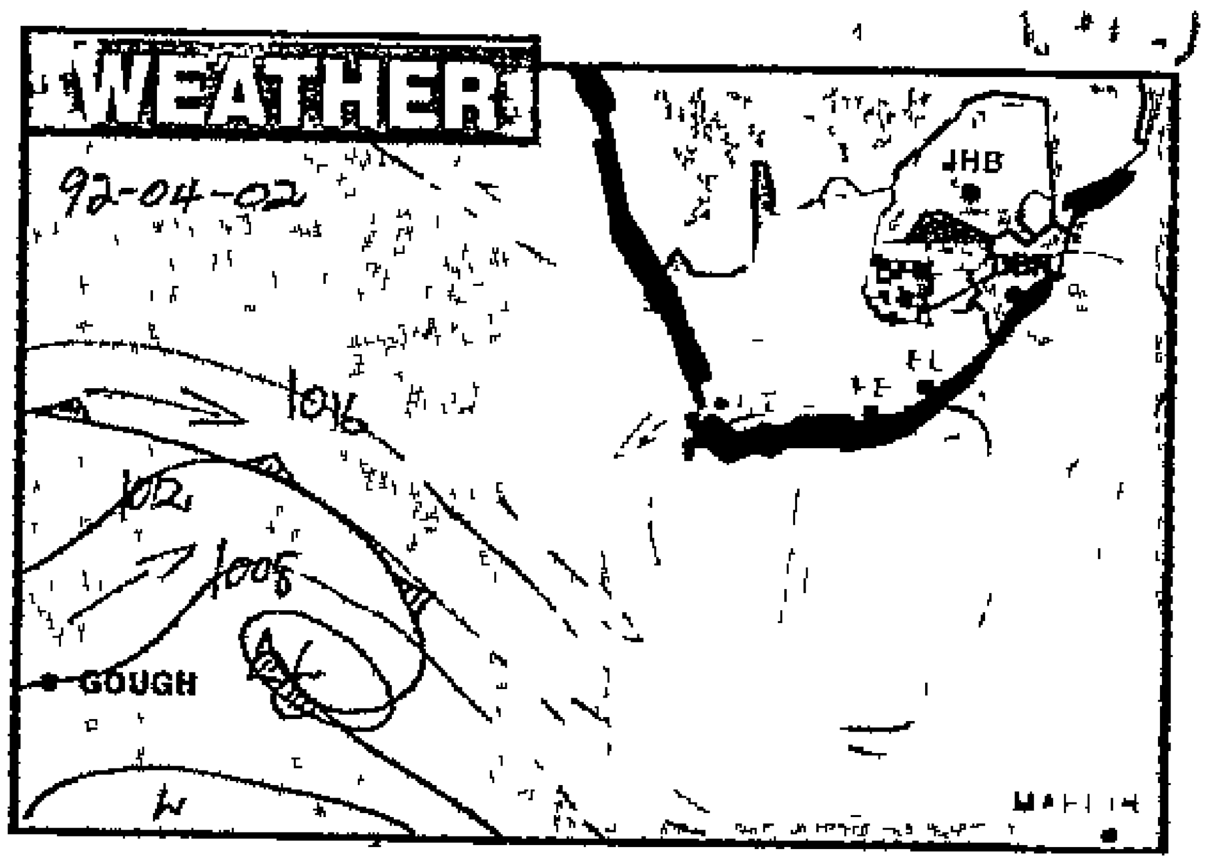
Included are

- Reducing the working week from 44 to 40 hours without loss of pay;
- Increasing annual leave from four to five weeks,
- Increasing severance pay from one to four weeks a year of service

Warm

Forecast for the Cape Peninsula and Boland:

- Fine and warm.
- Wind, moderate south-easterly to north-easterly
- Temperature forecast at D F Malan airport 24 deg C maximum and 8 deg C minimum. There were 10,7 hours of



The high pressure south of the country will cause fine and warmer conditions.

Alusaf smelter expansion approved

BDay 13/5/92 (1898)

MATTHEW CURTIN

THE Minerals Bureau has given the thumbs up to Alusaf's planned R5,5bn aluminium smelter expansion plans

In a report submitted to government, bureau analyst P W Murphy said the company's future, as SA's only aluminium producer, was dependent on the project.

The company's present smelter was a high-cost producer by world standards and approval of Alusaf's plans was not only desirable in terms of economic benefits to SA, but also for many opportunities created for value-added products downstream

Alusaf announced plans for a 466 000 tons-a-year new smelter last year, after completing a joint feasibility study with Eskom The company also planned to upgrade its existing 170 000-ton plant

The project would increase total annual capacity to 676 000 tons, making it a major world producer

Murphy said the announcement coincided with plunging aluminium prices, which saw 65% of world capacity operate at a loss in 1991, questioning the sense of proceeding with a multibillion-rand new smelter

Alusaf's expansion plans also suffered from SA's high cost of capital, high working costs, and the crucial variable of alumina prices

Murphy said Alusaf had, however, overcome these problems The key to the project was a deal between Alusaf and Eskom for a competitive electricity tariff which would convert Alusaf from a high cost producer to one in the lower quartile of the international aluminium production cost curve

Contracts

Alusaf had been able to secure favourable long-term alumina supply contracts The project might also stimulate closer investigation of local bauxite deposits which could be exploited to supply the smelter

Murphy said Sacob estimated the cost of capital in SA was 31%, posing a problem for the project

However, the company now qualified for the amended Section 37 of the Income Tax Act, which provided for accelerated depreciation write-offs for export orientated mineral-beneficiation projects

He said Alusaf had the backing of the Gencor group, IDC and Swiss company Alusuisse Its partnership with French group Pechiney gave it access to latest smelter technology

Alusaf would earn more than US$400m a year in foreign exchange, and create 6 000 jobs in the construction phase, thereafter 1 400 jobs

It would create local manufacturing opportunities, valued at R700m a year, for import replacement of raw materials and spares

Murphy said Hulett Aluminium had proposed an expansion of its rolled products capacity from 55 000 to 120 000 tons a year by 1995 The Alusaf project would boost demand for Eskom electricity with its 800MW consumption, and Alusaf would consume 3,7-million tons of coal annually

Meanwhile, long-term demand for aluminium worldwide was likely to grow, Murphy said

Samancor's supply strategy 'backfired'

B/Day 3/6/92.

(189A)

MATTHEW CURTIN

SAMANCOR's plan to reinforce its dominance of the international ferrochrome market has backfired, US sources say

Late last year, the group increased its list prices by 6% to $0,52/lb even though demand for the steel-making alloy was dropping worldwide This was followed in February with a three-month closure of its entire 1-million ton ferrochrome production capacity, a move it believed would remove supply-demand imbalances and underpin its higher list price

US steelmakers reacted vigorously by refusing to buy at Samancor's prices and actively seeking alternative supplies By the time Samancor restarted its furnaces in May, its strategy was in tatters, the market sources said

One source said yesterday Samancor's strategy had failed "to take into account the plethora of alternative ferrochrome supplies" To win back lost business, the group had resorted to long-term, large-volume sales contracts with little scope for price increases and at a huge discount to nominal producer prices

The influential New York newsletter Metals Week reported recently that Samancor had signed a tentative contract with a major US steel mill, Armco Butler, to supply 60% of its needs for five years

Samancor agreed to a price of $0,465/lb for the rest of 1992, compared with current SA producer prices of $0,52/lb ferrochrome In addition, Samancor had agreed to a fixed and sizeable discount to producer prices in the next two years, with an extra two option years available to the buyer

A US analyst said Samancor's decision to close its ferrochrome operations for three months had not been enough to soak up oversupply Supplies were available from India, the Philippines and US scrap dealers at prices well Samancor's

What was more, the leaked news of the group's Armco Butler deal riled other customers, who are now said to be demanding similar terms

However, Samancor MD Hans Smith said yesterday that the group had signed "no special deals", although it had recently concluded an important deal with a US mill Samancor had contracted to supply ferrochrome to the customer on a long-term basis, with a discount tied to the volumes concerned

Samancor would continue to negotiate prices for that and all other contracts on a quarterly business. He added that the

☐ To Page 2

Samancor

B/Day 3/6/92

(189A)

☐ From Page 1

group's customer relations were excellent

Smith said with the large number of price discounts on offer in the market, Samancor had become "more flexible" in the discounts it offered

He said market conditions were "on the up" with stainless steel mills in the US and Europe close to full capacity

Consolidated Metallurgical Industries (CMI) MD Zed van der Walt said there had been market speculation about long-term fixed price contracts, but he was sceptical whether producers or customers were likely to sign them CMI had not done so Such contracts were a "no-win" deal for both parties, as they took no account of sharp changes in market conditions and prices

He said that despite reports of stainless steel producers' anger at the SA decision to increase prices last year, the price hike had simply coincided with a plunge in demand for ferrochrome CMI was confident ferrochrome demand was picking up, shown by its decision to restart the two furnaces it had closed in February

Environment study could delay Alusaf smelter plan

S Times (BUSS) 14/6/92. (189A)

By CIARAN RYAN

ALUSAF is awaiting the findings of an environmental impact study later this year before going ahead with its planned R6-billion aluminium smelter expansion

The smelter conforms to world environmental standards, but there is a fear that Richards Bay residents will oppose the preferred site for it Other sites have been identified

Project approval is expected in July when the stakeholders are likely to commit themselves to funding their 70% of the capital cost The balance of 30% will be funded by debt

Eskom has an option to take up 25% of the equity, but there are doubts about whether it will do so because it would be a departure from its core business

The shareholders are Sanlam-Genmin-Geduld Investments 42,1%, Industrial Development Corporation 30,7%, Alusuisse 15,3%, International Finance Corporation 10,5%, Hulett Aluminium 3,9% and Southern Life 0,7%

Alusaf is also awaiting word from the Government about its application for concessions in terms of section 37E of the Income Tax Act which was designed for projects such as its expansion plan and for Columbus Stainless Steel

Section 37E allows accelerated depreciation write-offs for projects aimed at the export market

Key to the success of the project is Eskom's agreement to link its electricity tariff to the London Metal Exchange (LME) price of aluminium Electricity will account for 27% of the input costs and alumina 38%

In spite of overcapacity in aluminium, Alusaf will be among the lowest-cost producers in the world because 65% of its input costs will be linked to the LME aluminium price and capital costs will be mostly equity funded

Mossgas

The new smelter is planned to produce 466 000 tons of primary aluminium a year for export, generating sales of about R2-billion a year This is in addition to the 170 000 tons produced each year by the existing Alusaf smelter, mainly for SA

The R6-billion capital cost includes contingency and escalation costs

Alusaf managing director Rob Barbour says the project will not turn out to be another Mossgas, which had huge cost overruns The Alusaf estimates include actual quotes

Mossgas's preference for local content suppliers was partly responsible for raising the cost of the project Huge losses were incurred as a result of supply delays and foreign-currency dealings

"About a third of our capital will be imported," says Mr Barbour "The feasibility study has been completed and the project will be profitable even in a depressed market"

Alusaf will get its supplies from the most cost-effective sources

The Government is keen to see the project begin as soon as possible More than 30 000 jobs will be created in the four-year project cycle About 1 400 will be employed at the smelter

There are plans for an additional 25 smelters or expansions of plant worldwide, many of which are being delayed because the metal price is depressed Alusaf has an advantage over other planned smelters because of its relatively low debt

Nevertheless, an additional 1,2-million tons of capacity will come on stream by the end of 1993, adding to the glut

Recapitalisation may improve Usko prospects

EDWARD WEST

THE recapitalisation of restructured Usko should relieve its interest burden and improve the profitability of its remaining viable activity, its non-ferrous products division, Usko chairman Flores Kotzee said in his 1991 annual review

However, he said the division's profitability would be lower in the year to September 1992 compared with the previous year The division's results were not disclosed

After poor steel markets prompted a disastrous financial 1991 which saw net losses after extraordinary items rise to R239m from R9,6m, Metkor and Iscor, which hold about 55% of Usko, planned to recapitalise Usko via a R50m rights offer

Usko's bankers have also supported the recapitalisation by converting R105m debt into redeemable preference shares of which 25% may be converted into Usko ordinary shares The recapitalisation is expected to be finalised by July 3

Kotzee said the non-ferrous division, which manufactures aluminium wire, strip and conductor, copper wire and strip, cable products and stainless steel wire, operated satisfactorily during the year

He reported a continuing marginal decline in the demand for copper products used mainly for electrical applications due to keen competition as well as sales of surplus capacity by cable manufacturers

Eskom's consumption of aluminium conductor was at low levels compared with previous years The plan to expand electricity supply had not yet materialised and no demand for conductor for this purpose was expected in the next 12 months, Kotzee said

Demand for stainless steel wire had also declined Poor economic activity in the mining sectors also contributed to this decline, said Kotzee

Usko had started to manufacture other steel wire products when demand for cable remained unchanged during the year, he said

Last year Usko sold its steel division to Iscor for R48,1m, transferred its vanadium plant to Rhovan for R1 resulting in a R62,7m write-off and closed a direct reduction plant, resulting in a R48m write-off

The steel division sustained a R13,3m loss in the 10 months before its sale

Columbus project is to focus on quality exports

B/Day 15/6/92 (189A)

MATTHEW CURTIN

THE multibillion-rand Columbus stainless steel export project will secure its niche in world markets as a quality supplier of intermediate stainless steel products, capitalising on the former Middelburg Steel's experience as an export-oriented producer, says MD Keith Luyt

The expansion project, a joint venture between Samancor and Highveld Steel and Vanadium, is on the verge of getting the green light

It will transform SA from a marginal exporter to one of the top five worldwide

Critics point out that Samancor is already the world's largest supplier of ferrochrome to stainless steelmakers in the EC, the US and Japan It has a 50% stake in what will be a significant competitor for customers

Columbus will have to import much of the nickel it requires to make austenitic stainless steel, although there will be no shortage of local supplies of the core raw material, ferrochrome

That leaves the company vulnerable to what have been, until recently, highly volatile London Metal Exchange nickel prices

Luyt said potential conflict arising from SA's role as both ferrochrome and stainless steel producer would have to be managed carefully, but posed no insurmountable problems Columbus would concentrate on exporting semi-finished products

"We will take care of the dirty, hot, energy-intensive side of the steelmaking business," he said This was the area becoming increasingly unattractive in the crowded, environmentally sensitive industrial centres of the Western world

Columbus would not shirk its environmental obligations — an environmental impact study was under way — but it was better placed to smelt raw materials and supply semi-finished material for cold rolling and finishing by mills abroad, he said

Luyt detected a more subdued trend in nickel prices This stability could be enhanced by "market management" — from careful market analysis to hedging — and the increasing availability of stainless steel scrap

As the Middelburg plant was primarily geared to export markets, sending 65% of its production abroad, it was able to guarantee steady supplies to customers, regardless of domestic consumption levels, Luyt said In contrast, European rivals exported only 10% to 15%, and their exports fluctuated according to domestic demand

Luyt said stainless steel was "an aspirational product", becoming more popular as standards of living rose worldwide Substitutes — special steels, plastics and ceramics — could match some but not all of stainless steel's characteristics as a long-life, recyclable, hygienic, corrosion-resistant material with high tensile strength and aesthetic appeal

Columbus would submit its proposals for government export incentives by the end of July and the expansion project could start before the end of the year

Some existing plant was underused because of the excess design capacity of equipment

Luyt said the expansion project would see the construction of extra melting and hot-rolling facilities, and production rates would be accelerated by modifying existing melting and hot-and-cold-rolling facilities

Columbus goes small on stainless steel

B/Day 17/6/92 (189A)

MATTHEW CURTIN

COLUMBUS Stainless, SA's only stainless steel maker, has to foster the manufacture of stainless steel products by small business for African and overseas consumption Only then will it be able to revive the depressed local stainless steel sector, says MD Keith Luyt.

Columbus has gone on the attack with a two-pronged strategy its "Pots and pans for Africa" project, and its own incentives for local companies to export stainless steel products

In an interview at the weekend, Luyt said SA had much to learn from the Far East and India where stainless steel products were made at low cost in mini-factories.

In SA, demand for stainless steel had fallen short of expectations in the 1980s, whether it was for consumption of industrial, infrastructural, or consumer products Luyt said in 1980 it was predicted stainless steel demand would be 70 000 tons a year by 1990, but consumption this year would be only 36 000 tons

Columbus, formerly Barlow Rand's Middelburg Steel, was now concentrating on the consumer market, where stainless steel had a wide range of uses, from cutlery and saucepans to more specialist items

However, African countries consumed less than 1kg of stainless steel per year per person, compared with 18kg in Japan, 6kg in the US and 5kg in Britain

Luyt said if stainless steel was to compete at the lower "low-tech" end of the pots and pans market with aluminium, it required a revolution in manufacturing methods

Columbus's "Pots and pans for Africa" project consisted of a small factory, run by a single manager in charge of a workforce of 20

The factory bought Columbus steel and had it pressed by outside equipment It paid another operator to make handles, and was able to make hundreds of pots and pans a week

Columbus wanted to encourage the development of such projects rather than run them itself It was also offering incentives for companies which could show they had profitable export markets within reach

Columbus has started offering price discounts of about 10% on the base price its supplies to exporters of finished goods Luyt said incentives alone could not win export orders, but they were a vital tool to encourage competitiveness.

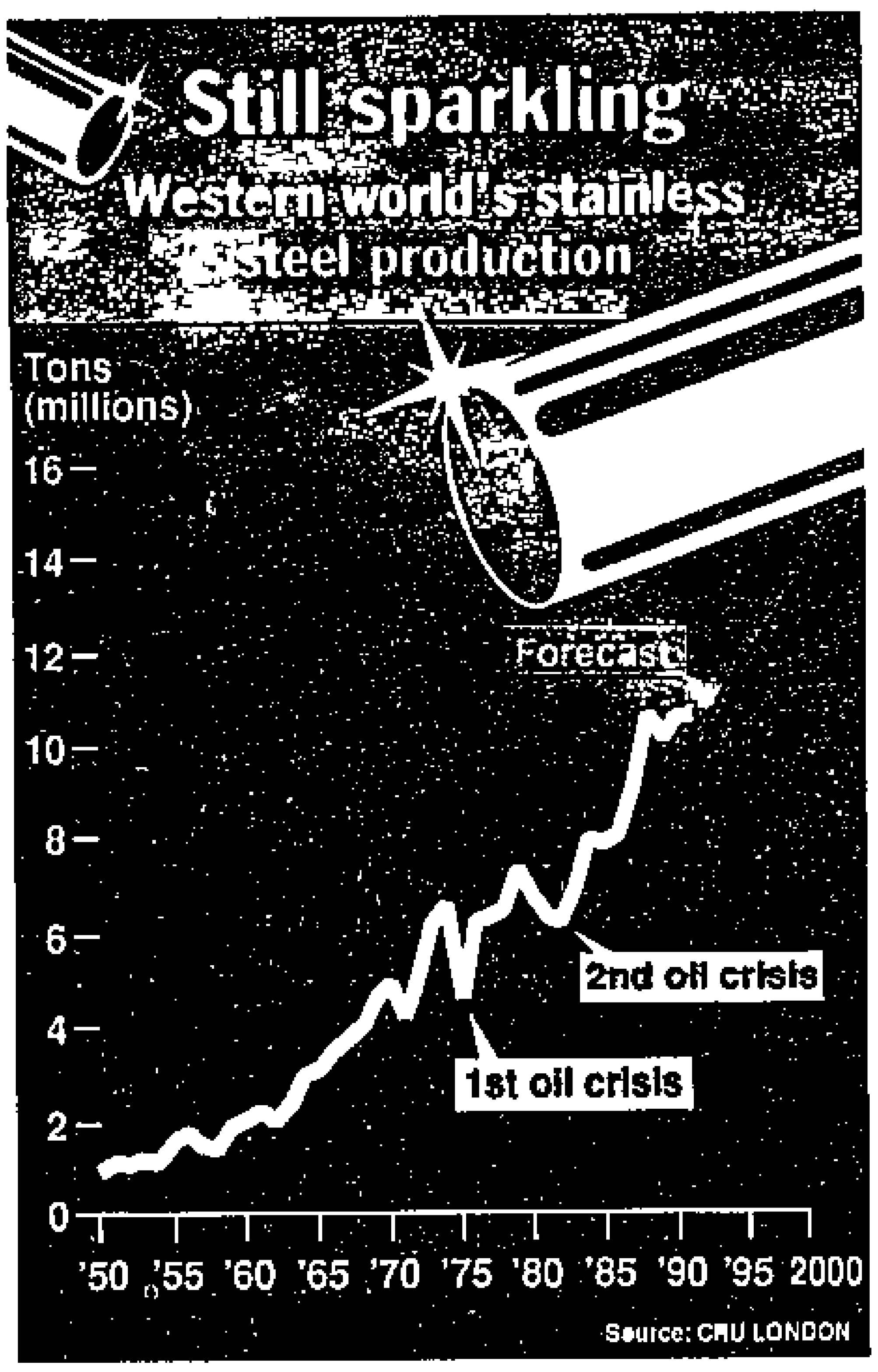
FERROCHROME FM 26/6/92

Looking brighter (189A)

FM 26/6/92 (189A)

Recent reports that Samancor has been forced to accept unusually large discounts on ferrochrome supply contracts with US consumers have been flatly rejected by chrome division GM Wilrich Schroeder He says stories that Samancor was forced into fixed prices at high discount levels for prime product, and that these contracts will apply through 1993 with provision for only a small increase, are totally without foundation

Schroeder confirms that a contract was entered into recently with a US steel produc-



er but explains this was for off-standard "fines" material combined with some prime product "It's easy for confusion to develop on technicalities such as these," he says

Current spot prices for ferrochrome are US45c-US47c/lb but "these prices are based on a thin market and certainly do not reflect our long-term arrangements "

Meanwhile, SA's R2bn ferrochrome industry continues to be held a hostage to fortune by the world stainless steel industry, the principal user of ferrochrome products Preliminary estimates by the London-based Commodities Research Unit for stainless steel production last year point to yet another record of about 10,8 Mt — 1,5% up on 1990's output

However, the first signs of weakness in this market were detected late in 1991 and have continued into this year, Japanese output is falling sharply but in Europe and the US analysts say demand has already bottomed and should show some recovery early in the third quarter

Consolidated Metallurgical Industries MD Zed van der Walt says he is confident that Japanese mills will be back in full production by the end of the year and that this will presage an increase in demand for ferrochrome Nevertheless, he agrees that world ferrochrome capacity, which expanded wildly from 1988 to 1990, will continue to exceed demand for some time He adds that while he is very optimistic about the SA industry's long-term future "there will be some hard times in the short term "

SA producers Samancor, CMI and Chrome Corp Technology reduced their combined production output substantially earlier this year in response to evidence of a glut in world markets accompanied by weakening prices SA, the largest exporter of ferrochrome, contributes about 43% of the world's requirements

More recently, both Samancor and CMI have reintroduced operations on all their smelters These are being operated, however, at levels below their design capacity Van der Walt says the emphasis is on operational efficiencies Advantage is being taken of Eskom's differential tariff system, since electricity is a major element in the operating costs of the industry, the use of off-peak periods is a significant factor in holding down costs

With both Samancor and CMI shares trading close to their 12-month highs this is an indication the market agrees that prospects are looking brighter *David Gleason*

Samancor: ferrochrome sales price unchanged

189B

BDay 1/7/92

JONO WATERS

SAMANCOR, the world's largest producer of ferrochrome, had secured an unchanged price of $0,52/lb for the alloy from most of its North American and European clients for the September quarter of this year, MD Hans Smith said yesterday

Consolidated Metallurgical Industries MD Zed van der Walt said it would be premature to comment on the September prices as they were still being negotiated with customers

The September quarter prices have been the the subject of intense negotiations

US companies say Smith's price statement is only partially correct because although the list price has been held at $0,52, the company has increased its normal discount from 7% to 10%

But Smith said normal discounts on lumpy ferrochrome list prices ranged between 3% and 7% and that Samancor discounts were somewhere in between He added that 10% discounts were being offered on off-grade material sold on spot sales

He said as little as 5% of Samancor orders were sold at discount

The Americans disputed this, saying the discounts were being made available on large volumes and small tonnage deliveries

Smith said most producers had been carrying high stocks, but they had now been brought down to a reasonable level

He said he expected prices to rise soon because of the increased demand for stainless steel, and he expected "a positive move in ferrochrome in the next quarter or two"

Alienated

Ferrochrome prices quoted by Samancor have remained unchanged since the March quarter when they rose 3c from $0,49/lb

In February, Samancor shut down its entire one-million tons a year capacity as a means of supporting the price, but reopened the operation in May The move alienated US stainless steel manufacturers who quickly found alternative sources

In May, Samancor signed a long-term contract to supply US steel mill Butler Armco with 60% of its needs over a five-year period at an agreed price of $0,465/lb for the rest of 1992

American steel producers, who are under pressure to keep purchasing prices low, said the move was necessary to overcome US reluctance to start buying Samancor's material again

Meanwhile, Highveld Steel & Vanadium, the world's largest producer of vanadium, has announced a $0,15c reduction in the price of its vanadium pentoxide for the September quarter

Highveld's vanadium pentoxide price has slid to $2,20/lb from $2,45/lb in the June quarter and from $2,60/lb in the first quarter of this year — mainly due to slack demand from steel producers and perceptions of oversupply

Market conditions have not been helped by the startup of the Vanadium Technologies vanadium pentoxide plant in May this year and talk of Rhombus Vanadium starting up a new beneficiation plant.

Annual world vanadium production is 87-million pounds while consumption is 82-million pounds

Hulett invests R55-m in can facility

STAR 13/7/92

1898

By Stephen Cranston

Hulett Aluminium is investing R55 million in its Maritzburg plant to supply coated coils to cap beverage cans for the next decade.

The improvements, which include a 4 000 square metre factory, are due for completion in the first half of 1993, and will coincide with the opening of canning facilities by Nampak subsidiary Bevcan and Highveld Steel subsidiary Rheem

Bevcan and Rheem will be introducing the all-aluminium soft drink can

Hulett Aluminium executive chairman Des Winship says lacquered coil, which the factory will provide, will be more convenient to manufacturers than the plain aluminium sheet Hulett currently supplies.

The lacquering line has the capacity for 10 billion can-ends a year

The technology is provided by the Montreal-based Alcan It is being converted to meet SA requirements.

Hulett Aluminium was started by Alcan in 1948 and has retained technology agreements with its former parent

HAGGIE FM 14/8/92 (189B)

Spending to grow

Intent on lessening its dependence on the mining industry, Haggie has diversified from its steel wire and rope activities successfully But its parentage makes further opportunities limited, as they are largely covered by Amic's activities Amic and Malbak each hold 36% of Haggie

In its efforts to diversify, Haggie has acquired the minorities in non-wholly owned subsidiaries, while moving into the tool and tyre chord industries The R98m tyre investment involves making steel cord for the tyre industry Another new venture is a R10m aluminium tube maker It will largely replace Haggie's copper tube operations, as its products will offer advantages such as lighter weight and non-corrosive attributes

As R50m is to be incurred on replacement capex, total expenditure in fiscal 1992 will be about R160m, reflecting Haggie's ambitious approach But Haggie MD Chris Murray does acknowledge that Haggie's parentage narrows diversification opportunities The capex programme means gearing will jump from 27% now to around 40% in early 1994

Haggie's half-year results are creditable as margins have been maintained, at 10,6% At a time when analysts are predicting steep EPS declines across the board, Haggie increased EPS 5%, admittedly off a low base, EPS have fallen since 1989

The interim figures compare favourably with those of parent Amic, whose EPS fell 16% over the period Rationalisation and growing exports were largely behind Haggie's results Murray confirms this, adding the full benefits of rationalisation are difficult to ascertain from the figures, as volumes are down, diminishing economies of scale

Rationalisation is taking place at Consolidated Wire Industries, a maker of steel wire and wire products from mild steel rod, where two factories are being merged A bronze business at Denver is being merged into the copper and brass operations at Wadeville Haggie is in its eighth month of a two-year programme

Rationalisation has reduced employment to about 9 000, from around 9 500 in the past year, and Murray believes a further 500 jobs should be cut in the coming 12 months Cuts have mostly taken place through attrition

EXPORT BOOST

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	584	598	607
Operating inc (Rm)	61,9	43,1	64,4
Attributable (Rm)	31,5	26,0	33
Earnings (c)	162	133	170
Dividends (c)	47	110	47

FM 14/8/92 (189B)

and early retirements Benefits can be seen partially in the maintained margin

Of the three divisions, steel wire and rope continue to dominate activity, accounting for 54% of sales, with copper-based products and engineering consumables accounting for 37% and 9%

Export revenues, which grew 26% to R115m, and now represent 19% of group sales, more than offset the 10% drop in local physical demand But Murray believes exports are not a panacea substitute for local activity, as exports are at lower margins

As Haggie's fortunes are closely aligned to the economy, little fire can be expected near term Murray predicts the interim earnings growth should be maintained for the full year Rationalisation and rising export sales place the group in a strong position longer term, suggesting a possible upward rerating given the 7,9 p e and 6,5% yield

McGregors - Engineering *William Gilfillan*

Rosy indications for R6bn Alusaf smelter

CT 31/8/92 (1898)

From MATTHEW CURTIN

JOHANNESBURG — In the firmest indication yet that its R6bn smelter will go ahead, Alusaf has had 233 000 tons of new aluminium production, not already tied up in long-term sales contracts, oversubscribed many times by potential customers

Alusaf plans to add 466 000 tons of production a year to its 170 000-ton plant

It is the best sign so far that the project will go ahead, in time to meet increasing aluminium demand in the mid-'90s

Interviewed at the weekend, chairman Fred Roux said the orders were indicative of industry confidence in the Alusaf project and the strength of the aluminium market in the medium term.

However, Roux would not be drawn on details of alumina supply or aluminium sales contracts, or how Alusaf's shareholders planned to finance the scheme It is understood the project will be presented for approval to the boards of Gencor Beherend and Gencor soon

Genmin has a 42% stake in Alusaf, but the aluminium smelter is only one of several multimillion-rand projects which require finance within the Gencor group Other commitments include its share of the R3,1bn Columbus stainless steel expansion project

Roux said a report in the Financial Times last week that Alusuisse, one of Alusaf's shareholders, was losing confidence in the project was not serious

"Our understanding is that Alusuisse has taken a policy decision to reduce its exposure to primary aluminium production"

The news followed a reduction in Alusuisse's original 21% stake in Alusaf to 15,3% when it did not follow an internal rights issue earlier this year

He said the environmental impact study, a factor delaying the project's possible go-ahead by three months, would be completed in mid-October, with the public having four weeks to react to it The study would decide whether the smelter would be built on Alusaf's preferred site, or on a second one which would increase the project's capital cost by a small amount

Barter agreements

Roux said half the new smelter's production of 466 000 tons had been committed to two alumina suppliers, on long-term contracts of 15 years and 20 years The contracts were barter agreements, which amounted to Alusaf operating as a toll refiner for the alumina producers Alusaf would effectively receive 75% of the London Metal Exchange aluminium price in exchange for smelting the alumina

Alusaf had decided not to commit its entire production to these producers, because it wanted to foster downstream industry in SA

Nevertheless, the oversubscription for its spare production was a good indication of confidence in the aluminium business

"Even if demand does not hold up as strongly as it seems it will in 1995 to 1997, Alusaf will still be competitive because it will be a low-cost producer," Roux said

He said Alusaf's project was the only one of several new schemes on the drawing board which was "at the decision stage" It was "highly unlikely" other projects would go ahead at the moment Competitors' projects depended on a high degree of debt-financing, which would be hard to win from banks, given the sustained weakness in aluminium prices

He dismissed suggestions that existing producers, hit by weak prices — a reflection of slack demand and a flood of cheap Russian material — would benefit from the sort of deal Alusaf had signed with Eskom Electricity makes up about 27% of the input costs in aluminium production, and Alusaf has been able to consider the expansion scheme only because Eskom has agreed to supply power at rates tied to the LME aluminium price

Roux said Eskom's spare capacity, of which Alusaf would use only 10%, made SA unique Utilities abroad did not have the capacity on which to base similar deals

He said the true costs of Russian aluminium production, from smelters situated mostly in Siberia, and an increase in local demand in the former Soviet republic, would start curbing the recent flood of exports In the longer term, environmental considerations might result also in some Russian capacity closing down

EDWARD WEST

Boom time ahead for pipe manufacturers

(189B)

BDM 4/9/92.

SA PIPE manufacturers can look forward to a multibillion-rand bonanza if mooted pipeline projects for water schemes in sub-Saharan Africa come to fruition

Among the projects on the drawing board is a R738m Rand Water Board scheme, a R1,1bn water pipeline to Bulawayo and a possible Botswana development estimated at R744m A further 900km of pipeline could be required in Mozambique for water and gas projects

The strong potential demand has stimulated local manufacturing facilities and an industrial consortium has commissioned a R60m large-bore pipeline plant in Cape Town.

Standard Engineering subsidiary Hall Longmore has won the contract to supply piping for a 57km line, costing R29m, to Bulawayo from an underground water source at Nyamandlovu.

This pipeline was a temporary measure to alleviate water shortages, and a trust had been formed to back plans to construct the R1,1bn 400km pipeline to Bulawayo from Zambezi River within a year, said Standard's pipe division MD Martin Done

A positive outcome to gas exploration at Mozambique's Pande fields would require a 900km pipeline to SA, while demand would be stimulated also by the mooted redevelopment of the Cabinda oil field and the development of a new terminal in Maputo harbour

Meanwhile, in SA, it was reported the Rand Water Board was considering laying from mid-1993 an estimated R738m, 100km long pipeline from the Vaal Dam as part of a R1,7bn four-year scheme to add 1 200-million litres a day of potable water to its system

The prospects have stimulated new entrants to the the pipe-making market

Yesterday Dorbyl announced it was negotiating with Australian pipe maker Tubemakers of Australia (TOA) for the transfer of TOA's technology to SA, as well as an option to buy a 50% stake in Dorbyl subsidiary Steel Pipe Industries by 1997

Metals dominate trade inquiries

B/Day 5/10/92. (189B)

ANDREW KRUMM

METAL and metal products dominate the list of trade inquiries received by SA embassies around the world this week

A potentially lucrative offer is one from a US trader for the supply of 50 000 tons of scrap copper every six months for five years

Other possible long-term contracts are in the offing, with a Fiat-owned company, Flexider Gruppo Gilardini, very interested in establishing a relationship for the supply of stainless steel strip

A pharmaceutical manufacturer in Portugal seeks a joint venture

Taiwan, Italy and Portugal have more offers than usual this week, while inquiries from the US and Britain appear to have taken a back seat

The strangest inquiry comes from Brazil, where a businessman asks about the availability of medicinal herbs in SA

One would have thought Brazil had enough plant material to cater for every ailment

SA producers should note that some of the trading companies listed are acting as agents for interested parties in third countries, and SA suppliers may have a geographical cost-advantage in getting the goods to the destination

For example, a French trader requires cement for delivery in the Comores, and another asks about the availability of cars and trucks to supply to Africa

In several cases the Trade and Industry Department has supplied the inquirer with the names of major producers in SA

This does not mean another supplier cannot quote on an item

☐ To advertise on this page, call Janet Jadrijevich on (011) 497-2543

INFORMATION in this feature supplied by the export centre of the Department of Trade and Industry

Inquiries

Manufacturers should contact the foreign company direct Where possible a contact person has been named If there are any problems, communicate with the Department's Export Centre, tel (012) 310-9791 Fax (012) 320-8157

How to use

The items on this page are listed by number according to the harmonised tariff code system issued by the Department of Customs and Excise The code gives specific details of the listed item

Export services

For general advice on exports and export incentives, contact the department or its regional representatives in Durban, Port Elizabeth or Cape Town It is strongly recommended that manufacturers new to the world of exports get in touch with the local office

Warning

SA firms should be aware that restrictions on the export of these products might be applied by the authorities While every effort is made to maintain the accuracy of information in this list, the Department of Trade and Industry assumes no responsibility for any incorrect data Nor will the department and its officers assume responsibility for any transactions undertaken with the firms or individuals listed

..IMALS AND ANIMAL ..ODUCTS

.1.06 00
..ong birds — Portugal Ar... Marques, Rasonor; .. 09351-52-75977

.. 07.00 23
..falo and cow horns — Taiwan Keith Wang, Kuang ..n Co, fax 09886-2-593 6015

.. 02.11, 42.02.21
..ather suitcases and hand-.. — Germany Mr Witzl, Witzl, tel 0949-69-234317

..ODSTUFFS

.. 07.41 90.
..rozen chicken — Hong Kong James Middleton, Management Answers, tel ...2-693 0136, fax 09852-602 .153

..01.00, 03 06.00, .. 07 00
..sh, crustaceans and mol-.. — US Terry Clausen, Clausen's Speciality Seafood, .. and fax 091-206-522 4603

..06.10 20, 02.10 11.00, ..6.02 50 90, 21.05.00.00, .. 01 90 00, 32.10 00.00, ..06 00 00
..heese, ham, corned beef, Ice ..ream, casein glue, pigments for leather and candles — Brazil Celso Leite, Plani-..ic, tel 0955-11-289 5866, .. 0955-11-2.3 3429

.. 09.20.00.
..resh asparagus — The ..etherlands Raymond Den ..aan Hars and Hagebauer; .. 0931-10-462 4565, fax ...-10-262 0010

..12, 07.12 30 00, 12.11.
..ehydrated vegetables, dried .. ..ous and medicinal .. — Italy Mrs Fasoli, ..w Foods Industry; tel ..-45-715 0599, fax 0939-45-.. 0601

..11, 08.12.
..anned fruit — Portugal Isa-.. Roque, Intercomer; tel ...-1-352 1023, fax 09351-1-..

.. 11, 08 12
..anned fruit — Portugal ..anda Rosinha, Pingo Doce, tel 09351-1-363 4900, fax 09351-1-364 4716

.. 13.
..ried fruit — Portugal Joao Freitas, Joao Freitas Lda, .. 09351-91-252254

1.01.00
..eat flour — Belgium Mr ..ohen, Texco International, ...2-2-513 1909, fax 0931-2-.. 4402

12.01.00.
..ya bean flour with crude ..otein content — Germany Mr Bamler; AMA, tel 0949-...-86580, fax 0949-651-800 101.

12 11 90 90
Medicinal herbs — Brazil William Watson, Santosflora, tel 0955-11-296 4844, fax 0955-11-296 2697

16 04 19.
Canned pilchards, canned foods — France A Sinseau, Rocherollin, tel 0933-1-4788 7891, fax 0933-1-4767 0951

16 05.90 20, 16 05 20.80, 16 05 30 90
Canned oysters, shrimp and lobster — Argentina Juan Papayannis, Fiamma importadora, tel 0954-1-761 7087, fax 0954-1-760 0013

17 01 99
White sugar — Portugal Fabricante de productos Alimentares Europa, tel 09351-44-94423, fax 09351-44-94480

17.04.
Sugar confectionery for children — Austria J Gschwandtner, J Gschwandtner Import, tel 0943-662-51727, fax 0943-662-517 2733

20.09.
Frozen fruit juice concentrates — US Kobus Reyneke, Waltech, 091-201-641 7300, fax 091-201-641 7229

20 09
Fruit juices — The Netherlands Robert de Jong, Handelsonderneming Gejo, tel 0931-77-825762, fax 0931-77-872975

22.06.00.00.
Fruit puree — Hong Kong Y H Wong; Polyexpert, 09852-529 3226, fax 09852-529 3314

23 22 00 90
Beer — Portugal Schalk van Schalkwyk, Schalk van Schalkwyk Imports, tel and fax 09351-1-456 2217

MINERALS

25.23.90.
Thousands of tons of cement for delivery in the Comores — France Jean-Claude Faye, Enterprises Leon Ballot, 0933-1-4075 7407, fax 0933-1-4563 44 12

28 33 29 90
Cobalt sulphate and other products with a high mineral concentrate for use in animal feeds — Brazil Tarsila Dos Santos, Proteindus, tel and fax 0955-11-263 3244

28 41.30.00.
Sodium dichromate — Italy Sigismondo Giovanni, tel and fax 0939-2-404 6281

31 02.21, 31 03 10, 31.02.10, 31 04 20
Ammonium sulphate, phosphorus, urea and potassium chloride — US M Mattis, Tradex; tel 091-213-737 7999, fax 091-213-737 0487

38 07.00.00, 38.08.20.10, 38 08 30 10
Copper chromium arsenate, Copper oxychloride, and herbicides for wood treatment, fungicides and anti-sprouting products respectively — US Jack Ryals, Alchem, 091-904-378 9696, fax 091-904-338 0400

44 02 00
Charcoal — Germany Mr Hobmeyr; DAT-Tripodi, tel 0949-221-381210, fax 0949-221-383475

WOOD AND HOUSEHOLD PRODUCTS

44 09 10 00
Sawn pine lumber — Taiwan Ming Jen Yang; Tai Associates, tel 09886-7223 5234, fax 09886-7-282 3690

44.10, 44 20
Particle boards and medium and high density fibreboard — Taiwan Ming Hea Tai, Mao Ta Lumber; tel 09886-7-801 9017, fax 09886-7-801 0932

44 12
Melamine faced chipboard for kitchen furniture — Argentina Anibal Rodolico, Iber SA Ind Y Com, 0954-1-567 1428, fax 0954-1-567 6385

44 20 10 00, 70 13 90.
Wood statuettes, ornaments and glassware — Taiwan Angela Fan, Crosby Marketing, tel 09886-2-516 5725, fax 09886-2-505 9448

69.12.00.25.
Quality ceramic plates for limited edition art works — Israel Dov Safrai, Safrai Fine Art, 09972-2-254 885, fax 09972-2-240 387

82 15, 73 23 92, 73 23 94, 73 23 93, 69 12 00, 70 13, 39 24 10
Tableware made of metals, enamelled iron or steel, ceramics, glass or plastic — Belgium Karina Borja, Menagroup, 0932-71-345402, fax 0931-71-345852

95 06, 69.10 90, 73 24 21, 39.22 10
Swimming pools and equipment, ceramic, cast iron or plastic baths — Belgium Frederic Claeys, Oase NV, tel 0932-50-209308, fax 0931-50-208654

94.03.40, 94.03.50.
Wooden furniture for bedrooms and kitchens — Portugal Francisco Amavel, Indetor Lda, tel and fax 09351-43-440059

CLOTHING, TEXTILES AND APPAREL

52 00
Cotton and polyester/cotton fabrics — Belgium J Clairbois, Gilleman Textiel, tel 0932-55-213811, fax 0931-55-210361

52 05, 52 08
Cotton yarn, woven cotton fabrics, polyester and viscose fabrics and yarns — Italy Gianluca Ruzzini, Sirofil, tel 0939-2-4007 2497, fax 0939-2-469 0532

53.04
Raw sisal — Taiwan Lilian Liu, Roresin Corp, tel 09886-2-773 0777, fax 09886-2-777 4819

62.05 00, 57 05 00, 39.26 90, 71 17 11, 44 09 10, 46 02 10
T-shirts, wool/mohair rugs and carpets, beadwork, ethnic jewellery, wood carvings and baskets — US Karen Clothier; Crate Stuff, tel 091-415-921 1637, fax 091-415-921 0583

96 06
Buttons — France L Angel Boutonnerie Lyonnaise, tel 0933-7828 6306, fax 0933-7830 9725

METALS AND METAL PRODUCTS

26 10 00 00
Chromium ore — Hong Kong H Y Ching, Hitoro Holdings, tel 09852-845 8133, fax 09852-845 3225

71 06 91, 71 08 12, 71.10.11, 7110.21.
Silver, gold, platinum and palladium for a precious metals dealer — Germany Wilhelm Wascher IVA, tel and fax 0949-221-701431

72 02 21 00, 74 04 00 10.
Ferro silicon and copper scrap and waste — Taiwan C Chen, GCT Taiwan, tel 09886-4-328 9556, fax 09886-4-324 5601

72 09.31 90, 72 08 31 90, 72 14 40
Cold-rolled and hot-rolled steel sheet, and steel bar — Austria Friedrich Hirnbock, F H Stahlhandel, tel 0943-662-879 226, fax 0943-662 8792 2685

72.17.22 00
Galvanised wire to make wirenails — The Netherlands Joop Verwey; Nethexco, tel 0931-30-891 174, fax 0931-30-898 090

72.19.
Stainless steel strip for a Fiat company — Italy G Capellino, Flexider Gruppo Gilardini, tel 0939-11-262 1632, fax 0939-11-262 0904

72 19.31, 72.19 21, 73 04 10 20
Cold and hot rolled stainless steel sheet, seawater-resistant stainless steel pipes — Austria Robert Paradeiser; Aqua Engineering, 0943-662-433 5110, fax 0943-662-433 51142

73 02.
Iron or steel used railway track — Belgium Arnaud Trejbiez; Link Belgium, 0932-2-216 7790, fax 0931-2-216 9317

73 08 90.99
Decorative ironwork for windows and balconies — The Netherlands F Mauriks, Mauriks Import, tel 0931-73-560755, fax 0931-73-560113

73.26.20 00
Steel bar and steel wire rod — Hong Kong Heapson Trading, tel 09852-865 5966, fax 09852-865 3840

73 26 20 00
Steel bar — Hong Kong Sidney Chu, Full Honour Trading, tel 09852-739 0019, fax 09852-774 1621

74 03.22.00, 74 03 21.00, 74 03 23 00.
Unwrought bronze, brass and copper-nickel base alloys — Taiwan Cheng Wan Ling, TGC International, tel 09886-2-392 9377, fax 09886-2-395 1184

74 04 00
Hundreds of thousands of tons of scrap copper — US James Hungkun Ro, Royal Investments Realty, tel 091-408-246 4543, fax 091-408-248 7699

76 01 20 00
Unwrought aluminium alloy — Taiwan A C Lee, Core Pacific, 09886-2-391 3247, fax 09886-2-397 2251

76 06 11, 74 09 11
Aluminium and copper sheeting — The Netherlands George Verstyne, G V S International, tel 0931-3200 55503, fax 0931-3200-50692

80 01 20 00
Tinplate — Hong Kong Jack son Ng, Comenice Development, tel 09852-352 4911, fax 09852-352 4841

MANUFACTURED EQUIPMENT AND PRODUCTS

83 01.10
Locks — Italy Stefano Verani, Dell'orto, tel 0939-31-7.. 677, fax 0939-31-768 230

84 15 10
Airconditioning units — Austria Mrs Vollman, Servoking, tel 0943-1-616 1661, fax 0943-1-616 5893

85 09 10 00
85.09 90 00.
Electro-mechanical domestic appliances with self-contained electric motors — Taiwan S C Wang, John Trading, tel 09886-2-772 47.., fax 09886-2-775 4687

85 15.00
Welding equipment — US Gerard Pedata, Gamco, .. and fax 091-602-747 1474

87 01, 87 16 20, 87.04 21, 87 04 22
Tractors, trailers and four wheel drive trucks for Africa — France P Guitard, Somdiaa, tel 0933-1-4039 5500 fax 0933-1-4039 5501

87.08 40 20.
Automatic gear boxes and parts for cars — Brazil L... Import, Export e Com Ltda fax 0955-11-221 1071

90 27.10.90.
Gas monitoring equipment and gas sensors — Germany Erhard Stein, Ibs Ingenieur Buero, tel 0949-221-877 846, fax. 0949-221-877 847..

96 12.
Ribbon cartridge — US Rami Gonzalez; Ribbon Technology; tel 091-305-693 1466 fax 091-305-823 4992.

80.24 90.91.000-R.
Computer software — Belgium Marc van Beek, Beaver Software, tel 0932-14 224900, fax. 0931-14-224770.
Paper for offset printing — Brazil. Ricardo Ottolia Mahur de Processamento de Papeis; tel and fax 0955-11-5.. 2128

95.06.61.
Tennis balls — Austria Mr Mostl; Kostler & Ohler Warenhaus; tel 0943-316-8700 fax 0943-316-828 713

MISCELLANEOUS

28 00, 29.00
Raw inorganic and organic chemicals for use in the paint, cement and petrochemical industries — Belgium Marc Verstraete, Sochimet, tel 0932-81-742424 fax 0931-81-743535
Chemicals — Portugal Pedro Coelho, Euroatlantica tel 09351-1-570968, fax 09351-1-570 700
Seeking joint venture with pharmaceutical manufacturer — Portugal Gabriela Ribeiro, Tecnimede, 09351-1-941 0413, fax 09351-1-942 3824

71 03.10.00, 71.02.31.00, 71.03.39.00
Worked or unworked industrial diamonds — Taiwan Chien Yi Wu, Shih Ba Enterprises, tel 09886-6-233 4445, fax 09886-6-233 4443

Haggie Rand hints at offshore operation

BIDAY 28/10/92

(1898 EDWARD WEST

HAGGIE Rand has hinted at establishing an offshore operation, possibly in western Europe, following recent export successes by its ropemaking subsidiary

Haggie Rand marketing director Alan Clarkson said there was so much one could do from Johannesburg before an offshore base or warehousing facility became essential for continued export expansion

He said Haggie was a preferred supplier for two international oil engineering firms

The companies, based in southeast Asia and Europe, used Haggie Rand rope to manufacture cable-laid slings

Haggie had exported about 20% of its R1,18bn turnover to more than 60 countries in 1991, Clarkson said

Troubled Usko still under pressure in the short term

(189B)

B/DAY 18/11/92.

EDWARD WEST

SHORT-term prospects for recently restructured Usko were limited, with turnover and profit expected to remain under pressure, according to the group's results published today for the year to end-September 1992

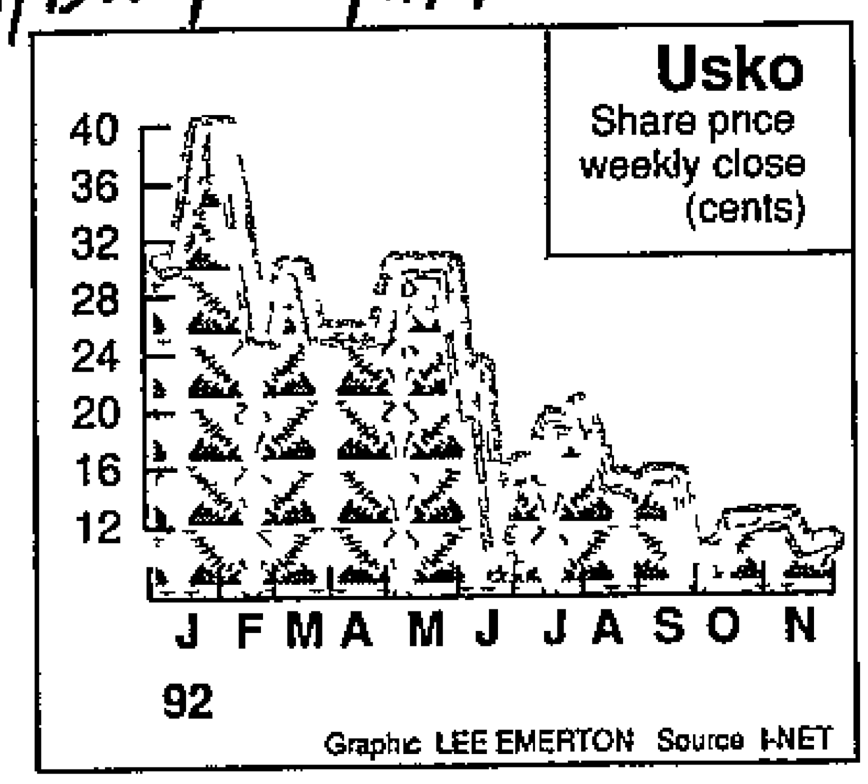
Usko manufactures and sells copper wire, electrical cable, aluminium conductors and stainless steel wire It was restructured after posting a R238,8m loss at the last year-end and its steel division and vanadium plant was sold

The company's main shareholders, Iscor and Metkor, holding 30% and 28% stakes respectively, recapitalised the company in co-operation with creditor banks

Various classes of preference shares were issued to replace interest-bearing debt which eliminated the R90,98m deficit on shareholders' funds to R63,36m at September 30 1992.

The dividend was passed on the ordinary shares and the "B" and "C" cumulative preference shares, but a dividend of R6,6m was paid for "A" preference shares on October 31 1992

Losses per ordinary share amounted to 2,61c compared with a 198,11c loss a share the previous year



The income statement for 1991 was amended to reflect the retained activities after the closure of the vanadium plant and the sale of the steel division

Turnover in the year to end-September 1992 dropped to R215,47m from R264,59m the year before Operating income fell 24,2% to R21,75m from R28,69m, but was still higher than the R3,18m realised before the restructuring

Lower profit from associated companies coupled with lower dividend payouts resulted in a 32% drop in income from investments to R2,99m from R4,39m An extraordinary item of R2,66m relating to rationalisation costs was written off

Interest fell to R15,4m from R18,012m, but, according MD Peet de Villiers, was still high because the restructuring was only in place halfway through the year during which financing costs had to be paid

Interest-bearing debt was reduced by funds on deposit to R6,53m from R134,49m Non interest-bearing current liabilities fell to R20,86m from R53,65m

Directors ascribed the fall in profit to an 18,6% drop in the turnover in all product groups, with the biggest drop experienced for aluminium conductor due to low level demand from Eskom

The drop in turnover for the other product groups was blamed on falling demand and fierce price competition

Short-term prospects were limited, but in the longer term the commencement of new local projects and power distribution to neighbouring states by Eskom would stimulate demand for aluminium conductor

The directors reported the joint cost of interest and preference dividend would be favourably influenced by the company's recapitalisation programme

COMPANIES

Maksal's tubes tap export markets

Business Day Reporter

COPPER tube manufacturer Maksal has moved swiftly to take advantage of crumbling sanctions barriers, and recorded annual export sales exceeding R10m

Maksal export manager Billy du Toit says markets for domestic plumbing, refrigeration and industrial copper tube have been found in Britain, Taiwan, Hong Kong, Israel and Chile. (189B)

"There is enormous potential for exports, but at the moment we are still treading warily and concentrating on niche markets" He says Maksal, a division of Haggie, is forced to focus on small and medium-sized clients as it lacks the economies of scale to compete on a wide front

There has not been much difficulty in meeting most overseas quality standards, which are similar to the SABS marks carried by Maksal copper tubing

"Some adjustment have had to be made, but representatives of the British Standards Institute, in conjunction with the SABS, recently completed a three-day audit of the Maksal facilities in Springs

"We expect to hear if we meet the British standards early next year If we do, we will meet all UK as well as Far Eastern standards."

Light-weight containers set for the world market

SI Times (Cape Metro) 29/11/92 (189B)

ELSIES RIVER-BASED Consani Engineering has developed two new containers for the company's world markets

It has added two ultra-light units to its range of tank containers — a beam container and a frame container

The design department has been experimenting with new concepts to reduce the weight of Consani tank containers

The aim is to produce containers with a tare below 4 000 kg and a maximum capacity of 26 000 litres, while meeting the market need for a fully-protected tank.

The light-weight construction also reduces manufacturing costs

The prototype containers are subjected to mandatory tests in terms of various international bodies, including the United States Department of Transport, International Maritime Organisation and International Standards Organisation

Fatigue tests by the University of Stellenbosch involved vibrating a container for 46 hours The frame and stiffening rings experienced high stresses but the vessel remained intact.

The container was also sent to the Spoornet centre in Pretoria and subjected to rail impact tests

During a simulated rail accident, the container was sent hurtling down a ramp to collide with railway trucks below

The container was then destructively tested to confirm its vacuum safety factor

"The new design offers a mass saving of more than 700 kg over the standard frame container," says Consani design manager Solly Essop

Toco stays on upward track

189 B EDWARD WEST 189R

TOCO Holdings has increased earnings 11% to 10c a share in the six months to end-September from 9c a share at the same time last year, the sixth consecutive set of record results since the group's listing in 1987

Toco is involved in special steel and metal treatment, gaskets and pressings, building products, vitreous enamelled steel products, domestic lifts, automotive refinishing products, lifting equipment and repairs

The results show turnover 24% higher at R81,39m from R65,73m at the end of the first half in 1991. But, operating profit increased only 7% to R11,01m from R10,29m Operating profit margins fell to 13,5% from 15,6%.

Interest payments dropped 21% to R1,64m from R2,08m which directors attributed to the negotiation of favourable sources of finance, as well as declining interest rates Gearing climbed to 53% from 39% BDAY 11/12/92

Pre-tax income was 14% higher R9,37m from R8,2m. Tax, slightly higher at R1,22m from R836 000, was within the 20% tax rate envisaged in the 1991/2 annual report. Attributable income was 13% higher at R7,49m from R6,65m.

The increased average number of shares in issue to 75 19m from 67 14m diluted attributable income slightly and earnings a share were 11% up at 10c. An interim dividend of 3c a share was declared covered 3,3 times, slightly higher than last year's 2,75c.

Toco's manufacturing agreement with Park Plus of America continued to grow, with orders for parking systems gained over and above the $30m of business signed last year, directors said.

MD Adrian Goodman said export orders were on schedule The building products division was regularly dispatching cargoes to Europe, the US, Japan and the Middle East.

Chairman Paul Todd said Toco would continue to hold substantial stocks and use innovative means to gain market share in SA at solid margins. Export activities would be widened and developed.

Alusaf in smelter promotion drive

BDay 1/6/92 (189A)

JONO WATERS

ALUSAF has launched an upbeat public relations campaign for its R4,5bn smelter with a new publication outling details of the estimated 31 400 job opportunities that could be created as a result of the project.

The multi-billion rand project would create 1 400 permanent jobs and a further 30 000 jobs in ancillary industries during and after its construction, the company said in its new publication, The Smelter.

The Smelter has been established to prepare the Richards Bay community for the proposed project

Alusaf chose the Richards Bay site over possible options at Saldanha Bay, Witbank and Ermelo, and the publication called on the local community to involve itself in the environmental debate.

The Smelter would share Alusaf's "smelter vision with the community" It quoted Pick 'n Pay chairman Raymond Ackerman as saying the new smelter would boost his supermarket chain's decision to invest in Richards Bay

The conditions seem set for the project's go-ahead as Eskom has agreed to sell 800Mw of spare-capacity electricity to Alusaf at a rate tied to the aluminium price

It is possible the smelter will qualify under the amended Section 37e of the Income Tax Act which provides for accelerated depreciation write-offs for export-orientated mineral beneficiation projects

Alusaf MD Rob Barbour said the effect on the environment would be looked into by a project team from the University of Cape Town's environmental evaluation unit and CSIR's environmental management section.

The 466 000 tons-a-year plant would be supplied to the best world standards being clean, smoke-free and dust-free, he said.

"The company is sensitive to the impact of a new plant on the community and is doing all it can to address valid concerns."

1992

B/day 3/6/92

Pep confident about future

MARCIA KLEIN

PEP Limited, the core business of the Pepkor group, would continue to produce acceptable results in financial 1993 despite the fact that the near future looked uncertain, chairman Christo Wiese said in the annual report.

In the year to end-February, Pep increased its earnings by 1?% to 215c a share and its turnover by 20% to R1,5bn, notwithstanding consumer boycotts, strikes, the VAT changeover and reduced consumer spending.

Wiese said uncertainty created by the negotiating process, falling consumer spending and the devastating drought made it unrealistic to expect any improvement in the economy over the next few months. However, some economic indicators pointed to the start of a recovery and improved trading conditions from the third quarter.

Wiese said the past year was the most difficult in the company's 26-year history.

But Pep had never deviated from its objective of providing clothing and home textiles to the mass market at low prices in unadorned stores.

Plan changes delay Columbus venture

B/day 3/6/92 189A

MATTHEW CURTIN

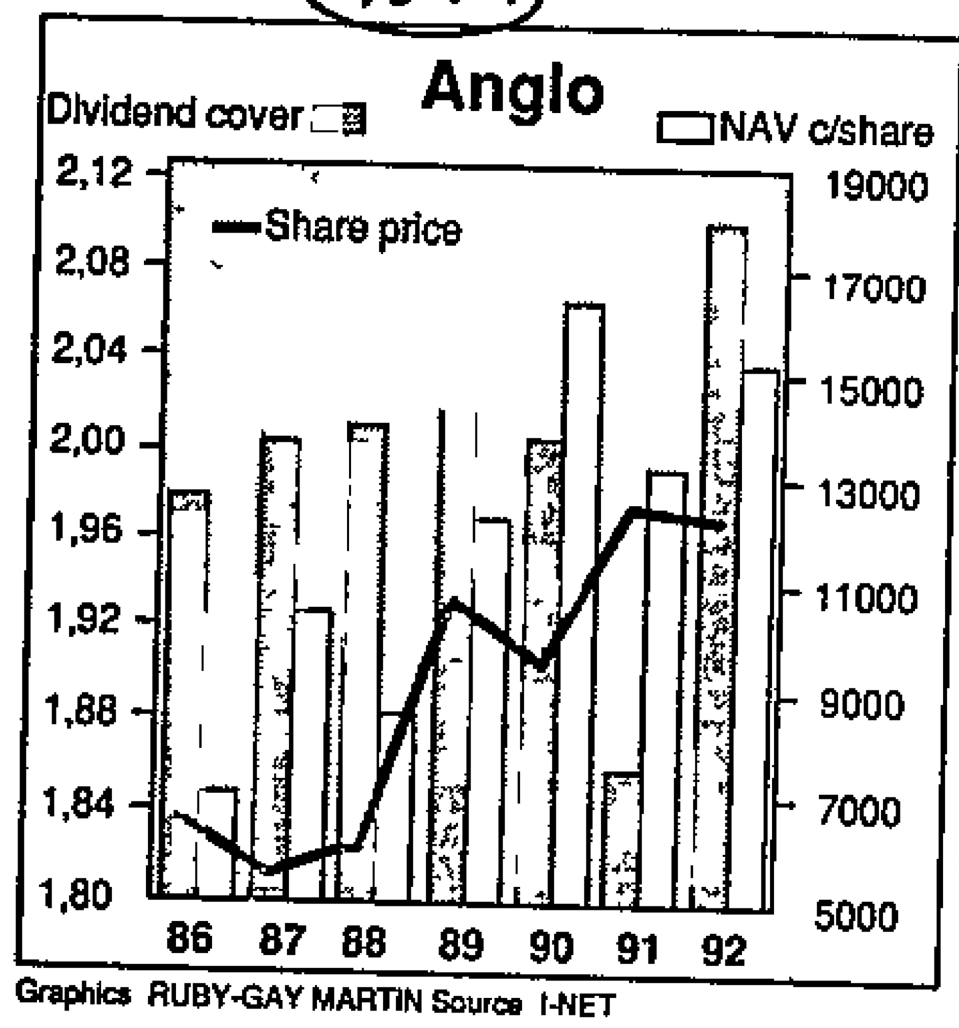
CHANGES to Highveld Steel and Vanadium's and Samancor's plans for the Columbus Stainless Steel joint venture had delayed completion of the project's design, but plans would be ready by the end of July, Highveld chairman Leslie Boyd said last night.

Boyd said those plans would be submitted to government for approval and the project would "almost certainly" have been given the green light in the second half of the year.

He said that in mid-1991 the joint venture partners had finished plans for a greenfields stainless steel project, but made one last approach to Barlow Rand as to whether they could acquire its existing stainless steel operation, run by Middelburg Steel & Alloys. Barlow Rand agreed, a decision which led to the Anglo/Gencor R1bn takeover of the company last year.

The partners had considered involving an overseas party, which would have improved the project's prospects at a time when sanctions were still in force. A deal with a Taiwanese partner fell through.

Boyd said by incorporating the Middelburg plant, the site for the now expanded rather than brand new stainless steel project had changed. New designs were also required to take advantage of the modern parts of the existing plant, and replace those not suitable for expansion.



Graphics RUBY-GAY MARTIN Source I-NET

Although delays in finalising the expansion project were inevitable, he said the Middelburg plant gave Columbus "a much better platform for the expansion project, by generating cash flow, providing market contacts, and links with existing equipment and technology suppliers, as well as boosting the credibility of the partners' commitment to proceed with the venture."

The existing Middelburg plant, renamed Columbus, had proved profitable and internationally competitive. Once the design of the expansion was complete, details of the project would be made public.

Meanwhile, market sources reacted with cautious optimism to Anglo's March 1992 year-end results, while the corporation's stock climbed nearly 2% or 225c to R124,25 on the JSE yesterday.

FM 29/5/92

RHOMBUS VANADIUM (189B)

Taking the plunge

Rhombus Vanadium (Rhovan) looks set to take the plunge and go ahead with a vanadium pentoxide plant in the teeth of predictions of failure from Leslie Boyd, chairman of industry leader Highveld Boyd is incensed by the possibility that Rhovan may have secured financial backing from the Industrial Development Corp (IDC) to pay for the plant at Rhovan's mine near Brits

IDC senior GM Jan de Bruyn referred queries to Rhovan, whose MD Rob Still won't comment

Says Boyd "If the IDC finances Rhovan's operations I would regard that as a gross waste of resources The IDC is not a private-sector enterprise and does not have the right

FM 29/5/92. (189B)

to squander the country's money on projects it must know will never be viable "

Last week's cautionary announcement from Rhovan stated the project is commercially viable and negotiations are under way with potential partners and contractors

Rhovan has been considering its future since the financial collapse last year of joint venture partner Usko Rhovan acquired Usko's failed vanadium pentoxide plant at Vereeniging for no cost and emerged from the debacle debt-free with R10m in the bank and its vanadium mine at Brits paid for

Its options were to go all the way and build its own beneficiation plant at Brits or sell ore to competitors like Vametco or Highveld A new plant is required as Rhovan has decided the Usko plant is not worth rehabilitating

If Rhovan decides to build a new plant, then it must have tied up sales contracts for the bulk of expected production and Still must be sure working costs will let it make money at current depressed prices around US$2,05/lb.

Boyd reckons Rhovan and John Vorster's Vantech, like Usko and Vansa Vanadium before them, fail to recognise economic realities "There is no way anybody can produce vanadium at lower cost than Highveld — our capital is sunk, our depreciation is low and our production volumes are high

"The world does not need fresh vanadium capacity. Highveld has enough capacity standing idle to produce more vanadium than Rhovan and Vantech combined "

Boyd denies that Highveld manipulates vanadium prices to try to keep competition out of the market "This would hurt our own shareholders in forgone earnings However, you have to be market driven. We set the price to sell the product."

Vantech has started production following last year's takeover of Vansa Vanadium by ChromeCorp Technology (CCT) MD John Vorster with backing from metal trader Marc Rich Vorster three years ago successfully established CCT from scratch as SA's third-largest producer of ferrochrome

He is confident Vantech is profitable at current prices following plant modifications which have dropped working costs and greatly improved recovery rates "In the commodity business, costs have to be among the lowest 5% of producers or you'll get slaughtered "

Brendan Ryan

(C)

MANUF. — IRON, Steel, Engineering etc

1992

Forklift firms form new R20m force

B/Day 3/12/92 (189C)

ROBERT WICKS

A NEW force in the materials handling market, Lancer Boss Transvaal, has been formed by the merger of three leading domestic forklift companies — Lancer Boss Africa (Transvaal), Fix-a-Forklift and Electronic Forklift Services

Lancer Boss Africa MD Hylton Lazarus said the merger would establish a R20m-a-year force

Lancer Boss Transvaal MD Henry Watson said "Overhead rationalisation and wider workshop and spares-holding facilities will generate valuable benefits for all three companies and, particularly, clients"

Lancer Boss Africa acts as the local representative of the world's major manufacturer of container handling lift trucks with emphasis on sales and supply of new specialised forklift systems and spare parts for most makes of forklift trucks

In 1989 Lancer Boss Africa initiated a major change in its marketing policy which made it easier for SA companies to purchase container handling equipment

Lazarus said the merger presented no real need for another marketing change, but emphasis would be placed on gearing the company for a move into the African continent

"We have received extensive inquiries from Zambia, Zimbabwe and Kenya and feel that a move in this direction is warranted," he said

Fix-a Forklift and Electronic Forklift Systems both have extensive workshop facilities and a major share of the market for reconditioned machines Lancer Boss Africa recently took new orders worth R6,2m for materials handling equipment

The latest orders for lateral stackers brought total SA sales for specialist Boss systems to 16 in the last 18 months, highlighting Lancer Boss Africa's domination of the specialist end of the high rise handling market

STAR 11/12/92.

Toco improves again

(189C)

By Stephen Cranston and Sapa

Toco Holdings, the manufacturer and international marketer of industrial products, yesterday posted the sixth consecutive set of improved results since its listing in 1987.

Chairman Paul Todd says there's more to come now that the concerted drive in recent years for export business has started yielding results.

The interim report shows earnings up 11 percent in the six months to September to 10c a share

The interim dividend has been raised by 9 percent to 3c per share

Managing director Adrian Goodman says that committed teamwork throughout the group produced the pleasing results for the six months.

All divisions are wholly owned, and all contributed to the improved performance.

The worldwide manufacturing agreement with Park Plus of America continues to grow in importance, with new orders for its patented parking systems being gained over and above the $30 million of business signed in the past year

All export orders are on schedule, and the building products division, which incorporates our Park Plus activities, is exporting to Europe, the US, Japan and the Middle East

Other divisions are starting to benefit from the corporate effort in recent years to develop international associations and to explore and open export channels

Turnover was up by 24 percent to R81,4 million

Start-up costs of the export initiatives are fully written off as incurred, and account for the dip in operating margins from 15,6 percent to 13,5 percent

Goodman says that the 21 percent decline in interest paid to R1,6 million reflects success in negotiating favourable sources of finance, as well as the decline in South African interest rates

The tax rate, at 13 percent, is within the 20 percent ceiling envisaged in the 1991/2 annual report.

Disposals benefit Inmins

B DAY 11/12/92 (189C)

ROBERT WICKS

MINING and industrial supplies holding company Inmins posted an improved set of results for the year ended September 30, after the disposal and turnaround of several unprofitable enterprises

Turnover dropped 13% from R168,8m but the loss after tax decreased from R1,87m to R457 000

Chairman Bob Wenteler said the group had stabilised by financial mid-year

He attributed the loss in turnover to the disposal of unprofitable enterprises, the weak gold price, strikes and lower international demand for coal

In spite of adverse trading conditions the group turned the first-half loss before tax into a R49 000 profit after providing for a substantial doubtful debt in the second half of the year

The group was now trading profitably, said Wenteler.

Income before interest and tax dropped 66% to R1,85m and the loss a share declined from 6,3c (1991) to 2,3c

EXECUTIVE SUIT

Toco stays on upward track

1890

EDWARD WEST

~~1878~~ TOCO Holdings has increased earnings 11% to 10c a share in the six months to end-September from 9c a share at the same time last year, the sixth consecutive set of record results since the group's listing in 1987.

Toco is involved in special steel and metal treatment, gaskets and pressings, building products, vitreous enamelled steel products, domestic lifts, automotive refinishing products, lifting equipment and repairs.

The results show turnover 24% higher at R81,39m from R65,73m at the end of the first half in 1991. But, operating profit increased only 7% to R11,01m from R10,29m. Operating profit margins fell to 13,5% from 15,6%.

Interest payments dropped 21% to R1,64m from R2,08m which directors attributed to the negotiation of favourable sources of finance, as well as declining interest rates. Gearing climbed to 53% from 39%.

BIDAY 11/12/92

Pre-tax income was 14% higher at R9,37m from R8,2m. Tax, slightly higher at R1,22m from R836 000, was within the 20% tax rate envisaged in the 1991/2 annual report.

Attributable income was 13% higher at R7,49m from R6,65m.

The increased average number of shares in issue to 75 19m from 67 14m diluted attributable income slightly and earnings a share were 11% up at 10c. An interim dividend of 3c a share was declared covered 3,3 times, slightly higher than last year's 2,75c.

Toco's manufacturing agreement with Park Plus of America continued to grow, with orders for parking systems gained over and above the $30m of business signed last year, directors said.

MD Adrian Goodman said export orders were on schedule The building products division was regularly dispatching cargoes to Europe, the US, Japan and the Middle East

Chairman Paul Todd said Toco would continue to hold substantial stocks and use innovative means to gain market share in SA at solid margins. Export activities would be widened and developed

INVICTA 189C FM 18/12/92

Lacking in clarity

In two-and-a-half years, Invicta has had three names, three year-ends and the listing has been moved from the retailing sector to the DCM That's called confusion

In its first incarnation in 1987, the then Skirtskip made clothing By 1989, after a change of control, it had been reduced to a cash shell and renamed Nova Constantia after a reverse takeover by Subnova In January 1991, it acquired Invicta Bearings The bearings business has subsequently become the backbone of the group

Financial director Arnold Goldstone says Invicta has been through a difficult transition phase but wrongly chosen acquisitions have been rectified and there has been a management reshuffle A priority has been to reduce gearing by destocking and selling marginal investments This should benefit interest cover, weak at the 1991 year-end

The interims to June 30 already show a marked dip in interest payable, thanks largely to the rights issue in November last year Goldstone adds that some improvement is due to destocking and degearing

The company pays no tax and has a tax loss of about R12m to carry forward Assuming modest earnings growth, Invicta should

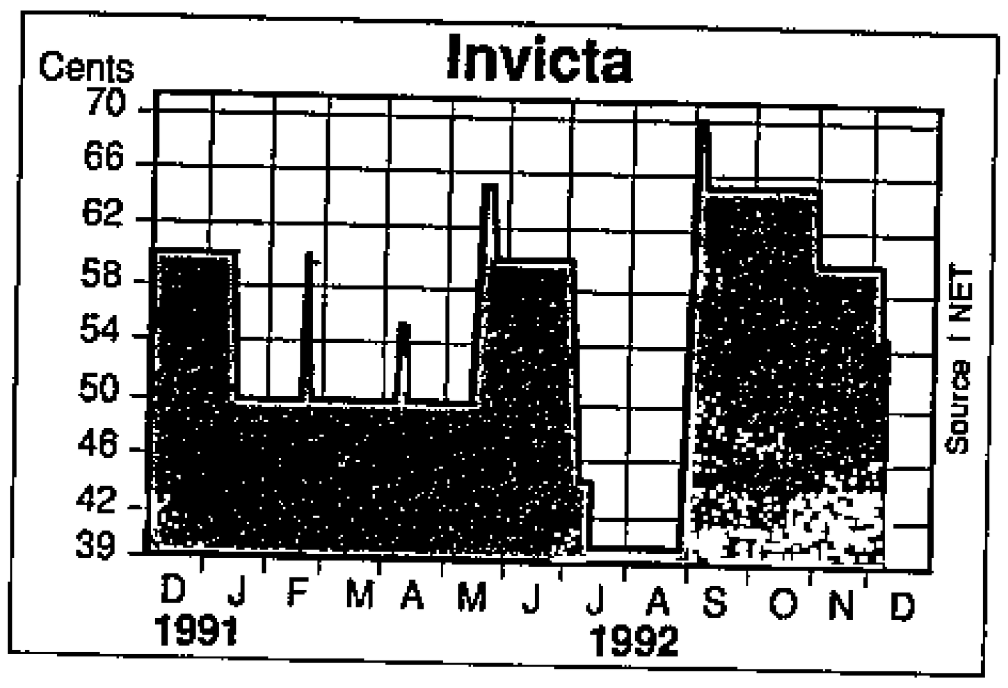
Activities: *Supplies bearings and transmission products, makes and imports sports balls and runs marine repair business in Cape Town*
Control: *52% of ordinary share capital is directly/indirectly held by the directors*
Chairman: *D L McCay, MD M Rose-Innes*
Capital structure: *47m ords Market capitalisation R33m* 189C
Share market: *Price 70c Yields 3,4 on earnings, p e ratio, 29,2 12-month high, 80c, low, 50c Trading volume last quarter, 0,45m shares*

Year to Dec 31	***'91**	**'91**
ST debt (Rm)	14 7	9,6
LT debt (Rm)	15 9	6 1
Debt equity ratio	4,1	0 89
Shareholders' interest	0,12	0 36
Int & leasing cover	1,0	1 5
Return on capital (%)	5,0	9,3
Turnover (Rm)	n/a	n/a
Pre-int profit (Rm)	3,1	4,9
Pre-int margin (%)	n/a	n/a
Earnings (c)	(19,3)	2 4†
Dividends (c)	nil	nil
Net worth (c)	(4,5)	4,9

* Year to March 91
† Attributable profit divided by the weighted average number of shares and annualised to a 12-month period

enjoy tax-free income for a few years

But future earnings will be squeezed by dilution At the 1991 financial year-end there were about 47m shares in issue, a weighted average of only 13,8m, and a potential fully diluted number of just over 61m Conversion is compulsory by December 1995 for the 8,3m pref shares on a 1 1 basis and possible from June 1993 for the 7m convertible redeemable debentures



Indeed, interim net profit to June gained 85% of the nine months to December 1991 But this became EPS of 1c, down from 1,8c

The share has halved since the acquisition of Invicta Bearings Goldstone says the company is "not share price driven" but is concentrating on improving performance and gearing The recent record of no payouts is likely to continue Poor trading conditions, dilution and high gearing mean no jam for the foreseeable future

Louise Randell

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Looking to good times

S Times (BUSS) 20/12/92

By CHERILYN IRETON

BARLOW RAND has often been criticised for being unbalanced, unwieldy and unfocused.

But with the traumas of Rand Mines and Middleburg Steel behind it, the group's mangement has been able to examine its weaknesses and identify very clearly where its long-term growth prospects lie.

Managing director Derek Cooper identifies four fertile areas in the group's annual report released this week.

Poised

Still a main facet of the conglomerate's future strategy is the belief that urbanisation will lead to strong growth in branded consumer products The group is poised to take advantage of social upliftment in areas like housing, health care and education.

The group aims to balance the quality of its earnings by maintaining an interest in "selected commodities" — this despite the costly lessons from Rand Mine's platinum and gold ventures and the draining effect that Middleburg Steel had on performance.

Mr Cooper says the exposure to commodities will ensure the group shares in cyclical upturns characteristic of these types of businesses without being unduly affected by downturns.

Although fixed investment has been dismal over the past, Barlow's management believes that, when the economy picks up and funds start flowing in, there will be a demand for capital goods, which will benefit divisions like Barlows Equipment.

Export earnings will give the group an added dimension.

Mr Cooper says Bibby's purchase of Finanzauto and the "subsequent creation of a capital equipment division signals the beginning of a new strategic direction for Barlow Rand's international operations"

But with exports, as with all the other target areas, much will depend on a vast improvement in the economy

(18K)

Warning

The strategic positioning is designed to see the group into the second half of the decade and will have little contribution to make to profits in the current year.

In fact, chairman Warren Clewlow warns that it will be hard to show earnings growth in 1993, given that there is little hope of any significant economic improvement.

Mr Clewlow says that South Africa's outlook is also linked to there being meaningful political progress and an end to violence in the country

FENNER

Not a passive victim

Activities: *Manufactures and distributes power transmission equipment, conveyor belts, pumps, valves, iron castings and industrial rubber products*
Control: *Fenner (Plc) UK 50%*
Chairman: *R A Arthur, MD J J Biehler*
Capital structure: *15m ords Market capitalisation. R39,6m*
Share market: *Price 264c Yields 8,7% on dividend, 27,7% on earnings, p e ratio, 3,6, cover, 3,2 12-month high, 350c, low, 264c Trading volume last quarter, 27 600 shares*

Year to Aug 31	'89	'90	'91	'92
ST debt (Rm)	10,3	21,7	14,6	5,7
LT debt (Rm)	32,3	0,41	0,37	0,21
Debt:equity ratio	0,3	0,4	0,1	n/a
Shareholders' interest	0,45	0,4	0,5	0,54
Int & leasing cover	7,8	7,1	6,7	12,4
Return on cap (%)	23,6	20,0	23,8	23,1
Turnover (Rm)	176	209	246	233
Pre-int profit (Rm)	20,2	24,7	27,8	28,7
Pre-int margin (%)	11,5	11,8	11,3	12 3
Earnings (c)	50,7	60,7	66,4	73,1
Dividends (c)	16,5	20,3	22,0	23,0
Net worth (c)	216,5	282,5	325 8	370,3

What has a p.e of 3,6, is cash positive, has maintained earnings and dividend growth since listing in 1987, is at a 30% discount to NAV, has businesses that are leaders in their fields but is not an outright buy? Fenner.

Fenner is victim to two things beyond its control the recession and illiquid shares due to a small public holding The two largest shareholders are Fenner Plc UK and Investec, which hold 50% and 28,4% respectively, the four top shareholders hold over 90% between them

Despite adverse conditions Fenner (SA), the wholly owned subsidiary contributing about half of group turnover, has maintained its leadership in the power transmission market in SA and neighbouring states Pulleys, conveyor belts, bearings and chain drives are included in the division's product range But demand for power transmission equipment has suffered across the board despite a varied clientele

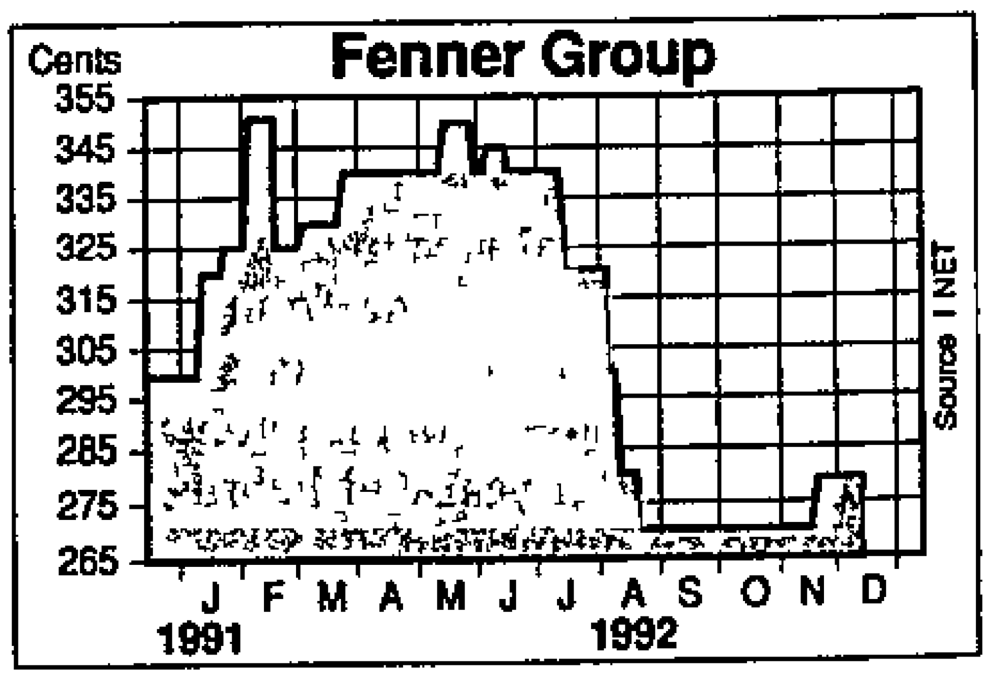
Among the other six divisions, KBS Pumps is the next most significant contributor, producing a range of pumps

With activity contracting, Fenner has cut back on capital expenditure Chairman Bob Arthur says 1993's capex will cover depreciation costs "We will be treading water as far as investment is concerned" The "investment to expand operations" item in the cashflow statement over the past four years shows a steady fall from R6,2m in 1989 to R1,1m in 1992

Despite the slowdown in spending, return on capital has been fairly consistent, now a respectable 23,1% Working capital funding requirements fell 8% to R35,2m in 1992, mostly due to an increase in creditors, and now account for one-sixth of turnover

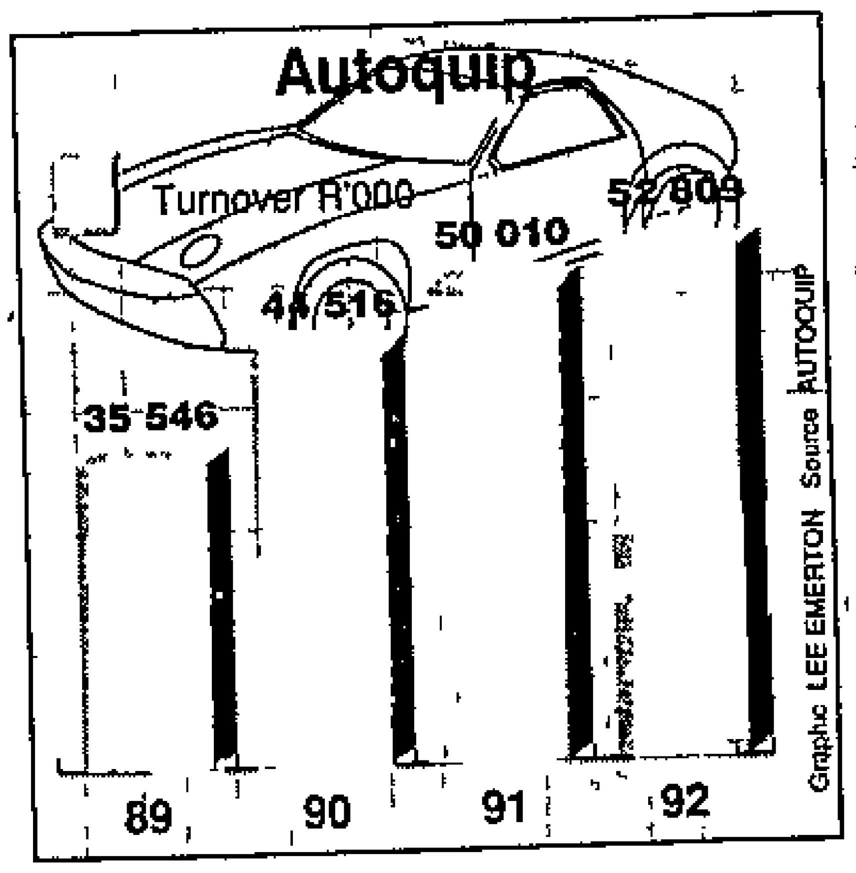
The quality of Fenner's financial management is illustrated in the pre-interest margin improvement to 12,3% compared with 11,3% the previous year This was achieved despite a fall in turnover of 5%, caused largely by a national engineering industry strike throughout August Net interest charges fell 44% following a near two-thirds reduction in long-term debt, returning the group to a net cash position

A delay in national capital projects, the continuing economic downturn and drought have undermined demand for Fenner's products, there must be a limit to how much more can be squeezed at the margins Earnings growth in 1993 and 1994 is projected to level off, despite the improvement in agricultural demand, given the lagged demand from the big national projects such as the Alusaf smelter, expected to stimulate offtake



Fenner's track record since listing is impressive, an average growth of 10% in earnings and nearly 19% in NAV The share has lost a quarter of its value since May, but is not likely to appreciate until it is more liquid and sentiment about the economy improves Given prospects for an improvement in either of these, there must be a rerating — a multiple of 3,6 is too low for this quality share

Louise Randell



Autoquip's new division shelved

JONO WATERS (189C)

AUTOQUIP had temporarily shelved plans for a new division to replace Techniquip, enabling management to concentrate on the group's core businesses, chairman Bruce D'Arcy Coquelle said in the company's annual report B/Day 28/12/92

Partquip and Autoquip would be the centre of the group's focus while available resources would be used to develop Partco, he said.

Autoquip showed a marginal decline in turnover, caused by reduced consumer demand

Partquip showed only a marginal turnover increase but remained the major contributor to group earnings

Partco showed significant turnover growth, gaining market share at the expense of competitors through aggressive marketing

D'Arcy Coquelle said the group's capital structure was altered during the period under review to enable local management to make on-the-spot assessments and decisions regarding operational efficiency

Gross margins were eroded in all divisions in the face of discounting by competitors but the group maintained market share, he said

A US economic upturn was expected in the third quarter of 1993, which would reflect in the local economy six months later However, for this economic revival to be meaningful, the drought needed to be broken and political stability restored, he added

"We see no improvement in the economy which would affect the group's performance to June 1993"

Work on tube plant begins

HAGGIE subsidiary Maksal Tubes has started work on SA's first aluminium thin-walled tubing plant

The plant will cost an estimated R10m and be established at the company's Springs manufacturing facility

189C

"The plant has the potential to save SA R2m a year in foreign exchange," Maskal MD John Cross said yesterday

BDay 8/4/92

"Maximum capacity will be 500 tons of tube per annum and the minimum thickness tube able to be produced at the plant will be 0,4mm

"Initial production will be used for tubing for radiator and air conditioning systems in the automotive industry" — Sapa

Competition hits SABC ad income

BDay 8/4/92

MARCIA KLEIN

INCREASED competition in broadcasting saw the SABC's share of the advertising cake diminish in the year to end-September 1991

In financial 1990, 71,2% of the corporation's income was derived from advertising, including sponsorships Licences brought in 24,6% of income

In financial 1991, not strictly comparable with the previous year, advertising and sponsorships contributed 68,3% of total income, while licences contributed 28,8%

Increased licence fees could be on the cards to offset this trend, directors said last week

However, CE Wynand Harmse said licence fees could only be increased to a certain extent Even if advertising revenue dropped sharply, the corporation would find it difficult to lift fees above normal inflationary increases Other means of raising income would have to be found, he said

Chairman Christo Viljoen said last week that if more broadcasters were allowed to enter the electronic media industry — a move proposed by the Task Group on Broadcasting — it could lead to greater pressure on the SABC's income from licences and sponsorship

He said the SABC's share of total advertising expenditure had come under pressure, mainly as a result of government's concessions to other broadcasters

Sponsorship

A further reduction in advertising expenditure would also affect the SABC's cultural services, which were subsidised to a certain extent by commercial services, Viljoen said

Against the background of limited growth potential of licence income — "considering also the structural collection problems" — he said sponsorship income would have to be brought into sharper focus

Viljoen said there was increasing pressure on the SABC to extend the reach of signal distribution

But enough surplus income had to be obtained to continue to finance an extended network, he said Surplus income for this year was "hardly enough to meet this standard"

The SABC is awaiting a final decision on a possible satellite service in the Ku-band, which would see it offer direct home coverage via satellite transmission

Viljoen said it was not yet known how many channels would be available to the SABC, how the satellite service would be implemented, or whether all its stations would be relayed this way

He said overseas sales should be developed to justify the cost of local productions, as the potential of the local market was too limited to carry their current cost

Klipton takes over rival SA Castors

Finance Staff 189C

Klipton has been on the acquisition-trial again, this time buying 100 percent of SA Castors

The purchase price of R8,1 million will be settled by the issue of 2,025 million Klipton shares at R4 a share STAR 16/4/92.

Pierce Butler, Klipton's financial director said yesterday: "The acquisition will now position Klipton as the major player in this sector of the materials handling industry"

The purchase is expected to impact positively on earnings during the financial year to June 30, 1993 and thereafter

"It will enable Klipton to achieve major cost savings from economies of scale and also to concentrate on further developing its export markets", he said.

As a result of the acquisition Klipton's net asset value will increase by approximately 19 cents a share

SA Castors manufactures castors, wheels, trolleys, wheelbarrows, aluminium ladders, trestles and scaffolding and has distribution outlets nationally

Clyde explores new markets

MATTHEW CURTIN (189C)

THE slump in the gold mining industry has again dented the performance of mining and industrial supplier Clyde Industrial Corporation, as the company tries to diversify its way out of the recession

Earnings in the year ended February 1992 were 10,8c a share, unchanged from the previous year The company, which manufactures and distributes secondary steel products, declared a final dividend of 2c a share

Chairman and MD Gordon Wilson said yesterday "As a result of the very difficult conditions prevailing in the gold mining industry new markets have had to be established" B/Day 8/5/92.

Wilson said the change in direction had been costly, so although turnover rose 20% to R83m from R69m in 1991, earnings had remained flat Clyde's interest bill climbed to R1m from R375 000, with long-term loans increasing to R1,3m from R775 000 at end-February 1991

However, he said Clyde's entry into new markets put the company in a better position to take advantage of new business opportunities These would be reflected in results in the current financial year

Top mining show draws 22 entries

189C

S Times (Buss) 13/5/92

By IAN ROBINSON

TWENTY-TWO South African mining equipment manufacturers and their affiliates will take part in South America's largest mining show

Expomin '92 will be held from May 12 to 16 in Santiago, Chile — the hub of South America's booming mining industry

The first Expomin — SA also took part — was held in 1990

In contrast to the rest of the world where the industry is depressed, huge investments will be made in mining and metallurgical projects in South America in the next few years.

In Chile — the world's largest copper producer — scheduled capital expenditure on mining and metallurgical projects is $4-billion

Major projects will include the $500-million Canadian-controlled Cerro Colorado copper mine and a $1-billion aluminium smelter and power station

Chief director of the South African Geological Survey Cornelis Frick presented his paper, Business Opportunities in Mining in Southern Africa, at Safto's conference in Johannesburg this week.

He said a survey of multinational mining companies in 1990 rated Latin America the highest investment priority for the present decade

Six companies in the Boart group will exhibit in the SA pavilion at Expomin. Products on display will include hydraulic drifters, hard-metal wear products, coal-mining products, roofbolts and a jaw crusher

Boart director Brian Young says "We have been active in South America for many years and have targeted the continent as a market with major potential for our products

"Much of our equipment is made to withstand SA's arduous conditions and it is well suited to meeting the demands of South America's difficult mining environment."

Other major SA companies which will be at Expomin include Barlow Equipment Company (load haul dumpers), Dorbyl (heavy engineering equipment), Willard Batteries and Shaft Sinkers

Limited

A spokesman for the Department of Trade and Industry says that more South African companies would have exhibited had space been available.

SA will take part in another important international mining exhibition later this year at Sudbury in Canada where heavy underground equipment will be on show

Exhibitors will be limited to a display of brochures Eight SA companies will be represented

AFROX FM 15/5/92

Recession bites

(189C)

Ongoing recession has hit Afrox's interim results, a company usually resilient to cycles through its gas business Turnover and trading profits rose 8% for the six months to end-March, giving an unchanged margin of 21%

However, helped by a reduced interest charge and a lower tax rate, attributable income rose 13% to R44,8m, after the R10,7m additional depreciation charge to reflect the current cost of assets (Afrox is one of a handful of SA listed companies which accounts for inflation)

Admittedly these results are off a high base, as last year's interim attributable income was 27% up on the previous year

Healthcare's turnover contribution remained "of the order of 20% " Chairman Peter Joubert declines to give a breakdown between gases and welding but says the welding business experienced reduced activity, given its close alignment to the engineering sector, "which has been particularly affected by the weak economy"

FLOATING ALONG

Six months to	Mar '91	Sep '91	Mar '92
Turnover (Rm)	515	529	556
Operating income (Rm)	108	108	116
Attributable (Rm)	39	45	44
Earnings (c)	131	147	148
Dividends (c)	63	107	71

But he adds the gases business — Afrox's core business — is renowned for its resilience in a recession due to long-term contracts and a substantial revenue flow from fixed facility charges "As Afrox supplies capital equipment to customers, we receive a facility charge, which amounts to fixed revenue"

Though the gases business is exposed (and thus vulnerable) to the cyclical steel and engineering sectors, customers also include the less cyclical food and beverage industries Supply of gas to the general consumer for heating and cooking applications is also significant, he adds

Being the major supplier of many gases gives Afrox some flexibility on selling prices

Activity in the healthcare division, which includes 11 private hospitals countrywide, increased about 8% Joubert believes the private hospital industry is as vulnerable as

FM 15/5/92 (189C)

any to the economic climate

"Medical aid members are our customers and each time a job is lost there is one fewer medical aid member," he explains

As the company historically performs better in the second half through the impact of winter on the gas business, a 15%-17% increase in attributable income can be expected for the full year

Taking 15%, the current share price of R90 gives a forward p.e of 28 accounting for inflation and 23 otherwise — possibly a little overpriced keeping in mind the real reduction in trading profits *William Gilfillan*

Bid Day 17/5/92

Exports aid Macadams

DUMA GQUBULE 189C

CAPE-based bakery and confectionery equipment manufacturer Macadams has benefited from a surge in exports to report a 176% increase in net income for the year to end-February

In spite of earnings of 7,6c a share (2,9c a share last year), the directors have decided not to declare a dividend for the third successive year, with a view to reducing gearing to a target of 50%

Gearing was reduced to 58% from 74%

Macadams MD Raimund Pouliart said he was satisfied with progress during the year.

On the year ahead he said "Given prevailing economic conditions, we do not see any major fluctuations in performance during the current year, but we do anticipate maintaining positive earnings"

With local demand steady, the company's exports doubled during the year under review to help lift turnover by 18,3% to R34,2m (R28,9m)

Improved margins were reflected in a 24,8% advance in operating income, which rose to R2,53m (R2,03m)

After a 17% drop in interest payments, net income came to R1,22m (R422 000)

This translated into earnings a share of 7,6c (2,9c)

Top Finnish mine group sets up shop in SA

S Times (Bus) 24/5/92 (189C)

FINLAND'S largest mining company Outokumpu — an international supplier of mineral processing technology — has set up a subsidiary in South Africa

The subsidiary will also serve Southern Africa

It could become a base for worldwide exports of technology

Outokumpu comprises four segments base metals production, copper production, stainless steel and technology

By IAN ROBINSON

Outokumpu Mintec, a group in Outokumpu Technology, has established an office at Halfway House The group supplies equipment, processes instruments and automation for the mining and metallurgical industries

Outokumpu Mintec president Seppo Kreula, who visited SA, says that although the group operated here through agents for more than 20 years, two reasons prompted its decision to establish a subsidiary

Outokumpu is in other major mining countries — such as Canada and Australia — and has long felt a need to add SA to the list The lifting of trade sanctions by Finland — the first Scandinavian country to do so — in July last year gave Outokumpu the green light

A bill has also been presented in the Finnish Parliament to lift investment sanctions It is expected to be passed soon

Outokumpu was the first Finnish company to move into SA after the lifting of trade sanctions

Outokumpu also believes it needs a base in SA to service its equipment already installed It regards service as more than maintenance It includes knowhow and expertise Outokumpu is committed to improving the recovery and efficiency of existing plants

It also wants a base to promote sales of equipment and technology During his visit Mr Kreula examined the most effective strategies

Several mining houses also want Outokumpu to have a direct presence in SA

Since it established a presence in SA, Outokumpu has contracted to supply Kloof gold mine with two PROSCON process-control equipment systems It is discussing the supply of similar equipment to other mines

Outokumpu supplies more than 30% of flotation cells sold worldwide and is promoting the concept of "intelligent mineral technology" — an effective combination of equipment and technology — to maximise recoveries and to lower costs

Fine

Flotation cells are used to separate milled (finely ground) sulphide ore from waste material

Outokumpu has developed the next generation of flotation cells which give better recoveries It has also made the world's largest flotation cell of 100 cubic metres, which provides savings in capital expenditure

Finnish interest in the SA mining industry was also illustrated by the visit of 10 members of the Finnminers group of mining equipment manufacturers this year

Metal industry and unions to re-open talks

(189C) 152

SHARON SOROUR, Labour Reporter ARG 29/5/92

EMPLOYERS and trade unions involved in wage negotiations in the metal industry — which affect more than 320 000 workers nationwide — have decided to re-open talks that stalled last month.

A special meeting of the national industrial council for the industry was held in Johannesburg yesterday to enable the negotiating parties to decide on what action to take in terms of the industry's dispute resolution procedure

The Steel and Engineering Industries Federation of SA (Seifsa) said in a statement the parties agreed to restart negotiations on June 9

After four rounds of bargaining, the industry's 12 trade unions still have more than 50 demands on the table

The talks became deadlocked when all unions, except the whites-only SA Iron and Steel, declared a dispute.

If the disputes are not resolved on June 9, two further negotiation meetings have been provisionally scheduled for June 18 and June 19

The National Union of Metalworkers of SA (Numsa) — the largest union in the talks, representing 17 000 workers — said it was still committed to finding an "acceptable" outcome to the negotiations.

But chief union negotiator Mr Les Kettledas warned that if no further progress was made in June, the union would have no alternative but to conduct a ballot among its members to determine if they were prepared to engage in industrial action "to secure an acceptable outcome"

Employers and unions have clashed over a demand by workers for a moratorium on retrenchments More than 35 000 workers were retrenched last year and more than 6 000 have already been retrenched this year

Rise in by-product silver output set to hit prices

(1898).

BDay 8/6/92

MATTHEW CURTIN

THE increase in silver production as a by-product of gold and base metal mines is outpacing primary silver production and is likely to subdue prices in 1992, says German metals group Degussa in its 1991 precious metals review

Silver prices have tottered just above the $4/oz mark in the past 18 months after a steady decline from a 1987 high of nearly $11 In January last year silver fell to a 17-year low of $3,806 in London

Although the overall supply/demand balance narrowed as total silver production dropped by 360 tons to 15 360 tons in 1991, the report said "it must be remembered (however) that current stocks constitute a multiple of the annual demand figure"

Stocks at New York's Commodities Exchange (Comex) alone amounted to 8 420 tons at the end of 1991 Total industrial demand stood at 14 790 tons, representing a market surplus of 980 tons in the year

Western world mine production fell 3% to 11 560 tons and was matched by a similar fall in the former Soviet Union to about 2 750 tons

Closures

Mexico maintained its position as the world's largest producer, although low prices forced the closure of 40 small- and medium-sized mines in the year There were large scale closures in the US

In contrast, by-product production rose sharply, especially from gold mines in Chile and Papua New Guinea

SA is a relatively small silver producer, with output mostly a by-product of gold mining and a co-product at the Black Mountain base metal mine

Overall silver consumption rose 3,9% in 1991, with the biggest jump in demand coming from the jewellery and silverware industries

Degussa said the major factor in the 13% increase in this sector's consumption was growing European demand in the cutlery, silverware and other decorative industries

The film and photographic industries remained the largest consumers, with 43% of the market

Silver nitrate is used for the manufacture of light-sensitive emulsions for film and photographic paper, and Degussa said demand in this area was likely to remain strong Efficient substitutes for silver had not yet been developed

The recession knocked demand for the metal in the electrical engineering and electronics industries, but low prices pegged back attempts to find substitutes for silver

(1898)

Recapitalisation may improve Usko prospects

EDWARD WEST

THE recapitalisation of restructured Usko should relieve its interest burden and improve the profitability of its remaining viable activity, its non-ferrous products division, Usko chairman Flores Kotzee said in his 1991 annual review

However, he said the division's profitability would be lower in the year to September 1992 compared with the previous year The division's results were not disclosed

After poor steel markets prompted a disastrous financial 1991 which saw net losses after extraordinary items rise to R239m from R9,6m, Metkor and Iscor, which hold about 55% of Usko, planned to recapitalise Usko via a R50m rights offer

Usko's bankers have also supported the recapitalisation by converting R105m debt into redeemable preference shares of which 25% may be converted into Usko ordinary shares The recapitalisation is expected to be finalised by July 3

Kotzee said the non-ferrous division, which manufactures aluminium wire, strip and conductor, copper wire and strip, cable products and stainless steel wire, operated satisfactorily during the year

He reported a continuing marginal decline in the demand for copper products used mainly for electrical applications due to keen competition as well as sales of surplus capacity by cable manufacturers

Eskom's consumption of aluminium conductor was at low levels compared with previous years The plan to expand electricity supply had not yet materialised and no demand for conductor for this purpose was expected in the next 12 months, Kotzee said

Demand for stainless steel wire had also declined. Poor economic activity in the mining sectors also contributed to this decline, said Kotzee

Usko had started to manufacture other steel wire products when demand for cable remained unchanged during the year, he said.

Last year Usko sold its steel division to Iscor for R48,1m, transferred its vanadium plant to Rhovan for R1 resulting in a R62,7m write-off and closed a direct reduction plant, resulting in a R48m write-off.

The steel division sustained a R13,3m loss in the 10 months before its sale

26/9/92 BD 9/8

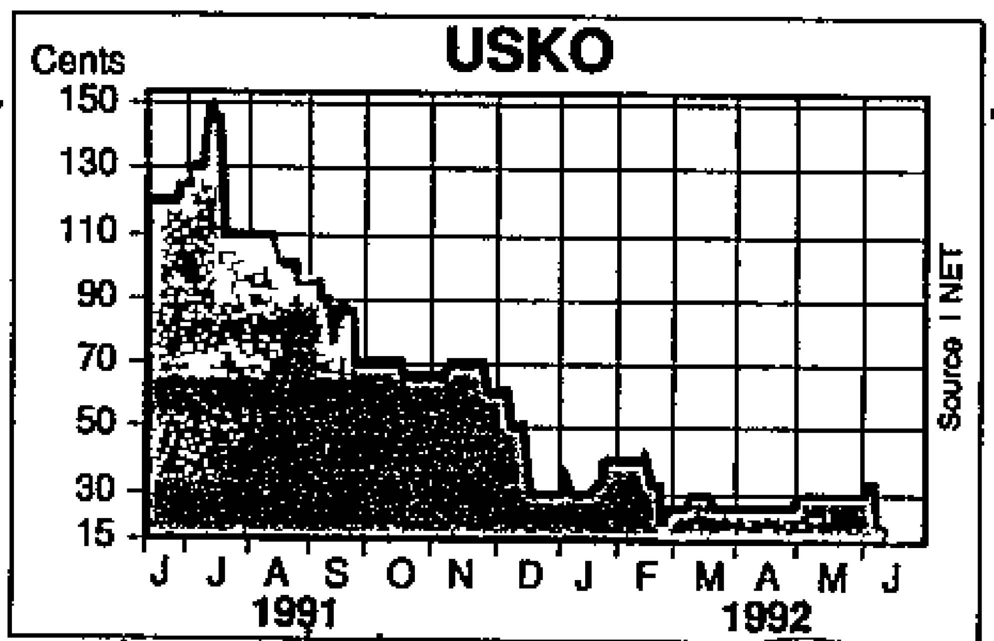
USKO FM 19/6/92. (189B)

Costly new start

Activities: *Manufactures and sells copper wire, electrical cable, aluminium conductors and stainless steel wire*
Control: *Iscor (30%), Metkor (28%)*
Chairman: *F P Kotzee, MD P C de Villiers*
Capital structure: *30,9m ords Market capitalisation R7,1m*
Share market: *Price 23c 12-month high, 150c, low, 20c Trading volume last quarter, 108 500 shares*

Year to Sep 30	'88	'89	'90	'91
ST debt (Rm)	17,1	74,1	10,8	187,2
LT debt (Rm)	38,2	86,2	149 2	6 6
Debt equity ratio	0 52	0,88	1,09	n/a
Shareholders' interest	0 51	0,41	0,38	n/a
Int & leasing cover	5,1	2,8	1,1	0,7
Return on cap (%)	13,7	10,7	8,8	11,0
Turnover (Rm)	435	544	613	554
Pre-int profit (Rm)	40,3	42,7	35,0	18,2
Pre-int margin (%)	9,3	7,6	5,5	2,9
Earnings (c)	90,1	73,1	4,0	(193,5)
Dividends (c)	13	13	nil	nil
Net worth (c)	439	489	456	(3,8)

Usko chairman Flores Kotzee urges that the troubled group, decimated since the last year-end by the sale of its steel and vanadi-



FM 19/6/92

um divisions, should be viewed as a new company, with good long-term prospects

That's asking shareholders to take a considerable leap in faith, considering the poor state of the 1991 accounts, which show earnings in the red by R58,4m (before write-offs and losses totalling R180,4m) and shareholders' funds at a R91m deficit

Much has happened since the September year-end in terms of the recapitalisation and restructuring plans But perhaps this should realistically be viewed as Usko being put on a life support system by its main shareholders and banks, rather than a new lease on life

The plan to convert R105m bank debt to "A" preference shares and the issue of "B" preference shares to raise R50m, will eliminate borrowings and should produce a positive net worth But issued capital will balloon from the present 30,9m ords and 20,3m prefs, with the issue of a further 200,1m prefs If the full conversion option is exercised, issued shares will increase to 329,1m

Dilution at bottom line could be very considerable Another consequence will be a substantial dilution in minorities' holding in Usko A take-out of minorities cannot be ruled out (189B)

Usko's bankers have subscribed for 1 051 "A" prefs of 1c each, issued at R100 000 per share These shares take preference to any other Usko shares and provide for a dividend rate of 65% of prime, compounded monthly and repayable six-monthly in arrears A quarter of the "A" pref share capital may be converted into ords before March 1997

Metkor, which with Iscor is underwriting Usko's R50m rights offer, is following its rights Iscor and Rembrandt are underwriting the issue

Usko began to remedy its position by selling its steel division to Iscor last July for R48,1m It resulted in R72,2m being written off, the difference between the book value and selling price

Its vanadium plant lost R98,6m as technical and commissioning problems hampered production, and the long-term supply agreement with Rhombus Vanadium Holdings was terminated Assets of the plant were transferred to Rhovan for R1 and Usko's investment in Rhovan sold to Rhoex for R2,1m This resulted in a R62,7m write-off, as well as a R19m penalty for non-compliance of the Rhombus supply agreement

Among other sales of investments, R48,4m was written off from the closure of Usko's direct reduction plant

These losses are recorded as an extraordinary item and bring the attributable loss down to a net loss of R238,8m

Had the recapitalisation programme been

FM 19/6/92 (189B)

finalised by the last year-end, Kotzee says, shareholders' funds would have been a positive R64m Shareholders will be asked to pass a resolution approving the borrowings of the company, which should not exceed 150% of shareholders' funds The AGM is to be held next Thursday (July 25)

Other changes include the delisting of Usko's shares on London's International Stock Exchange, the transfer of the share from the JSE's steel and allied sector to the electronics, electrical and battery sector and the

Usko's Kotze *good long-term profits*

FM 19/6/92 (189B)

appointment of a new MD, Peet de Villiers

Usko now consists of a non-ferrous division and related investments, which Kotzee says has a proven record of profitability Investment income rose 18% to R4,4m over the year, but turnover and operating profit from non-ferrous products dropped Still, Kotzee says it made a trading profit of R30m-R40m last year He adds that a lower interest burden will have a "favourable influence" on profitability

Even the most optimistic investor should be taking a long-term view on the stock At 23c, the price has dropped four-fifths since the previous year-end Minorities must be sorry that Dorbyl's 35c a share offer fell through

Shaun Harris

INVESTMENT ALTERNATIVES: *Steel tankers not only for the rich*

New interest in containers

STAR 11/7/92 (189C)

WANT to utilise a local asset to purchase an offshore asset and retain both? Consider investing in locally manufactured stainless steel tanker containers, advises MAGNUS HEYSTEK.

INVESTMENT in locally manufactured stainless steel tank containers leased into the international market — a favourite avenue for South Africa's super-rich — has been broadened to include smaller players through shared ownership.

More than R100 million worth of these containers have been sold to local investors by Johannesburg-based Multistar Container Transport over the past seven years

The tankers are then leased throughout the world to multinationals trading in such products as chemicals, wine, food, fuels, powders and granules

"The current price per tanker is approximately R100 000, which may be beyond the reach of many individual investors," says Multistar managing director Richard Eaton

Tank container investors are generally in the extremely wealthy bracket Investors on Multistar's books own on average 4,5 tankers apiece, one investor having more than 100 — a R10 million stake

"There's no reason, however, why a tank container shouldn't be syndicated among several owners," Eaton points out.

Alternative

He says another possibility is for people who have largely paid for their house to take out a second bond to invest in tankers, thus utilising a local asset to buy an offshore asset and retaining both

"I believe these options will become very popular as the benefits become known," he adds

Eaton cites several reasons for the attraction of tank containers to investors These include

- They are virtually the only legal medium for local investors to own a hard currency, income-producing offshore asset
- The scheme has the full approval of the Reserve Bank
- The asset can be depreciated at 20 percent a year on a straight-line basis, which is offset against the income received Any resultant loss in the earlier years can be deducted from other taxable income
- The investment is long term, as each tanker has a life-span of more than 20 years
- Ownership is fully secured through certificates issued by Lloyds and the manufacturer, with the containers being fully insured at replacement value
- The return on an investment is about 10,5 percent — in hard currency This automatically rises in step with the depreciation of the rand against hard currencies and with international inflation

Eaton says the business also provides benefits for South Africa as the containers are manufactured by a local company, not only for the local market, but also for exports

Containers in South Africa are manufactured by three large companies Welfit Oddy, Consani Tankers in Cape Town and Henred Fruehauf South Africa, one source added, was most probably the largest manufacturer of tankers in the world, making about 2 000 a year

While a great number of the tankers are purchased by local investors, most find their way on to the international market

Stagnation

The world market in tankers is estimated to be about 60 000, with estimates of 100 000 needed by the year 2000

Like all investments, a stake in a tanker container does carry a fair amount of risk

Lease rates for containers are dependent on the state of the international economies Lease rates — which ultimately determine the income for the investor — tend to sag or grow in line with international economic cycles A prolonged period of economic stagnation could impact on returns to the investor

Farming machinery sales set to plummet

B|DAY 14|7|92 (184C)

EDWARD WEST

THE agricultural machinery industry, serving a sector burdened by heavy debt, high interest rates and drought, faces a gloomier future

Tractor sales — which accounted for about 50% of total agricultural machinery demand — look set to drop again, this year by a third over last year, and will probably barely peak at 2 000 units in 1992 This was a far cry from 1981 when 24 862 were sold, Boeresake MD Lukas Rautenbach said

Farm implement sales had dropped steadily over the past decade because of recessionary conditions in the agricultural sector

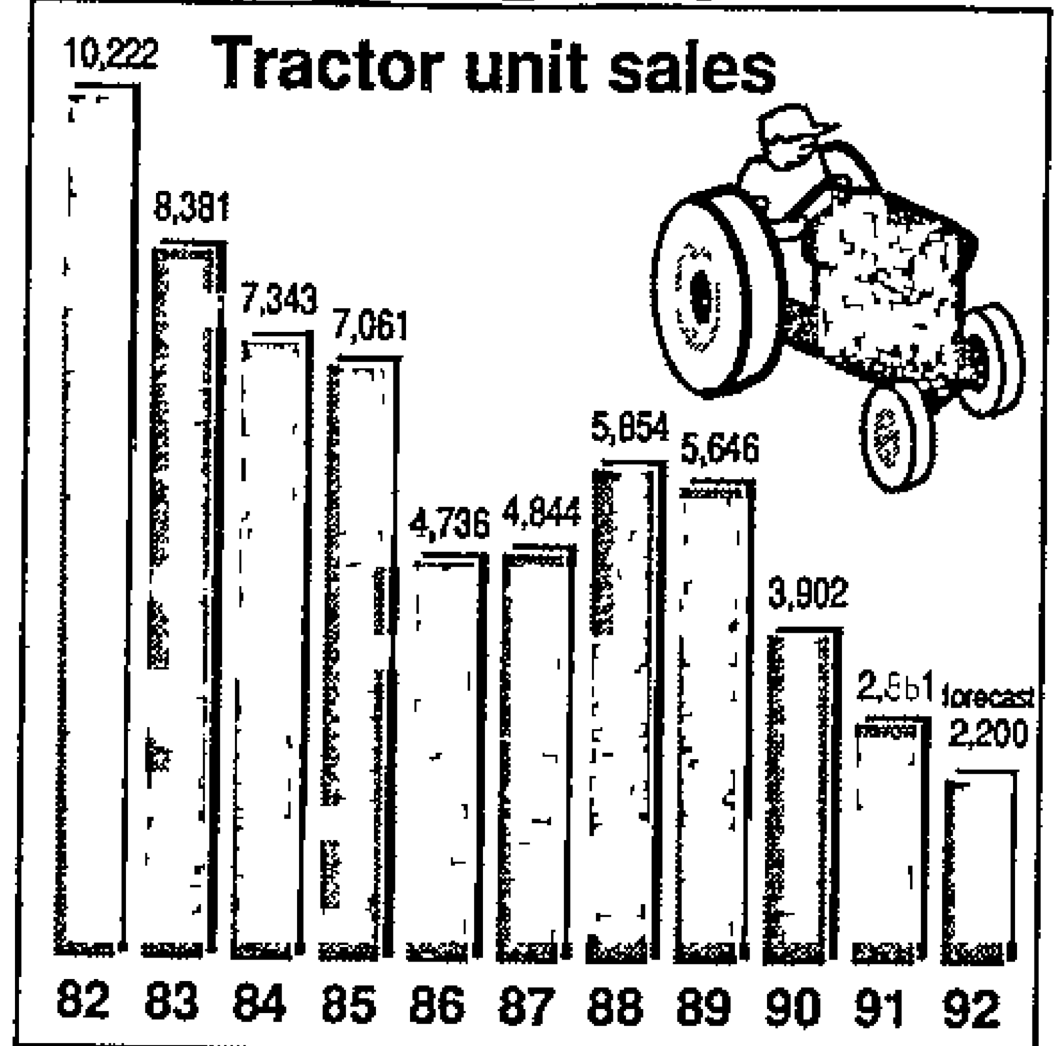
The full effect of the most recent drought on tractor and farm implement sales would become apparent only towards the end of September Combine harvester sales had already plummeted from 800 in 1991 because there was no crop to harvest Rautenbach believed only 50 would be sold this year

Jim Rankin, director of Agfacts, a close corporation providing regular agricultural statistics, forecast tractor sales to continue falling in the short term although a slow recovery could materialise the medium term

Average sales of 15 000 a year which characterised the 1970's were gone forever He said long term sales in the future would probably peak at between 7 000 and 8 000 a year

The local tractor industry was living hand-to-mouth, said Rankin And it could be assumed that employment levels in the tractor assembly industry had dropped in line with sales Many dealers were diversifying

AIM Holdings MD Roy Wiggle, with three Massey Ferguson dealerships, said a trend had developed with agricultural co-operatives buying financially-strapped private dealerships



Graphics RUBY-GAY MARTIN Source SAMCOR

Ford tractor sales manager Bunty Raphael believed an industry shakeout could be imminent even though two manufacturers, Landini and MB-Trac pulled out last year

Four manufacturers, Ford, Massey Ferguson, John Deere and Fiat accounted for 90% of the 873 sales to May 1992 with Ford in the lead with 32,5% of the market

In 1991, tractor sales fell 26,7% to 2 861 units compared with 3 402 the previous year, Agfacts statistics showed

Tractors were imported in semi-knocked down form The import duties on tractor engines — designed to protect SA engine manufacturer Atlantic Diesel Engines — added 40% to the cost of an imported engine and 25% onto the cost of the tractor

Bell joins Japanese firm's Africa venture

EDWARD WEST

1890

BELL Equipment has entered into a joint venture with the Japanese trading house Nichimen Corporation to distribute in Africa Kato excavators and cranes under the Bell brand name, MD Gary Bell said yesterday

BDAY 14/7/92

Reuter had reported that Nichimen planned to import forestry and mining equipment from Bell Equipment in August with sales targeted at 400-million yen in the year to March 1993, rising to five-billion yen in 1994/95

Bell said his group, a major SA manufacturer of mining equipment, had been exporting to Japan for two years but had kept a low profile because of trade sanctions

Exports to Japan were worth R750 000 in 1991, he said

The new joint venture probably would generate sales of between R20m and R25m in two years

However, the recession made forecasting difficult

Some Kato components would be manufactured locally, Bell said

Bell Equipment exports mainly to African markets and its second biggest market is the US — where it sells mainly dump truck and logger machines

Bell Equipment exported goods worth R140m in 1991 — about 50% of total sales, Bell said

Sukhulu group and KNJ in R30m reverse listing

BDAY 20/7/92. (189C)

INDUSTRIAL holding company KNJ has bought certain interests of the unlisted Sukhulu group in a R30m deal which involves the acquisition of a 10% stake in KNJ by international trade and project group Eisenberg for R6m

Sukhulu will be issued with 75-million new KNJ shares at 40c a share and become the controlling shareholder of KNJ Sukhulu chairman Louis Ichikowitz will become CE of the restructured KNJ group

The turnover of the Sukhulu businesses being injected into KNJ is about R120m KNJ, which has interests in engineering and related fields, made a loss of R3m on a turnover of R289m in the year to end-June 1991

DUMA GQUBULE

The Eisenberg investment and the acquisition of certain Sukhulu businesses would give KNJ greater breadth and depth, KNJ chairman Keith Jenkins said The Eisenberg investment was also a positive demonstration of international confidence in SA's future, he said

Sukhulu is a diversified franchise and distribution centred industrial group which has, through its association with international entrepreneur Shoul Eisenberg, substantial interests in Africa, China and the former Eastern Bloc countries

Ichikowitz said the new KNJ group would become internationalised through the expertise, satellite communications network and sourcing capabilities of the Eisenberg group

Strong trade would also develop with China and former Eastern bloc countries

Only Sukhulu businesses compatible with existing KNJ businesses would be injected into KNJ

Midmacor, in which KNJ had an 88% interest, would remain unchanged as a separately listed and managed company

Sukhulu and KNJ had been affected by the economic downturn, Ichikowitz said But management projected a strong earnings performance from the combined group in its first year through rationalisation, improved efficiencies, synergies and new opportunities

Graphic: RUBY-GAY MARTIN Source MORKELS

balance sheet.

Tenders pour in from Columbus

189C

EDWARD WEST

COLUMBUS had sent equipment tenders to all industrial sectors involved in the multibillion-rand stainless steel export expansion project, CE Fred Boshoff said yesterday

BDAY 22/7/92

The tenders are set to close by the end of September 1992

Boshoff said although it was premature to price the value of the tenders, the fact that they were being called for pointed to how serious Columbus was about going ahead with the joint expansion venture between Anglo American plus Gencor subsidiaries Highveld Steel and Vanadium plus Samancor.

Analysts believe Columbus will formally announce the go-ahead for the project towards the end of July 1992

The project's aim is to produce 600 000 tons of stainless steel a year with help from expansion of the existing Middelburg stainless steel plant, which was acquired by Highveld and Samancor from Barlow Rand for R500m last year

Analysts said the expansion would make Columbus the third-largest producer of its kind in the world. About 70% of its production would be exported. Anglo American planned to contribute R1,5bn to the venture

Boshoff warned there had been much speculation about production volumes and funding An announcement concerning volumes, funding and other factors such as export incentives was being worked on.

The tenders, the first of which had been dispatched about four weeks ago, involved all major equipment for steel smelting, hot and cold rolling, annealing and pickling, welding and casting plus finishing-line categories.

Boshoff said Columbus had met all criteria necessary for the accelerated depreciation allowance offered by Section 37E of the Income Tax Act, and would soon apply to government for participation in the scheme.

However, in terms of the Act, export benefits such as the general export incentive scheme and the regional industrial development programme may be forfeited.

But the existing Middelburg Steel and Alloys plant, which would provide the base for completion of the project three to four years down the line, operated under normal incentives, he said.

Highveld Steel's shares remained untraded yesterday after nearly two weeks of no trade at 1 275c after coming off its low of 1 017c in May

Analysts said Highveld's participation in the venture was a deviation from its traditional carbon steel-orientated production and would improve the long-term fundamental potential of the group.

Columbus recently qualified for SABS 0259 accreditation, which will improve its global competitiveness

KNJ/SUKHULU FM 24/7/92 (189C)

Prospects of barter

Sukhulu Holdings' reverse listing into KNJ Holdings could be interesting, with the merged entity offering investors exposure to

FM 24/7/92 (189C)

a significant industrial group concentrating on basic products and well-placed for markets in developing Africa

The presence of the Eisenberg group — claimed to be one of the world's largest barterers — as a significant shareholder suggests the enlarged group intends to conduct its African trade by barter

About half of Sukhulu's activities are to be moved into KNJ These will include the Astra television and appliances sales division, the Astra refrigerator manufacturing activities and the Suzuki motorcycle distributor The Ichikowitz family, who control Sukhulu, chose to include only those activities allied to KNJ's current operations, says scion Ivor Ichikowitz

KNJ's larger activities comprise the SA franchise for Honda motorcycles, a power products distribution division, a white goods manufacturer and a construction equipment distributor

Significant Sukhulu operations are excluded, including a Tuk-Tuk (a motor-tricycle) manufacturer and vehicle component remanufacturing plant in Lesotho Though this operation could complement the motorcycle activities, Ichikowitz explains its exclusion relates partly to the presence of foreign minorities

It is hoped that the merger will produce substantial synergies The lower market Astra brand complements KNJ's middle market Univa brand, while rationalisation opportunities are available in the motorcycle and white goods operations

KNJ has recently performed poorly, reporting a R2,6m attributable loss in 1991 followed by a R3,2m loss for the first half of 1992 The merger announcement warns "results for the 1992 year will show further deterioration" Though outgoing MD Des Jamieson, who remains an executive director, says the takeover would have taken place even in good times, considering the benefits, he admits the arguments for merger become more persuasive in the current climate

KNJ is to issue 75m shares at 40c each — well below the warranted NAV of about 180c — to Sukhulu, which thereby gains a 51,3% stake

Sukhulu thus gains control of KNJ, which has a NAV of R120m, through injection of assets with NAV of R30m That indicates the vulnerability of groups which trade at substantial discounts Though EPS and NAV forecasts for the combined group have not yet been published, the share is worth watching *William Gilfillan*

FM 24/7/92 (189C

Activities: *Manufactures bakery equipment*
Control: *Directors 36%*
CE: *R Pouliart*
Capital structure: *16m ords Market capitalisation R4m*
Share market: *Price 26c Yields 29,2% on earnings, p e ratio, 3,4 12-month high, 30c, low, 18c Trading volume last quarter, 255 000 shares*

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	8,0	7,5	4,1	4,1
LT debt (Rm)	1,5	3,9	1,0	0,7
Debt equity ratio	1,27	2,55	0,73	0,58
Shareholders' interest	0,30	0,18	0,40	0,41
Int & leasing cover	1,68	1,37	1,21	1,63
Return on cap (%)	9,3	11,1	11,7	12,7
Turnover (Rm)	42	38	29	34
Pre-int profit (Rm)	2,3	2,7	2,0	2,5
Pre-int margin (%)	5,6	7,1	7,0	7,4
Earnings (c)	5,0	5,7	2,8	7,6
Dividends (c)	1,7	—	—	—
Net worth (c)	49	29	45	51

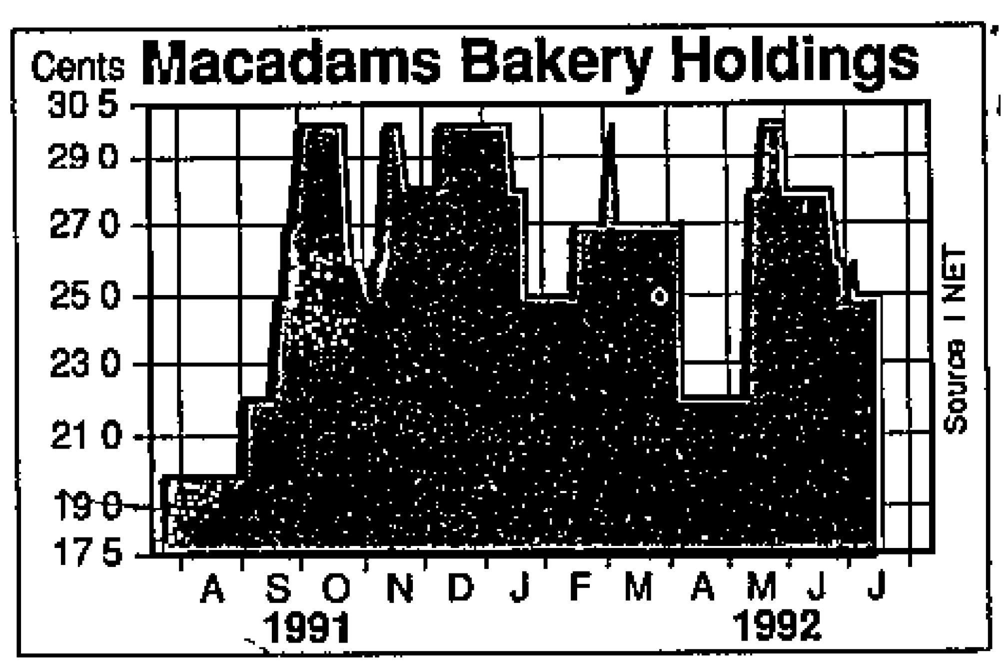
MACADAMS FM 24/7/92

Too conservative (189C)

CE Raimund Pouliart forecast in his 1991 annual review that Macadams' overall performance would not improve significantly in the 1992 year That prediction proved far too conservative

The trading performance was sharply better — though profit remained below the 1990 level — and the stronger cash flow enabled a reduction in borrowings and the gearing ratio The year-end debt equity ratio was still high at 0,58 but far from 1990's 2,55 But shareholders will have to wait until gearing is at, or below, 50% before the board will consider declaring a dividend Even then, priority may be given to repayment of debt

Pouliart says Macadams' sales offices are making significant progress in penetrating outlying rural areas, thanks to the growing popularity of bread over the more traditional maize



The objective this year is at least to maintain earnings, which increased by 176% after being halved the previous year If so, Macadams could start to pay tax again soon — something it has not done for some time But management is concerned about the effects of politics — in particular, the threat of mass stayaways, which will hinder productivity, and the weaker rand, which is increasing the cost of imported machine parts Reluctance by customers to invest in new businesses may affect 1992/1993 turnover

Macadams intends to remain in its niche market, with no thought of diversification, but export growth is being targeted Pouliart hopes to increase exports from the present 20% of turnover to 25% this year Facilities have been upgraded in anticipation, and export efforts are being directed at eastern Europe and Africa Macadams was given the 1992 Western Cape Exporter of the Year award by the Cape Chamber of Mines

The p e of 3,4 and discount of about 50% to NAV suggest the share offers value, but the company's gearing and its failure to pay a dividend since 1989 count against an investment

Kate Rushton

R1m acquisition for Klipton

Business Day Reporter

THE acquisition by industrial holding group Klipton, of Protector Gardrite in a R1m deal, would entrench the group's position as a leading player in the local R150m-a-year safety equipment industry, chairman Nigel Matthews said yesterday BDAY 10/8/92.

Klipton already owns three leading safety equipment companies — Gardwel, J A Campbell and Champlas, recently consolidated into one trading entity Campbell Gardwel.

The acquisition of Protector Gardrite — effective immediately — comprised the purchase of saleable stock, tooling, moulds, dies, and these assets would be incorporated into Campbell Gardwel, Matthews said

Campbell Gardwel MD Terry Strachan said the assets of Protector Gardrite would "provide us with additional injection-moulding throughput" (189C)

Klipton profit falls 26% as trading deteriorates

BIDAY 21/8/92.

(189C)

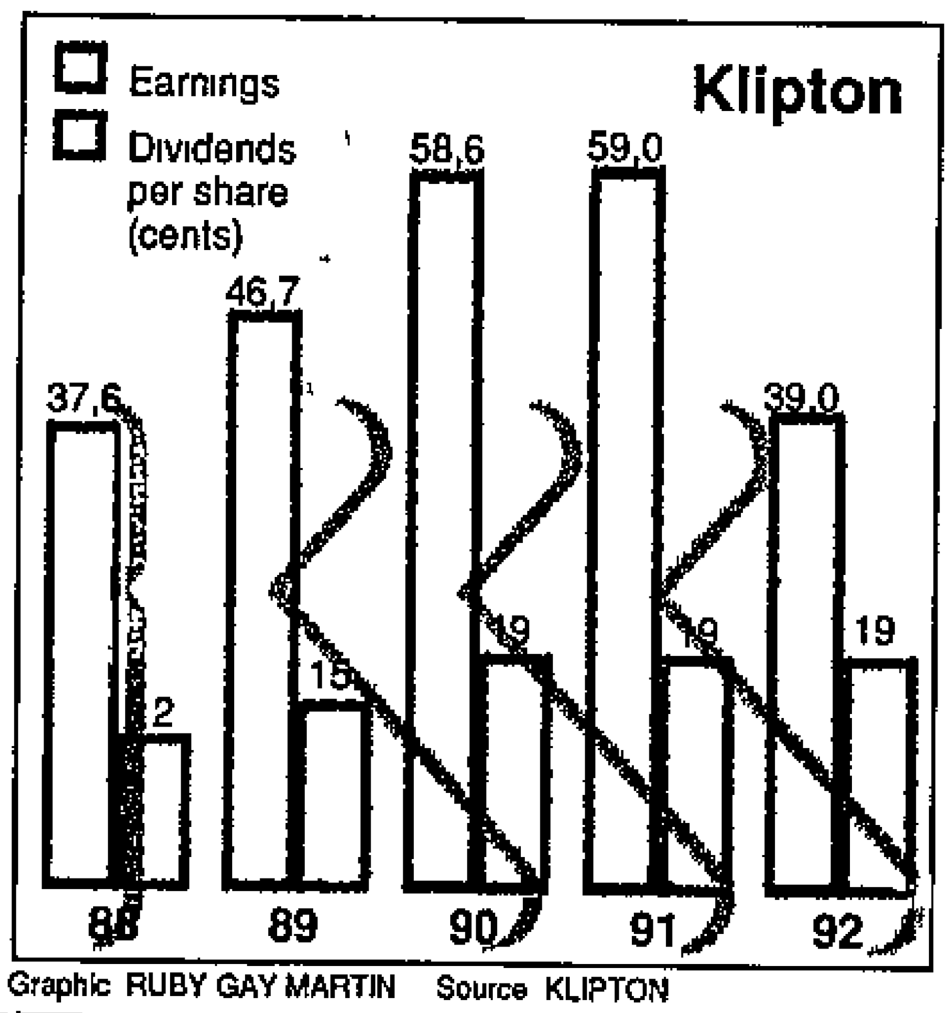
EDWARD WEST

INDUSTRIAL Holding group Klipton lifted turnover 14% in the year to end-June 1992, but attributable profit fell 26% as a result of falling profit margins

Klipton joint chairman Robin Matthew said the growth in turnover to R122,1m (1991 R106,8m) was primarily derived from the safety and security division Industrial product sales were unchanged over the previous year, he said

The substantial drop in profit margins was reflected in operating profit, which fell 28% to R8,4m (R11,7m) Interest was R2,9m (R1,5m) Medium and short-term interest-bearing debt increased substantially to R14,4m (R5,9m) Gearing was 60% (33%), 10% higher than the target of 50%

Matthews said the high debt to equity ratio was the result of deteriorating trading conditions Stock levels were higher because of significantly reduced demand, he said



Graphic RUBY GAY MARTIN Source KLIPTON

Pre-tax profit was 46% lower at R5,5m (R10,2m) Attributable profit after tax of R753 000 (R3,8m), was 26% lower at R4,8m (R6,3m) An extraordinary item of R250 000 (R854 000) related to further losses on the disposal of the Rockweld division of Sapco

Earnings a share, after being diluted by an increase in the number of shares to 12,3-million (10,7-million), was 34% lower at 39c (59c) Dividends were maintained at 19c a share, which Matthews decribed as indicating confidence in the group's recovery potential next year. Return on equity fell to 23% (40%), while return on capital employed fell to 27% (52%)

He said the safety and security division's Campbells and Sandton Sentry performed particularly well

Austen Safe gained market share, by means of new products and new export opportunities

Matthews expected no significant economic improvement during the coming financial year, but Klipton was as lean and cost efficient as could be He expected benefits of rationalisation to be realised over the next 12 months

The policy of acquiring complementary competitors should also bear fruit as soon as the economy improved, he said

Klipton banks on better times ahead

(184C) STAR 21/8/92

By Stephen Cranston

Profitablity at industrial holding conpany Klipton fell sharply in the year to June

Earnings per share were down 34 percent to 39c but the dividend was maintained at 19c a share in expectation of a recovery in the current year

Group turnover increased 14 percent to R122,1 million but reduced margins resulted in a 26 percent decline in attributable profit to R4,8 million.

Gearing increased from 33 percent to 60 percent, which is well above the group's target of 50 percent. Working capital increased as there were higher stock levels because of reduced demand.

Joint chairman Nigel Matthews says that it is not easy to get rid of stocks of industrial products as it might be with food or consumable products. "If there is reduced economic activity there are no buyers"

Mr Matthews said there was satisfactory growth from the safety and security division The industrial products division recorded unchanged turnover levels for the year.

Security proved to be an important growth industry in the increasingly violent climate

Campbell Gardwel and Sandton Sentry had a particularly good year. Austen Safe also gained market share with the launch of several new products and further export opportunities.

Mr Matthews said that Klipton intended to continue its investments in this field. Earlier this month it acquired Protector Gardrite, a small competitor in safety equipment to Campbell Gardwel

SA Castors, a leader in the materials handling industry and a major competitor, was acquired in April which resulted in the rationalisation of certain of the group's production and distribution facilities which should significantly increase market share in certain products.

Mr Matthews said that the rationalisation costs had been absorbed in the year just past and that benefits will begin to accrue in the coming financial year

Klipton has acquired some tax losses with its acquisitions, which will mean lower tax payments in the coming year

"We aren't flashy operators and we run a tight ship. I am confident that we will bounce back in the coming year," Mr Matthews says

CHARTER CONSOLIDATED

189C FM 28/8/92.

Putting away the port

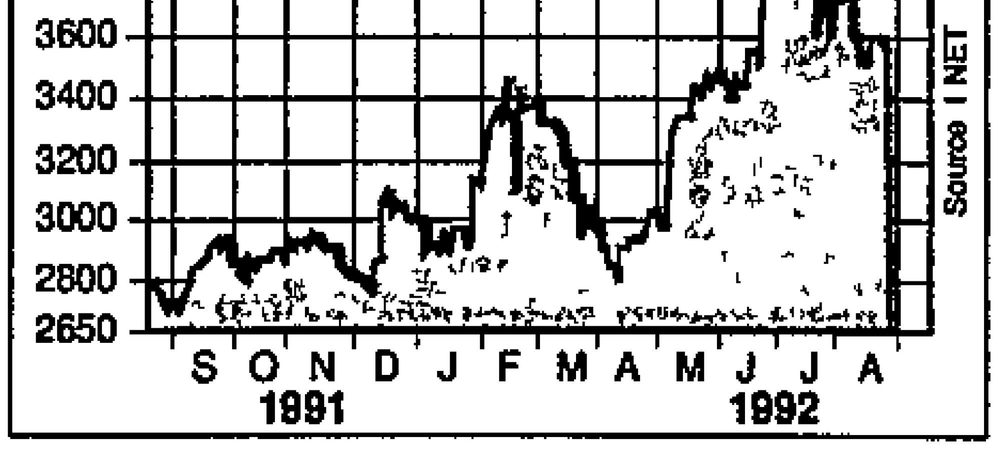
Activities: *Manufactures rail track and mining equipment, conducts quarrying and coal mining, supplies building products and services*
Control: *Minorco 36%*
Chairman: *Sir Michael Edwardes, MD J W Herbert*
Capital structure: *105,7m ords Market capitalisation R3,8bn*
Share market: *Price R35,70 Yields 3,2% on dividend, 5,9% on earnings, p e ratio, 17, cover, 2,5 12-month high, 4 075c, low, 2 615c Trading volume last quarter, 930 000 shares*

Year to Mar 31	**'90**	**'91**	**'92**
ST debt (£m)	38,5	25,6	24,9
LT debt (£m)	56,7	48,9	65,1
Debt equity ratio	n/a	n/a	n/a
Shareholders interest	67,6	70,3	70,2
Int & leasing cover	4,2	4,0	4,4
Return on cap (%)	10,9	11,3	9,6
Turnover (£m)	957	1 035	1 055
Pre-int profit (£m)	75,8	79,9	73,8
Pre-int margin (%)	7,9	7,7	7,0
Earnings (p)	43,6	44,6	42,5
Dividends (p)	19,5	21,0	21,5
Net worth (p)	475	488	519

Charter has moved a long way from Anglo American Corp's original plans for it in the decade of the Sixties It was meant to be Anglo's international arm, a vigorous mining house that would exploit mining opportunities worldwide How things have changed!

Of course, a few projects went wrong There was the disaster of the Akjoujt Copper Mine in Mauritania and the failure of the Yorkshire potash development undertaken with ICI And, as the problems multiplied, so Charter fell from grace Minorco, grown out of Zambian Anglo American, is now Anglo's favoured vehicle for international mining expansion, though some wags would say it hasn't met with much overt success either

Charter has changed its aims and its style of management Chairman Sir Michael Edwardes says in his most recent statement to shareholders that the company is now "well settled into our smaller head office in Victoria, which is proving to be ideally suited to our needs " Gone is the prestigious Holborn Viaduct address, tucked neatly next to De Beers' CSO, gone are the trappings of a major mining house with international pre-



Charter's Edwardes *settled into a smaller head office*

tensions — the splendid lunches, the well aged port, the chauffeur-driven motor cars for executives

Charter is now an industrial group that concentrates on rail track and mining equipment, quarrying and building products and services And the question for observers and shareholders alike must be how is it doing?

Actually, rather well 1992's pre-tax profit was only 5% down on the previous year's record and Edwardes says, rightly, he "considers this a good result in difficult trading conditions " Confirming this, finance director Nigel Robson says the group encountered difficulty in all of its markets — evidence of the grip of a worldwide recession

The group has an unusually strong balance sheet Effectively, it is ungeared and is sitting on a cash pile of £211m However, Robson says management's task in the next year is to increase operating profit, currently at £30m, at a rate faster than the fall in income from interest earnings The UK's interest rate pattern is falling fast

The anticipated problem area for 1992 was the supply of coal mining equipment to an industry that did not want it That was cleverly managed by what Robson calls "rationalisations" and the net effect was that Anderson Plc turned in a better profit than for 1991 The future for this mining equipment supplier will depend largely on what happens to British Coal and whether it is awarded any new power station contracts

The other problem area was Cape, which was dragged down by the effects of the recession in the building industry The comparatively poor performance in this sector was countered by good results from Charter's quarrying and mining operations and from Pandrol, its international rail track equipment company

Johnson Matthey, the platinum conglomerate held 38% by Charter, contributed £25,5m to total operating profit Its profits depend on demand for platinum and related metals but, in the past 10 years, this area of precious metals has performed substantially better than gold and it is clearly an investment Charter intends to hold onto

Robson is reluctant to be drawn on prospects for the next year All he will say is that "the City is expecting rather better results than for 1991 — probably around £75m pretax "

It's interesting to note the extent to which Charter has diversified out of the UK, which now accounts for only 40% of its business The balance is in the US (30%), Europe (15%) and other international operations accounting for the remaining 15%

The counter is trading in Johannesburg on a p e of 17 — rather high for its sector But that probably reflects a genuine need in this country for rand hedges and Charter certainly fulfils this role admirably for SA investors

David Gleason

CAXTON/CTP

Opaque but promising

FM 28/8/92

Activities: *Publishes newspapers and magazines through subsidiary CTP Holdings, also has printing, packaging, and ink manufacturing subsidiaries*
Control: *Afmed 74,5% Modern Media Promotions and Argus Holdings have ultimate control*
Chairman: *M Short, Joint MDs T Moolman, N Coburn*
Capital structure: *25,1m* ords Market capitalisation R136m*
Share market: *Price 540c Yields 2,1% on dividend, 20,2% on earnings, p e ratio, 5,0, cover, 6,9 12-month high, 545c, low, 500c Trading volume last quarter, 57 000 shares*

Year to March 31	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	37,8	22,5	21,2	16,9
LT debt (Rm)	12,1	10,2	5,3	20,3
Debt equity ratio	0,41	0,22	0,11	0,07
Shareholders interest	0,51	0,63	0,62	0,59
Int & leasing cover	5,0	6,7	12,3	17,5
Return on cap (%)	15,4	16 8	16,0	19,8
Turnover (Rm)	416	454	482	563
Pre-int profit (Rm)	37,3	38,7	47,1	69,5
Pre-int margin (%)	8,6	8,4	9 5	12,0
Earnings (c)	1 526	1 452	1 818	2 765
Dividends (c)	222	246	303	399
Net worth (c)	6 300	7 365	8 662	1 221

* Since year-end a capitalisation share issue and subdivision of ordinary shares, caused Caxton s share capital to increase from 717 526 ords to 25 1m ords

Caxton, the printing and publishing company that derives most of its income from 53%-held CTP Holdings, remains a closed

continued →

Pipe deal for Dorbyl

BDAY 2/9/92. (189C)

EDWARD WEST

TUBEMAKERS of Australia (TOA) was negotiating the terms of a technology agreement as well as an option to buy a 50% stake in Dorbyl subsidiary Steel Pipe Industries, Dorbyl Tosa division chairman Mike Smithyman said

He said TOA and Tosa were finalising an agreement to provide Steel Pipe Industries (SPI), a division of Tosa, with the Australian company's proprietary pipe jointing and corrosion protection systems for large-bore water pipes

In return, SPI planned to sell 10% of its equity to TOA — for an undisclosed amount — and to give TOA an option to acquire up to 50% of the company by 1997, Smithyman said.

SPI manufactures large diameter spiralweld and electric resistance welding pipe for the water industry

Tubemakers planned to introduce its patented coating and jointing technology to Dorbyl and provide engineering support for the R20m to be spent on upgrading the SPI equipment

Smithyman said the negotiations were evidence of growing co-operation between the two leading tubemakers on the Australian and African continents

During the past year, a technical agreement with TOA had enabled Tosa to improve substantially the competitiveness of its small bore structural and conveyance pipe manufacturing operation

He said TOA was concerned about political turmoil in SA and this could affect future investment.

The large-bore water pipe market in SA was at a low level, but prospects looked promising, Smithyman said

DORBYL FM 4/9/92. 189C

Seamless sale

What is Tubemakers of Australia (TOA) paying for 10% of Dorbyl's Steel Pipe Industries (SPI)? Mike Smithyman, chairman of Tosa, of which SPI is a division, is not saying

TOA has the option of acquiring up to 50% of SPI by 1997 In exchange, it is providing the Dorbyl business with patented technology for pipe jointing and corrosion protection systems for large-bore pipes, as well as engineering support for a R20m upgrade of equipment needed for the new technology

Tosa, a 60 40 joint venture with Iscor, has been Dorbyl's problem child, largely because of its seamless mill Initial investment in the plant came to R100m and, after clocking up

FM 4/9/92 189C

losses of R16m, it was mothballed

A further R74m was spent expanding and upgrading capacity to meet export requirements When it comes on line early next year, it will be able to produce up to 70 000 t of tube a year

Smithyman says that though demand for large borehole pipes is now low, urban growth offers promise for the future of the market and for exports to the rest of Africa

Shaun Harris

KNJ optimistic despite massive rise in losses

6IQM 7.9.92. 189C

SHARON WOOD

INDUSTRIAL holding company KNJ reported a 391% rise in its attributable losses to R21,1m in the year ended June 1992 from R4,3m last year, but expects to benefit from an increased asset base due to recent acquisitions

As a result, no dividend was declared for the year and, while no earnings a share figure was given, shareholders' funds a share dropped from 177c in 1991 to 147c in the period under review

The effects of the deepening recession resulted in an overall 16% drop in turnover for the year and margins came under pressure due to highly competitive market conditions, the board reported at the weekend

"The impact of political uncertainty and labour unrest on the group's business during the year, and particularly the last two months, was far worse than anticipated," it said.

However, the figures for the year to end-June 1991 have been restated to show abnormal write-offs from investigations in 1991 which continued into the second half of the financial year and resulted in further losses.

Turnover fell to R244m in the year under review (R289,8m previously) and net operating income plunged 93,8% to R896 000 (R14,4m)

The group paid out R3m in abnormal write-offs and R9,3m for extraordinary items, which included losses of R1,5m from discontinued operations and a net loss of R8,2m on "the final settlement owing by and write down of stocks acquired from a former subsidiary"

However, a surplus of R219 000 from property disposal was reported Net current assets fell by 13,1% to R145,7m (R167,6m), while short-term interest bearing debt dropped 20% to R27,8m from R34,7m

KNJ is set to acquire certain subsidiary companies from Sukhulu Holdings, which will become the controlling shareholder of the group All formalities are expected to be concluded by early October this year

Sukhulu, a diversified franchise and distribution centred industrial group, is expected to inject R120m into the group's turnover

In addition, a R6m investment in KNJ by international trade and project group Eisenberg would create export opportunities and provide opportunities to source new and existing products at competitive prices

"The enlarged group will be in a far better position to benefit from any improvement in general economic conditions and will be well placed to meet the challenges of the new SA"," the board said

ADE set to wipe out losses

(89c)

ARG 12/9/92

■ Things are looking up for Atlantis Diesel Engines, in spite of the local downturn in new truck and tractor sales. The company, which builds these machines, is poised to get rid of long-standing losses. And, they are thinking of branching into new areas — from minibus taxis to exports to Brazil.

MARC HASENFUSS, Business Staff

ATLANTIS Diesel Engines (ADE) is set to wipe out its long-standing accumulated losses in the current financial year

Even although the group's profit forecast for the year to June 1993 is lower at R12-million than 1992's R21-million, the gain will be enough to wipe out the deficit

ADE's accumulated losses peaked at over R70-million at the end of 1987

The truck and tractor engine-builder will reward its shareholders (the Industrial Development Council — 87,5 percent; Mercedes Benz AG — 12,5 percent) with only their second dividend payout

Managing director Mr Fritz Korte is decidedly more bullish about ADE's long-term prospects in spite of the local downturn in new truck and tractor sales

Although the group has been cut down to lean operating levels, Mr Korte says further improvements could be carried out.

He says spare plant capacity has allowed ADE to diversify into other markets The group's Atlantis plant, with a capacity for 50 000 engines a year, is only 33 percent used

Mr Korte says projects in diversification already are underway These include the assembly of tractors for Massey-Ferguson SA and the exporting of crankshafts to Brazil

The group also could move into the black taxi market ADE now are testing minibuses powered by diesel engines

ADE is benefitting from increased part sales — which last year cleared over R100-million and are expected to increase further in the current year to R110-million

Taking advantage of the opening up of business links with Africa, ADE has set up parts distribution centres in nine African countries (outside those belonging to the Customs Union) These include Mozambique, Zambia, Malawi, Angola and Tanzania.

Component exports have been growing and are expected to be close to R50-million in the year ahead However, Mr Korte says these export markets in the UK, Brazil and Germany are marginal

He believes overseas countries will refrain from genuine bulk orders until a political settlement is achieved in South Africa

Mr Korte dismisses allegations that ADE has no right to exist in a post-sanctions South Africa

"We are saving foreign exchange, transferring technology, providing employment and our products also provide an advantage to the end user"

He concedes that an imported engine can cost up to 20 percent less than a similar ADE product However, he emphasises the long-term savings made via ease of access to less-costly ADE replacement parts instead of sourcing from overseas distributors

ADE also is committed to freezing its engine prices in real terms in a bid to remain competitive against cheaper imports Truck and tractor prices will increase well under the inflation rate, says Mr Korte

"We can't increase the price of our engines because then I'm out of business"

(189C)

UK contract

S/Times (BUSS)

SOUTH African mining equipment is to be used when four coal mines in Swansea, Wales, are re-opened by Britain's largest independent miner Ryan.

Olifantsfontein-based Rham Mining won a contract to supply Ryan with high-tech roof-bolters and a face-drill Rham's contract is in conjunction with Rolls-Royce subsidiary NEI Peebles, with which it has concluded a marketing and servicing agreement for Rham products abroad

13/9/92

EUREKA FM 18/9/92

Not there yet

(189C)

Executive chairman Ronnie Price built an enviable reputation in the early Eighties as a fixer of bombed-out, underperforming companies But viewing performance over the past few years, investors could be forgiven

FM 18/9/92 (189C) **COMPANIES**

for wondering if he has lost his touch

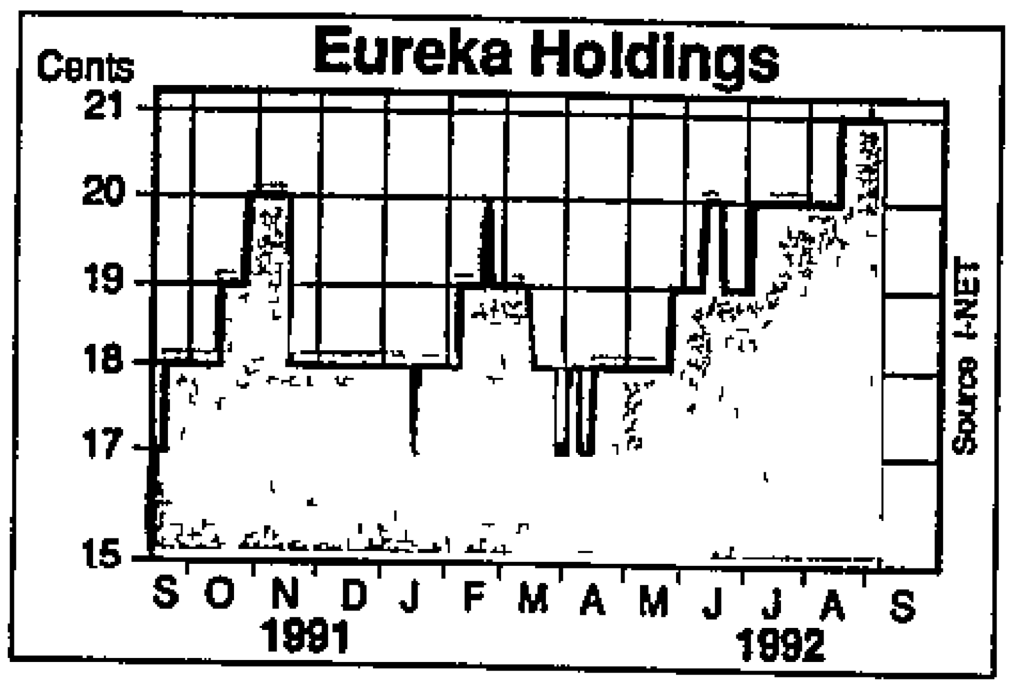
Though 1992 earnings almost doubled to 2,1c, it was hardly a bumper year Profitability remains severely depressed, while the financial structure, though improved in some respects, still has a long way to go to look even remotely healthy

In fairness, Eureka underwent extensive restructuring last year As much of this was completed only just before year-end, potential benefits are not yet fully reflected in results. Against this, it would be hoping for miracles that these moves — acquisition of minority interests in Eurovest and the assets of Computermatic, plus the sale or closure of nonperforming divisions — will by themselves restore Eureka's fortunes

Price goes no further than to say that this year it should at least maintain performance, but significantly better returns can be expected only when the economy improves

A curious feature is that extensive structural changes have had almost no impact on key financial ratios Thus, though the total asset base has been carved back from a 1990 high of R114,7m to R86,3m, this is matched by a corresponding decline in sales, so that 1992 asset-turn ratio, at 1,26 times, was almost unchanged from 1990's 1,24

Similarly, though borrowings (net of cash) have over the past two years dipped from R52,3m to R37,2m, any benefits to the balance sheet were offset by a drop in total shareholders' funds (including minorities) from R40,8m to R29,4m, so that the latest



Activities: *Diversified industrial holding company with interests in the manufacture and/or distribution of machine tools and electrical goods, and a computer bureau*
Control: *Directors 34,9%*
Executive chairman: *R S Price*
Capital structure: *60m ords Market capitalisation R12,6m*
Share market: *Price· 21c Yields 4,8% on dividend; 10,0% on earnings, p:e ratio, 10,0, cover, 2,1 12-month high, 21c, low, 16c Trading volume last quarter, 132 000 shares*

Year to February 28	'89	'90	'91	'92
ST debt (Rm)	30,1	32,0	20,7	28,7
LT debt (Rm)	10,9	13,4	12,3	10,7
Debt equity ratio	0,80	1,28	0,92	1,27
Shareholders interest	0,44	0,54	0,44	0,34
Int & leasing cover	2,6	1,8	1,3	1,5
Return on cap (%)	11,9	13,8	12,7	11,8
Turnover (Rm)	134	142	136	109
Pre-int profit (Rm)	13,4	15,8	12,9	10,2
Pre-int margin (%)	9,7	10,9	9,4	9,3
Earnings (c)	4,6	5,2	1,2	2,1
Dividends (c)	2	2	—	1
Net worth (c)	36	38	49	47

Continue →

P.T.O

FM 18/9/92 (189C)

year in a far from favourable market Given the history, yields (4,8% on dividends, 10% on earnings) are not particularly attractive, but a strong body of investor opinion obviously expects a big improvement in fortunes sooner rather than later *Brian Thompson*

Eureka's Price ...
more fixing needed

FM 18/9/92 (189C)

debt equity ratio, at 1,27, is a mere whisker below the 1990 peak of 1,28, despite the repayment of over R15m in loans

The company, however, believes that a more realistic picture is obtained by comparing borrowings to its own capital base (excluding minorities) — the method normally used by banks Calculated this way, and because its own shareholders' funds have continued to grow, the debt equity ratio has come down from 2,36 in 1990 to 1,33

Net return on equity has been volatile but there can be little encouragement in a steep decline from 13,6% to 4,5% which, viewed against the pre-interest ratios, points to severe negative gearing

It is against this background that some comments in the report must be viewed

Yes, borrowings have been cut But the debt equity ratio hasn't, and remains unacceptably high And yes, interest cover has improved But at 1,5 times (1991 1,3) it still has a long way to go before it reaches what is normally considered safe territory

And, yes, working capital has indeed been reduced But so has turnover, and the relationship between the two has also over the past four years remained unusually static, within a range of 40,3% (1992) and 43,3% (1990) of sales Having to invest 40c of every sales rand in working capital is a heavy burden for any group and may in part explain why gearing remains stubbornly high

Some refinancing may be desirable but, with the share price at 21c still well short of the 47c net worth, options are limited It could be that the group's long-term interests will best be served by simply trying to trade into a more favourable position

The share has risen from 16c over the past

State is urged to encourage greater use of diesel power

(189C) BD & ADA 18/9/92

EDWARD WEST

ATLANTIS Diesel Engines (ADE) wants the government to increase the difference between diesel and petrol prices to encourage a switch to diesel-powered vehicles

ADE sales and marketing manager Glynn Whitmore said the company would meet with Mineral and Energy Affairs Minister George Bartlett today to suggest the petrol price be increased to 20% that of diesel instead of the present 4%

There had already been a favourable response from meetings with Transport Minister Piet Welgemoed

Whitmore said in the light of the current diesel surplus incentives to promote the use of diesel-driven vehicles should be considered

Worldwide, the average price difference between diesel and petrol was 28% as opposed to SA's 4%

Whitmore said the move would also be in line with Government Transport Energy Division policies which noted that a saving on the trade balance could be achieved by more efficient fuel usage This would also have the benefit of decreasing the level of exhaust emissions

ADE, the Industrial Development Corporation subsidiary and SA's only diesel engine manufacturer, had targeted the medium commerical vehicle and midi and minibus markets to switch to diesel power

The company, which had forecast R17m profit for the year to end-June 1993 compared with the R23m profit the previous year, was already exporting diesel-powered minibuses to Zimbabwe where the price difference between diesel and petrol was high, said ADE MD Fritz Korte

"Nowhere in the world are the taxi and the medium truck markets dominated by petrol power A change to diesel power for taxis could save SA nearly R700m a year, rising each year This would result in cheaper fares, and bus subsidies could be decreased," said Whitmore

The perception that diesel engines were noisy, smelly, dirty, smoky and underpowered had become a myth following the rapid development of diesel engine technology, she said

FM 18/9/92 (189C)

TOCO FM 18/9/92 (189C)

Solid, but under-valued

Activities: *Makes and distributes automotive refinishing products, special steels, building products, lifting equipment and gaskets*
Control: *Management (40,7%)*
Chairman: *P M Todd, MD A L Goodman*
Capital structure: *74,7 ords Market capitalisation R69,5m.*
Share market: *Price 93c Yields 8,3% on dividend, 20,8% on earnings, p e ratio, 4,8, cover, 2,5 12-month high, 156c, low, 90c Trading volume last quarter, 750 000 shares*

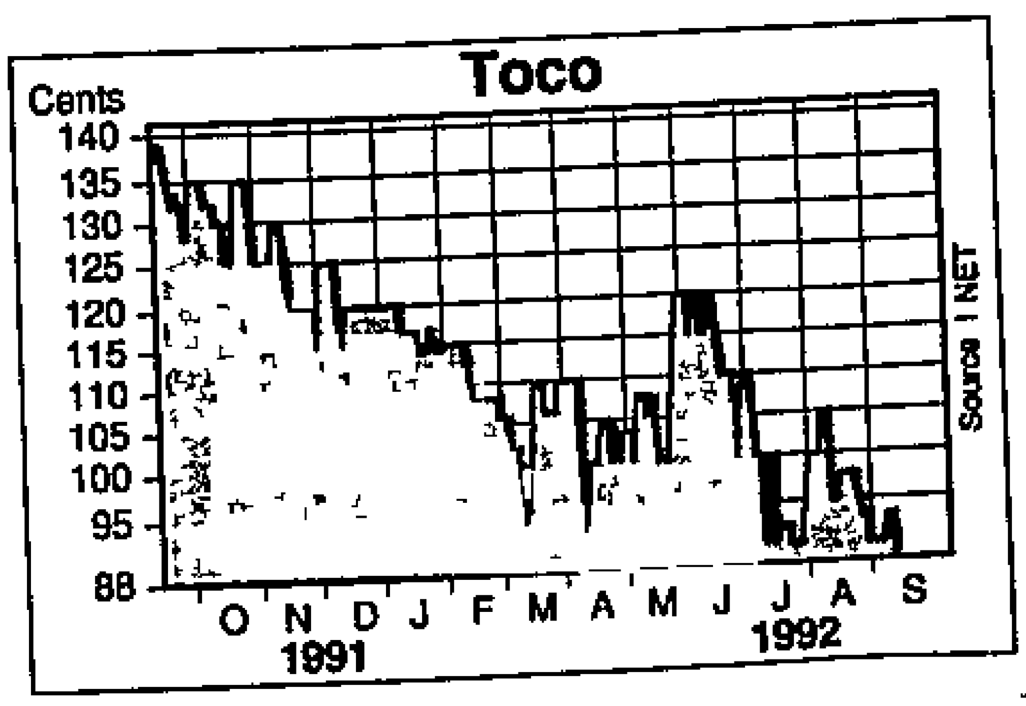
Year to March 31	'89	'90	'91	'92
ST debt (Rm)	5,9	10,4	6,5	10,5
LT debt (Rm)	2,5	6,3	8,1	6,3
Debt equity ratio	0,36	0,70	0,72	0,62
Shareholders interest	0,48	0,43	0,39	0,44
Int & leasing cover	13,2	6,8	5,3	7,3
Return on cap (%)	26,1	23,8	19,8	20,8
Turnover (Rm)	69,3	101,7	131,3	153,6
Pre-int profit (Rm)	10,4	13,1	17,2	20,6
Pre-int margin (%)	15,0	12,8	13,1	13,4
Earnings (c)	12,8	15,8	18,8	19,3
Dividends (c)	5	6	7,5	7,75
Net worth (c)	31	36	47	58

Toco has turned out to be one of the more solid of the companies that came to market in the 1986-1987 listings boom Contrary to many of its peers, earnings have shown consistent growth, financial structure has remained sound and, most important, the product range has been progressively developed to broaden the base

One thing that makes Toco stand out is the aggressive — and successful — way it has exploited opportunities created by the easing of the international political climate Last year, it tied up three significant contracts with foreign principals, substantially expanding the scope of operations both in product range and geographic area served

Strategically, the most important was the agreement with New York-based Park Plus to take over worldwide manufacture of Park Plus car lifts, an arrangement which could lead to the opening of other doors

Other contracts bring sub-Saharan and Indian Ocean island distribution rights to Mitsubishi Kaei building cladding products and, this financial year, manufacturing/marketing rights to Bolton Brady (UK) specialised fireproof and security doors



Strangely, investor response has been cool Since the *FM* reviewed the 1991 report, the share price has shown a net decline of 32% from 137c to the current 93c and is 40% off the 156c 12-month peak Even accepting that second-line companies like Toco tend to bear the brunt of any deterioration in sentiment, the degree to which it has underperformed the broad market seems excessive

Reasons are obscure Profit-wise, 1992 was not exciting, but at least EPS (on substantially more shares, after structural changes towards the end of 1991) remain tilted in the right direction with a 3% gain

The only real criticism is that the gain derives entirely from a drop in tax rate from 18,3% to 12,3% (without which EPS would have been 17,9c) But as the tax rate is likely to remain low as Toco benefits increasingly from a greater proportion of export earnings, it is questionable whether this detracts significantly from the quality of earnings

Expansion has not strained the balance sheet, where debt equity ratio (on shareholders' funds net of goodwill) has come down from 1991's peak of 0,72 to 0,62 More important, combined interest/leasing cover has increased to 7,3, its best since 1989, suggesting that the group has adequate funding capacity even if it has to refinance its R10m redeemable prefs with more expensive borrowings in a little over a year's time

The overall impression is that Toco not only knows where it is going, but has the initiative and resources to get there Off an already high base, there is probably not much scope for any significant increase in earnings while the domestic economy remains flat, but the longer-term picture is brightened by prospects of additional profits from the new international associations

At 93c, the share is on an historic dividend yield of 8% and could be worth adding to the shopping list as and when market sentiment becomes more settled *Brian Thompson*

Met deal

(189C)

26/9/92

NETWORK Systems has done a R3,5-million deal with a Middle Eastern country for the installation of meteorological equipment

S/Times (Buss)

Marketing manager Mike MacKenzie says it will lead to more business. The company has tendered to supply equipment to other nations in the region.

The company has multi-million-rand contracts with Switzerland, Poland, Botswana and Zambia

Lenco's R51m purchase of Metkor effective from May 1

BDAY 23/9/92.

LINDA ENSOR

CAPE TOWN — Diversified industrial holding group Lenco Holdings has bought Metkor Industries — the sole assets of which are Hendler & Hart (H & H) and certain property interests — from the Metkor Group for R51m

Savings will be achieved through the rationalisation of H & H's and Lenco's plastic injection-moulded closures and container business

Both companies have similar factories in Durban

H & H also produces metal and aluminium kitchenware at its Boksburg factory and has started exporting its products to the US.

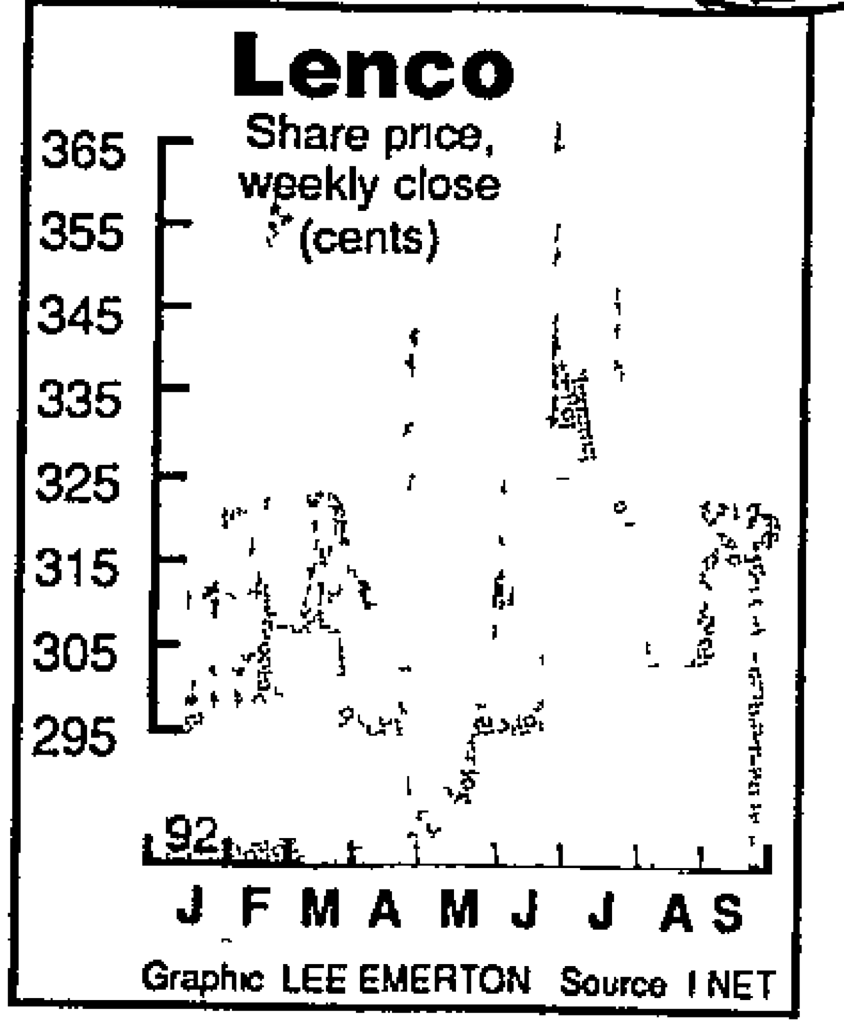
Losses

189C

Payment will be made with R31m cash and the issue of 6-million renounceable Lenco shares at 333c a share The deal takes effect from May 1

The purchase price takes into account the fact that Metkor Industries made losses for the three months from May to August attributable partly to strikes and abnormal write-offs.

Had the deal been effective for the six months ending August 31, Lenco's earnings would have increased 12,85% to 24,32c from 21,55c and tangible net asset value 7,63% to 222,3c from 206,54c.



Graphic LEE EMERTON Source I NET

The group's gearing ratio would have increased to 39,94% from 22,91%, a rise which executive chairman Doug de Jager said was within limits and would be lowered by year-end by the cash generated through operations

The group intends to announce its interim earnings to end-August during October.

Diluted earnings a share of 24,32c would represent an increase of 8% over last year's 22,5c a share

De Jager said yesterday that trading conditions had been very tough in the clothing and footwear industries, where demand was sluggish

There had been severe pressure on prices

He said the acquisition of H & H would open the way for rationalisation in sales, administration, distribution and production

These synergies would enable H & H's Durban operation to become profitable

The Boksburg factory would be turned around through rationalisation

Option

De Jager said the acquisition gave Lenco access to a licensing agreement for patented closures

Lenco has been managing Metkor Industries, and has acquired the company in terms of an option to purchase granted in terms of the management agreement

De Jager said a conflict of interest had emerged between Lenco's management contract and its own business

De Jager was confident the acquisition would contribute positively to the group in the short to medium term

3% earnings rise lags inflation

(18 9C) CT 30/9/92

Sasfin reports rise in profits

Business Editor

TRADE and equipment financier Sasfin Holdings has retained its record of steadily rising profits for the past five years — in nominal terms

But in real terms its 3% rise in earnings in the year to June, achieved in spite of recessionary conditions and an increased risk of bad debts, lags the inflation rate It compares with a 20% rise in earnings last year

Tax bill

Net operating income before tax rose by 2,5% to R2,5m (R2,4m) Earnings at share level were 21,9c (21,2c) The dividend is maintained at 8,5c a share

The tax bill was lower at R43 000 (R55 000) Attributable income was R2,4m

MD Roland Sassoon said the group's performance had "improved consistently throughout the year, with the second six months showing an increase over the first

"The group is well placed to move into the future, with gearing remaining well within the industry norm

"This is underpinned by sound banking relationships, and systems and staff ready to take advantage of any improvement in economic conditions"

Sassoon said the group had become "an increasingly sophisticated and significant asset-based financier It is now a meaningful player in the office automation equipment rental market"

It also rents signage, plant, vehicles and machinery

Other services include countertrade and merchandise converting as well as trade finance in the form of invoice discounting, shipping and confirming for both domestic and foreign trade

Following the listing of a R90m tranche of asset-backed debenture stock in mid-1991, a second R30m tranche of credit-enhanced rental agreements was securitised in the year to June through Sasfin Asset Securitisation

Rentals

Sassoon pointed out that "securitisation provides the group with access to the capital markets for relatively large sums without having to resort to gearing"

This enabled the group to increase the size of its rental book while reducing the cost of borrowing

He said the outlook for next year depended largely on political developments, which would influence the length of the downturn

KNJ and Sukulu in merger

B|Dom 1/10/92 (189C)

EDWARD WEST

THE merger of certain of Sukulu Holdings' operations with the KNJ Group would benefit KNJ materially through rationalisation and increased penetration into local, African and overseas markets, chairman Keith Jenkins said

In his review for the year to end-June 1992, Jenkins said the merger would enhance export and import opportunities through association with the worldwide network of the Eisenberg Group, and KNJ's enlarged asset base would benefit with regard to further acquisitions

The Eisenberg Group holds a stake in Sukulu with the Ichikowitz family

The activities of Sukulu's Astra television and appliance sales, Astra refrigeration manufacturing, and the Suzuki motorcyle distribution divisions were to be merged with KNJ, boosting turnover by about R120m.

KNJ activities involve manufacturing and merchandising of power tools, light engineering materials, diesel engines, machine tools, motor cycles, materials handling equipment, white goods and clearing and forwarding services

The group posted a loss of R8,9m before non-recurring items in the past year The sliding economy was reflected in the lower turnover for the last six months of its reporting period, which accounted for 11% of the 16% deterioration for the year

Losses arising from elimination of unprofitable businesses amounted R9,5m The engineering division was sold, the investment in Sudmo Stainless Steel was realised, and some manufacturing and warehouse facilities were relocated

CENMAG FM 2/10/92. (189C)

Second-half standstill

Activities: *Supplies electrical equipment to heavy industry and mines*
Control: *Directors 86%*
Executive directors: *A W Barlow, B Greenblatt, C J E Lane, V Farkas (financial)*
Capital structure: *9,6m ords Market capitalisation R8,2m*
Share market: *Price 85c Yield 10,5% on earnings, p e ratio, 9,6 12-month high, 85c, low, 60c Trading volume last quarter, 4 000 shares*

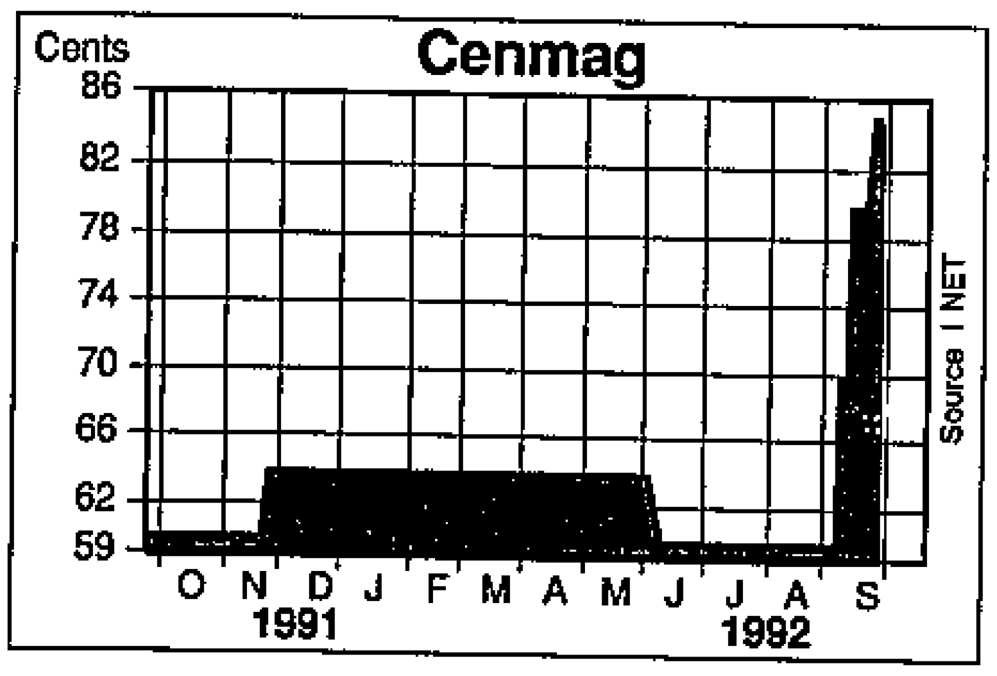
Year to Feb	'89	'90	'91	'92
ST debt (Rm)	1,8	2,7	6,7	7,0
LT debt (Rm)	0,1	0,3	1,7	1,8
Debt equity ratio	0,13	0,40	1,02	0,89
Shareholders interest	0,43	0,33	0,34	0,42
Int & leasing cover	9,5	8,0	5,7	2,5
Return on cap (%)	16,9	22,4	14,5	10,4
Turnover (Rm)	41	52	46	50
Pre-int profit (Rm)	2,6	3,5	2,9	2,1
Pre-int margin (%)	6,3	6,8	5,9	4,1
Earnings (c)	14,3	18,0	17,5	8,9
Dividends (c)	5	6	7	—
Net worth (c)	52	36	52	64

With pre-tax profit at half-time down from R1,4m to R1,2m, a 12-month pre-tax also at R1,2m implies that the second half was no better than breakeven The directors' report implicitly confirms this, with a reference to particularly intense competition in that period "To defend and build market share, the established policy of reducing profit margins to meet competition was maintained," they add

Though they say the current year started well for the manufacturing division, they can make no "meaningful" forecast in these economic conditions But they believe Cenmag's underlying financial strength, broad-based product range and efficient distribution network place it well to benefit from opportunities or any upturn in the economy

Dividend passed

The dividend was passed to conserve liquidity It was presumably for the same reason that the holding of 3,85m Colvest shares were sold, apparently at the cost of R2,9m, to judge from the cash-flow statement — which, surprisingly, is the only reference to the disposal in the entire report



Helped by this cash inflow, some of the financial ratios actually improved modestly Another plus factor is that, on an 8,5% rise in turnover, stocks were up only 1,2%

Since the last sale of 4 000 shares at 60c on June 5, the share has been bid up to 85c on no turnover Such a big premium to NAV doesn't seem justified by the known facts In any case, a stock of so limited marketability can hardly be considered a serious candidate for most portfolios *Michael Coulson*

FM 2/10/92 (189C)

KNJ/MIDMACOR FM 2/10/92

A cool response (189C)

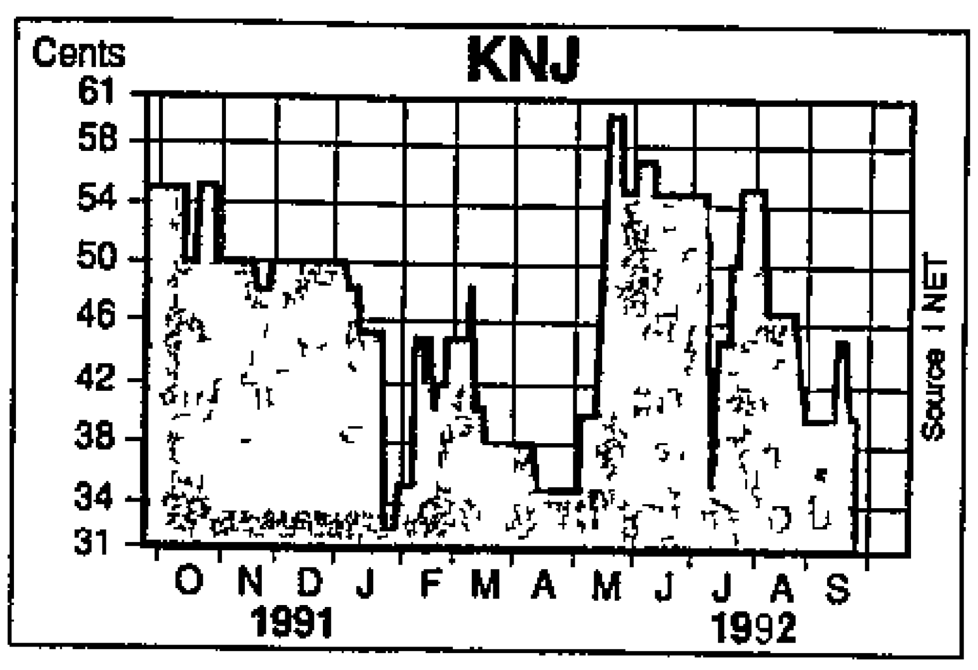
KNJ — Activities: *Holding company of Midmacor Other interests include engineering and civil engineering*
Control: *Since year-end Sukhulu Holdings (51,3%)*
Chairman: *K N Jenkins, CEO D B Jamieson*
Capital structure: *71,3m ords Market capitalisation R21,4m*
Share market: *Price 30c 12-month high, 60c, low, 30c Trading volume last quarter 100 400 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	33,1	31,4	35,0	28,4
LT debt (Rm)	10,3	3,2	2,2	2 7
Debt equity ratio	0,57	0,43	0,41	0,44
Shareholders' interest	0,47	0,55	0,58	0,56
Int & leasing cover	5,99	3,69	1,92	0,11
Return on cap (%)	14,1	11,9	6,5	0,5
Turnover (Rm)	338	334	290	244
Pre-int profit (Rm)	33,7	29,5	14,4	0,9
Pre-int margin (%)	9,9	8,9	5,0	0,4
Earnings (c)	37,2	20,8	(3,6)	(16,2)
Dividends (c)	8	6	2	nil
Net worth (c)	157	188	177	147

MIDMACOR — Activities: *Imports and distributes a variety of industrial products Other interests include rebuilding diesel engines and retailing of motor vehicles*
Control: *KNJ (88%).*
Chairman: *K N Jenkins*
Capital structure: *7,9m ords Market capitalisation R2,4m*
Share market: *Price 30c 12-month high, 60c, low, 30c Trading volume last quarter 160 shares*

Year to June 30	'90	'91	'92
ST debt (Rm)	8,2	12,4	13,1
LT debt (Rm)	6,1	6,2	5,6
Debt equity ratio	0,69	0 92	1,28
Shareholders' interest	0,49	0,90	0,34
Int & leasing cover	2,76	1,60	0,26
Return on cap (%)	15,8	9,2	2,4
Turnover (Rm)	86,8	18,8	75,8
Pre-int profit (Rm)	7,4	4,7	4,0
Pre-int margin (%)	8,5	6,0	1,9
Earnings (c)	36,4	(5,8)	(74,1)
Dividends (c)	6	2	—
Net worth (c)	264	250	182

With KNJ's track record, one would normally have expected a change of control to boost the share price Instead, after reaching a 12-month high of 60c in May — around the start of negotiations that led to the deal with Sukhulu Holdings — it has dropped to 30c, less than half the adjusted, post-merger NAV of 93c



In part, the market's cool response could reflect perceptions that a major task confronts the new controlling shareholders And, pertinent since release last month of the circular detailing the transactions, it could also recognise that the Sukhulu assets which have been injected into KNJ are no great shakes

Dealing first with the old KNJ, the 1992 year was another disaster and in many respects the worst since the listing in 1988 Any hopes a year ago that the restructuring that had been accomplished to that point would at least stabilise performance were snuffed Losses grew and this was worsened by the admission that problems were compounded by management shortcomings, this time in listed subsidiary Midmacor

Outgoing chairman Keith Jenkins makes no bones about this In his Midmacor annual review, he refers to the "unsatisfactory performance by the management of our businesses," and a need to "strengthen the management performance and team and to ensure discipline and adherence to laid-down policies and practices."

One can only guess the extent to which Midmacor's results were affected But it wrote a further R3m off stock, increasing its total attributable loss for the year from R2,8m to R5,8m

KNJ's share of Midmacor's losses amounted to R5,1m, or 7,2c a KNJ share — 44% of its own total attributable loss The rest of KNJ collectively lost 9c a share, before taking into account extraordinary write-offs of R9,5m after settlement of a long-standing dispute with the owners of the former Subroc businesses

Combined effect of these various losses — trading, abnormal and extraordinary — was to wipe off more than R21m from KNJ's equity base, reducing own shareholders' funds from R126,2m in 1991 to R105m Management did well to maintain relatively stable balance sheet ratios — the debt equity ratio, for instance, rose only marginally to 0,44 thanks to a R6,4m reduction in net borrowings This, out of a negative cash flow of R5,6m, was made possible by a release of funds from working capital

At the date of the merger, KNJ had a total asset base of R191m, generating sales of R244m and no profit

Turning to the Sukhulu assets acquired, based on the data in the circular, things look comparatively better Operating in much the same areas as KNJ, it is not surprising to find these companies, too, have suffered significantly in recent years But, according to audited results for the year to December 1991, unlike KNJ, they managed to keep their heads above water and earned combined attributable profit of R2,1m (after pref dividends)

When one turns to the pro forma effects of the merger, based on Sukhulu's unaudited results for the 12 months to June 1992 (matching KNJ's financial year), the picture changes The circular gives the pro forma effect on earnings as a reduction in attributable loss from 16,2c (calculated on KNJ's historical issued capital of 71,3m ords) to 7,1c (calculated after taking into account the 75m new ords issued to Sukhulu)

Profit contribution from the Sukhulu companies for the 12 months to June cannot have exceeded R1,2m which, viewed against the audited R2,1m profit for calendar 1991, could indicate these companies were merely breaking even in the first six months of 1992

Three factors are likely to dictate KNJ's future the degree of success the new controlling shareholders may have in addressing problems in KNJ, the extent to which rationalisation benefits can be achieved, and potential benefits of using Sukhulu's international connections to expand the geographical area of operation

On paper, it can work Obviously, the Israeli-based Eisenberg Group (one of Sukhulu's backers) believes it will, otherwise it would not be offering 85c a share for 10% of KNJ's old issued capital Equally, KNJ has, over the years, suffered a massive loss of its equity base NAV a share has declined from a peak of 188c in 1990 to the present, post-merger 93c This puts an automatic brake on earnings potential Even if, by some miracle, the enlarged group returns to a 25% ROE, EPS would still amount to only 23c — 14c (38%) less than the 1989 peak *Brian Thompson*

DATES TO REMEMBER

Last day to register for dividends:
Friday Oct 9: Aberdare 56,5c, Assore 250c, Dalys 37,5c, JD Group 4c, Minorco 101,7c, Ohio 1,8c, Q Data 14,4c; Rand Leases Prop *7,69c, Ruhold †40c; Suncrush 390c, WB Hold 7c.
Meetings:
Monday Oct 5: Distillers (Stellenbosch); KNJ (Ord & S); Midmacor
Thursday Oct 8: Primrose GM.
Friday Oct 9: Deelkraal, Doorns, Dries; ET Cons, Harties; Northam, Target, Village; Vlaks, Zandpan
All meetings are in Johannesburg unless otherwise stated
* = Per combined unit
† = Special dividend
S = Special meeting.

BEARING MAN

Dilution hurdle

Activities: *Distributes ball and roller bearings, power transmission products, seals etc*
Control: *Anglovaal (51%)*
Chairman: *D Royston, MD G J Till*
Capital structure: *9,4m ords Market capitalisation R41m*
Share market: *Price 435c Yields 5,2% on dividend, 15,7% on earnings, p e ratio, 6,4, cover, 3,0 12-month high, 450c, low, 390c Trading volume last quarter, 13 350 shares*

Year to June 30	*'89	*'90	*'91	†'92
ST debt (Rm)	9,3	22,9	20,6	16,4
LT debt (Rm)	1,7	3,8	6,0	4,9
Debt equity ratio	1,04	1,41	1,23	0,50
Shareholders' interest	0,35	0,30	0,34	0,43
Int & leasing cover	6,3	5,02	2,40	3,01
Return on cap (%)	22,9	26,0	25,6	14,0
Turnover (Rm)	52	86	96	119
Pre-int profit (Rm)	9,1	16,4	16,2	13,9
Pre-int margin (%)	17,5	19,0	16,9	11,7
Earnings (c)	80,1	132,2	94,9	68,3
Dividends (c)	20	40	30	22,5
Net worth (c)	286	385	443	458

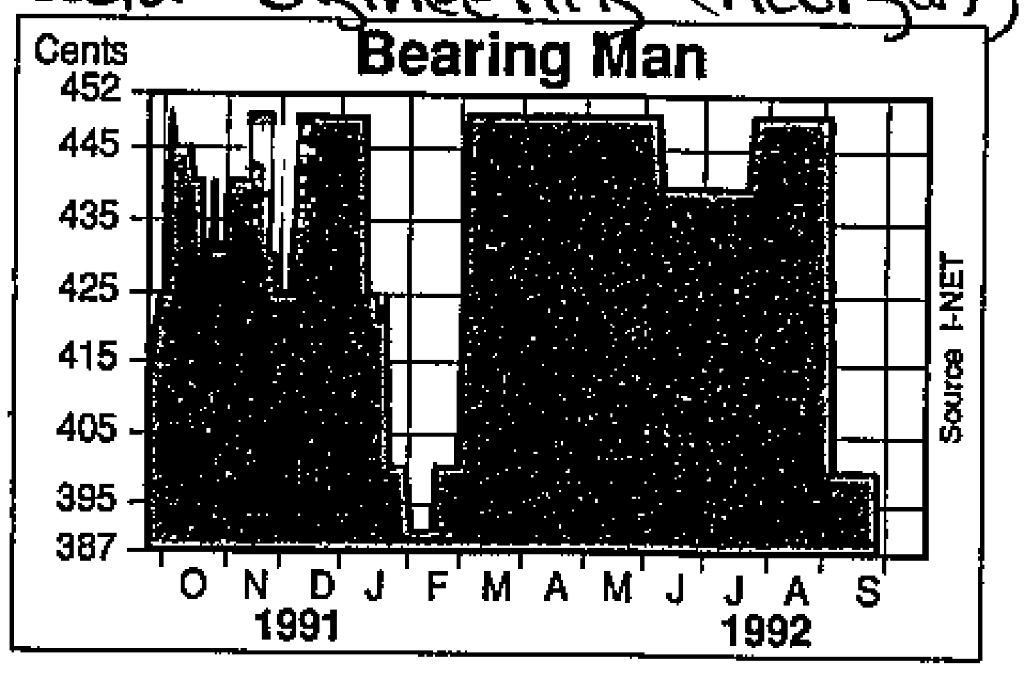
* Year to February
† 16 months annualised where necessary

This report is the first to be issued since the merger between Bearing Man and the bearing interests of Anglovaal's Steelmetals The merger, with some smaller acquisitions, was mainly responsible for the 56% increase in total assets between end-February 1991 and June 30 this year and the near doubling of shareholders' funds.

But minorities are probably scratching their heads as to whether they are any better off The short answer is that they will probably never know, as it is impossible at this stage to determine who contributed what to the 1992 results On the face of it, it would appear that the main beneficiary so far is Anglovaal, which controls the enlarged group through AVI and Aveng

Part of the problem in assessing the 1992 results is that the merger took place seven months into the 16-month accounting period With the substantial changes brought about by the merger, there is no accurate way of annualising the results to provide a full comparison with those of previous years The method used by the *FM* was a standard proportionate calculation based on the full 16-month accounting period, while the company has simply annualised the last six months' trading, which the company believes is more representative of the post-merger situation

Sector: Engineering (see McGregor)



The difference between the two is startling For example, the *FM*'s method produces a small decline in pre-tax profit compared with 1991, whereas the company's method indicates a 12% improvement Both, obviously, cannot be right, but the *FM*'s method at least has the advantage of enabling a calculation of annualised EPS, an exercise which the company has not even attempted

This calculation points to a decline in annualised earnings from 1991's 94,9c to 68,3c, which in turn comes close to the diluting effect indicated at the time of the deal The pro forma effects given then, based on the 1991 results of both companies, indicated that Bearing Man's EPS on its enlarged issued capital would decline to 67,2c, reflecting the lower profitability of the Steelmetals assets

On a more optimistic note, at least 1992's results did not turn out any worse than indicated, despite the accelerated decline in the economy since the September 30 merger date So it could be argued that the merged entity has shown improved inherent strength despite having had to absorb heavy (but undisclosed) costs associated with bringing the two operations together and the establishment of a new distribution network — a conclusion supported by chairman David Royston's view that the two businesses are strongly complementary

With these costs out of the way, it would appear that a more buoyant performance can be expected this year, though the benefits in terms of EPS are likely to be offset by the fact that 1993 EPS will be calculated on the full 9,4m issued shares instead of the 7,4m weighted average used last year, and that the accounting period will revert to a normal 12 months instead of 16

So while Royston comments that it will be "extremely difficult" to exceed the 91c earned in the period just completed, it should be borne in mind that merely maintaining earnings at this level would require an effective 68% increase in attributable income — something that, in the present business climate, could come only from significant rationalisation benefits *Brian Thompson*

—COMPANIES—

Klipton 'aims to take out rivals'

ANDREW KRUMM 189C

INDUSTRIAL holdings group Klipton will continue to increase its market share through organic growth and by acquisitions, says joint chairman Nigel Matthews.

Matthews said in the annual report for the year to June 1992 the industrial and safety equipment markets were overtraded, and Klipton aimed to "take out competitors".

Fierce competition saw Klipton's profit margins narrow in 1992, with earnings dropping 24% on an increased turnover. BIDAY

"The recession offers opportunities to take out competitors and enlarge market share accordingly"

He declined to disclose whether any acquisitions were in the offing, but said the security business had exciting growth potential.

Other group priorities included a need to reduce interest bearing debt, which rose by R8,5m to R14,4m in 1992, and consolidation

"Management is working to bring down the debt to equity ratio — which rose to 60,4% in 1992 (32,6%) — by tight asset management like destocking, and the use of assessed tax losses." 8/10/92.

Earnings and cash would benefit in the next two to three years from a lower than normal tax rate as available tax losses were used up. He declined to forecast group turnover and earnings for 1993.

KLIPTON FM 16|10|92.

Six and out

189C

Warnings sounded by the Matthews brothers in December rang true with the annual results, which ended the industrial holding group's six-year record of real growth Full effects of an acquisition spree of close on R8,8m in financial 1992 should, it is hoped, provide the synergistic benefits which have been at the heart of the previous success

Inclusion of SA Castors from March increased manufacturing capabilities and hence market share in related products Also during the year, the remaining 20% was

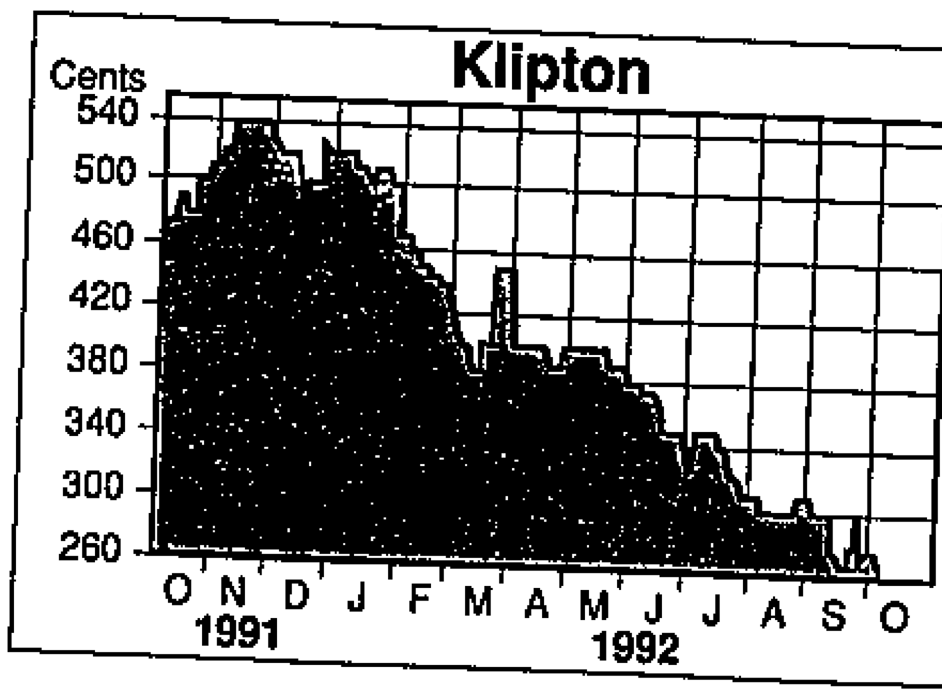
FM 16|10|92 189C

Activities: *Manufactures and markets specialised industrial products in the fields of materials handling, power tools and security*
Control: *Directors 15,8%*
Joint chairmen: *I N and R J L Matthews*
Capital structure: *141m ords Market capitalisation R38,1m*
Share market: *Price 270c Yields 7,0% on dividend, 14,4% on earnings, p e ratio, 6,9, cover, 2,1 12-month high, 540c, low, 270c Trading volume last quarter, 152 400 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	2,0	3,3	4,4	7,0
LT debt (Rm)	2,6	5,0	6,4	10,3
Debt equity ratio	0,37	0,34	0,31	0,60
Shareholders interest	0,39	0,32	0,33	0,35
Int & leasing cover	5,6	8,6	7,8	2,9
Return on cap (%)	19,0	22,3	20,8	12,5
Turnover (Rm)	57,0	88,9	106,8	122,1
Pre-int profit (Rm)	5,4	9,7	11,7	8,4
Pre-int margin (%)	9,4	10,9	11,0	6,9
Earnings (c)	46,7	58,6	59,0	39,0
Dividends (c)	15	19	19	19
Net worth (c)	174	160	162	170

acquired in Sandton Sentry Since year-end, Klipton has expanded its asset base further, acquiring Protector Gardrite to complement its personal safety equipment business (Campbell Gardwel) for just under R1m

With thinner margins, pre-tax profit almost halved to R5,5m (R10,2m) Despite a substantially lower tax charge (R800 000 versus R3,8m), EPS fell 34% A debt equity ratio up to 60% (33%) was well above the self-imposed limit of 50% This can partially be explained by higher stocks, the result of deteriorating trading conditions The interest bill almost doubled to R2,9m



Joint chairman Robin Matthews says several areas offer opportunities for growth In the safety and security division, for example, Austin Safe's export drive into Africa has taken off and exports to the UK continue to do well Post-acquisition rationalisation programmes have been completed

When the preliminary figures were published the company was still hoping for real earnings growth this year With continued poor economic conditions, heightened by the recent month-long Numsa strike, Matthews now doubts whether this will be possible

Nevertheless, he says Klipton's diversity and leadership in the material handling industry should, to some extent, provide a cushion Of course, much hangs on the political and economic climate and the ability to service higher borrowings

Though at 270c the share is at a 12-month low, a 7% dividend yield is well priced in relation to the market With the restructuring in place, the share may have upside potential

Marylou Greig

KNJ gets a leg over China's Great Wall

S/Times (BUSS) 18/10/92. (189C) ~~346~~

S/Times (BUSS) 18/10/92

FAST passage to China is the route followed by KNJ within a week of coming under the management of Sukhulu founder Lou Ichikowitz.

It has made two deals with mainland Chinese government bodies — believed to be the first such deals between South African companies and China.

"We have a four-year start on other South African traders because of our connections with the Eisenberg group," says the new KNJ chairman Eisenberg's founder, Shoul Eisenberg, is among the wealthiest men in the world, according to Fortune Magazine.

Ever a pioneer in global bartering, its 14 Chinese offices make it the largest foreign operator in the country.

Eisenberg owns 7% of KNJ, which did a deal with Sukhulu four months ago, where Sukhulu sold compatible parts of its extensive business interests into KNJ in return for a controlling stake.

While Nelson Mandela was labouring up the Great Wall of China a few days ago, KNJ was busy signing a deal with the Shandong Light Industry Products Import and Export Corporation, the official trader of the Shandong province.

It co-ordinates the imports and exports of 20 000 producers of light engineering goods, such as bicycles, tools, hardware, appliances and so on

Two Shandong managers have been seconded to KNJ to gain an understanding of the country.

"Chinese goods are right for Africa," says Ichikowitz. "Africans want value for money, and Japanese, European and American goods are becoming too expensive. Chinese products previously had a reputation for poor quality — the same as Japan had 30 years ago, and, like Japan, it is overcoming this perception.

"Our links with Eisenberg will ensure that quality control is strictly adhered to during manufacture in China."

Ichikowitz's son Ivor says KNJ intends to have 14 Chinese staff by next year.

"You can't do business successfully unless there is cross-pollination of cultures and ideas. I thought when the first Chinese came to KNJ we would have to teach them all about business. Instead, we are learning from them.

"In spite of living in an officially communist country, the Chinese are the most accomplished capitalists in the world."

Ivor Ichikowitz adds that China's latest trade policy, announced last Saturday, is not communist but "democratic with tight control".

A similar deal has been struck with the Tienjin Corporation, part of Hebei province, with Beijing as capital.

The chairman says KNJ is to be reshaped after three months of inertia pending shareholder approval of the KNJ deal.

Within hours, changes were being effected. KNJ's head office staff is moving to Sukhulu premises in Killarney, Johannesburg, and the philosophy is to switch from full autonomy to centralised support services backing decentralised sales and marketing.

"It will mean certain retrenchments, lots of merging of premises, cutting back on duplication, and so on. These are one-off costs but the benefits arising from the rationalisation phase will be felt only in the second half of the financial year to June 1993."

Ichikowitz senior says that the second phase of growth will be twofold. Organic growth means that more products will be offered to the trading divisions without a corresponding rise in overheads. "Eventually, gross profits equate to net profits."

Secondly, good companies with tired management will be singled out for possible takeover.

He notes that, although it had experienced staff, the original KNJ was thin on youth and on black management, and a training programme has been established to advance both blacks and youths.

Doing business in China is a challenge, but Ichikowitz speaks highly of the people with whom he deals directly and through a satellite link to Eisenberg's 14 offices there.

He says their English is better than that of the Japanese, they have a high work ethic, and management is hands-on — "boiler-room style" — and adaptable.

The deal is not all one-way trade. Ichikowitz says SA has plenty to offer, such as mining equipment, steel and technology. Shandong province alone has 105-million people and is the hub of China's mining.

He likes that boiler-room mentality. I left him donning a tie before he went to lunch with a stockbroker.

KNJ shares are steady at 40c, a price which looks to have discounted the worst. I like it.

LOU ICHIKOWITZ: 'We have a four-year start'

Business Day Reporter

KNJ clinches contracts with top Chinese firms

(189C) B/DAY 19/10/92

WITHIN a week of approval by shareholders for the reverse takeover of listed KNJ, the new controlling management has clinched two major contracts with institutions in China.

The reverse takeover was done through the purchase of selected compatible assets from Sukhulu Holdings for the issue of new shares by KNJ. Unlisted Sukhulu has grown rapidly since it was established by Lou Ichikowitz in 1987 after a management buyout which included Suzuki Distributors from Trust Bank.

Since the KNJ takeover, 7% of KNJ's shares are held by the worldwide Eisenberg group. Ichikowitz, KNJ's new chairman, has a strong relationship with the founder of Eisenberg group, Shoul Eisenberg Fortune Magazine names Eisenberg as one of the world's wealthiest men

The Eisenberg group, and Sukhulu, in which Eisenberg has a substantial minority stake, are particularly known for their expertise in international barter. The Eisenberg group is the largest non-Chinese company operating in China, where it has 14 offices

Coincidentally, the deals were clinched while Nelson Mandela was in China.

The first deal is for a joint venture between KNJ and Shandong Light Industry Products Import and Export Corporation (Shandong Corporation), the official trading corporation of Shandong province in central China Shandong Corporation co-ordinates import and export by about 20 000 producers of light engineering products such as bicycles, tools, hardware, agricultural implements and appliances.

KNJ's infrastructure will be used to market products in Africa from Shandong Corporation. KNJ believes there are extensive synergies with KNJ and that Shandong Corporation's products are appropriate in technology and price to Africa's needs Shandong Corporation will be investing in SA and a few of its managers have been seconded to KNJ's offices to gain an understanding of the local culture and market

KNJ will be able to ensure the quality of products from China because the Eisenberg group has extensive screening and quality control facilities in China KNJ intends to offer these facilities to other companies sourcing from China.

The second deal, with the Tienjin Light Industry Products Import and Export Corporation, is similar to that with Shandong Corporation.

Tienjin is in Hebei province, near Beijing

The two deals followed the shareholders meeting held on October 5 to approve the Sukhulu-KNJ deal The gap between the effective date of the deal (July 1 1992) and approval by the meeting means the new management must act swiftly in the less than nine months left in KNJ's present financial year to achieve its target of reverting it to profitability.

In the year to end-June 1992, KNJ reported an attributable loss of R11,6m, and R21,1m after extraordinary items.

Ichikowitz expressed confidence in KNJ and SA "The future of SA is tinged with doubt and we have many sceptics Sukhulu, with Eisenberg, believes however there is a great future in SA."

Sukhulu is a franchise and distribution-centred industrial group. It started in 1936 and its activities span transportation and equipment supplies, industrial supplies, sporting and leisure goods, clothing and footwear, food processing, medical and dental products, marine products, building materials, electronics and special trading activities

Only Sukhulu businesses compatible and allied to existing KNJ businesses will be injected into KNJ. These include Sukhulu's Suzuki franchise, trading activities in tools, hardware and sporting goods, manufacture and trading activities in white goods and TVs, brickworks, the retail division (mainly in motor) and property

KNJ's activities span specialised steel, materials handling and mining equipment, tool manufacture and sales, white goods manufacture, sea and air clearing and forwarding, and property.

Midmacor Industries, a listed company 88%-held by KNJ, has the franchise in SA for Honda motorcycles and power products.

(189C)

Macadams relies on its exports

B/DAY 28/10/92

MARCIA KLEIN

BAKERY and confectionery equipment company Macadams's earnings dropped to 3,1c (5c) a share in the six months to end-August

MD Raimund Pouliart said the 9,9% decline in turnover to R16m (R17,8m), was cushioned by a huge rise in export sales Local sales dropped by 20%, but "exports doubled to beat the figure attained during the whole of the previous year"

Operating income dropped by 7,3% to R1,3m and margins improved

The interest bill rose to R753 000 from R575 000, largely due to the rise in export financing, and net income dropped to R522 000 from R801 000

No interim dividend was declared, in line with company policy to declare one dividend a year Pouliart said this meant net profit was retained in full as shareholders' interest, increasing NAV to 53,3c a share from 51,2c at the February year-end

He said costs were continuously rising, and expenditure on research and development was also on the increase

The company had to spend more on exhibiting overseas, but this would lead to an increase in exports

Pouliart said results for the second half should be similar, if not better than those in the first half as growing export sales would offset the depressed local economy

Powertech in R8,5m bid for Picapli control

1890 CT 5/11/92

By AUDREY D'ANGELO
Business Editor

POWER Technologies (Powertech) has offered to buy control of Cape-based Picapli, which manufactures and distributes refrigerators, freezers and stoves, for R8,5m. The deal will be funded by an issue of Powertech shares.

Powertech will also pay R21m into Picapli's loan account, and intends to have a R21m rights offer to reduce interest-bearing debt.

The offer has already been approved by the majority shareholders

Minority shareholders in Picbel and Pichold will be asked to approve a scheme of arrangement under which Powertech will acquire 61% of Picapli

Holding company Pichold will retain a 32% interest and both Picbel and Pichold will be de-listed from the JSE.

Simon Nash, a founding shareholder of Valard, will acquire 30% of Powertech's interest in Picapli and will manage the company

Shareholders are being offered 188 Powertech shares for every 100 Picbel shares and 150 Powertech shares for every 100 Pichold shares

Alternatively, they may take a cash offer of R6,58 for each Picbel share and R5,25 for each Pichold share They may not choose a combination of cash and shares

Following the change of control Pichold will offer Picapli minority shareholders, excluding Pichold, approximately 80c a share

Picbel was trading at R6 a share and Pichold at R5 a share yesterday

Explaining the reason for the offer Powertech executive chairman Peter Watt said he expected a big rise in demand for consumer appliances as the economy improved.

Picapli already had 38% of the domestic market, and an expanding export trade

Jan Pickard, senior, chairman of Picapli, Picbel and Pichold, said yesterday he was confident that the electrification of black townships would mean a huge demand for refrigerators and stoves

But there was no growth in demand in the present state of the economy And all manufacturers had been hit badly by inflation, which was pushing up their costs

"You need more capital every year Today is the time for big people, who can ride out the recession and wait for better times"

Pickard said Picapli was exporting to other African countries including Zimbabwe, Reunion and Mauritius These markets were growing

A statement issued by Powertech yesterday said the deal included acquiring Picapli's full product range including the KIC, Indesit, Whirlpool and Hitachi ranges

It would position Powertech to take advantage of increased consumer spending as social upliftment projects were implemented 'The group will be putting its muscle behind ensuring optimum competitiveness and market penetration by the new acquisition"

Watt said "Whatever the outcome of the evolving political scenario it is clear that the size of the domestic market will increase as more people become economically active"

He warned that SA was no longer a closed economy with protected local markets "The consumer goods industry is facing severe cometition from imports

"However white goods are being produced competitively by Picapli'

Watt said increased production 'has enabled the company to boost export business"

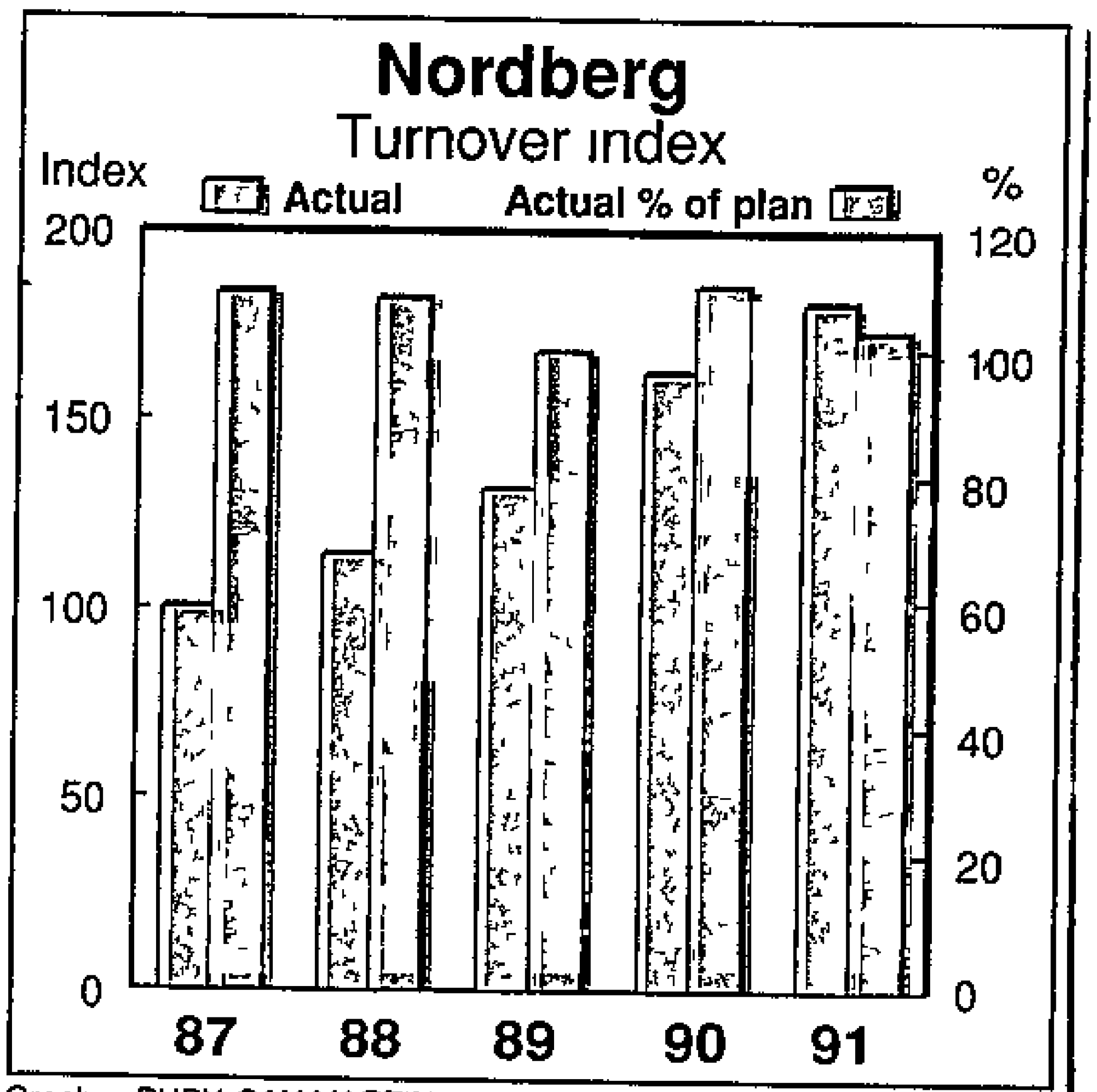
The deal includes four-year restraint of trade agreements with Jan Pickard senior and junior against competition with companies on the Picapli group

Jan Pickard senior pointed out "We still have 30%"

The Powertech statement warned that "It is unlikely that Picapli will declare a dividend on its ordinary shares until gearing has been further reduced by improvements in working capital"

Nordberg aims at being preferred supplier to Africa

BDM 17/11/92 (184C)



Graphic RUBY GAY MARTIN

HEAVY mining machinery manufacturer Nordberg is contender for the SA Non-Listed Company Award for the fourth successive year The company received a special award last year

Financial director Leon Chonin says one of Nordberg's missions is to excel in customer service needs by providing product quality and offering clearly differentiated products, systems and services that provide effective solutions to customers' problems

Nordberg has operated in SA for over 76 years. It was formerly a wholly owned US company before restructuring in 1988

The company was acquired by First Merchant Bank and the local executive directors, who jointly have a combined controlling interest, while a Dutch company continues to control a minority stake

Chonin says the company has managed to repay its acquisition debt in four years, even though it was highly geared at the time

Nordberg managed this through strict financial discipline

"The company has a reputation for providing the latest technology through which customers are able to reduce their operating costs"

Mining has been especially affected by the recession, but Chonin says Nordberg is fortunate to have Anglo American, Anglovaal, JCI and Gencor as its customers

All its equipment is manufactured locally, but the technology comes from licensors in the US, France and Australia

Nordberg is known in the mining industry for its supply of cone and jaw crushers, vibrating feeders and screening products

It recently introduced the Rammer hydraulic hammer and the Gurdlach range of roll crushers

The company can also design a complete turnkey project

Chonin says while Nordberg has been committed to the export drive, inflation has stunted its competitiveness in American and European markets

He says the General Export Incentive Scheme has assisted the company in offering more competitive prices, but it has found export margins falling

Nordberg products have been promoted in Central Africa, the Indian Ocean islands, Israel and through Nordberg's international distribution into Europe, North America and Asian Pacific areas

One of its objectives is to pursue partnership arrangements with international bankers to become the preferred supplier of goods and services to Africa

Chonin says Nordberg is concerned about the unrest which is hampering economic development of many underprivileged communities in SA

However, he says the company is cautiously optimistic that once a political dispensation has been reached, foreign capital will be attracted to SA

Long-term objectives are to launch new high-performance crusher ranges from overseas licensors and to concentrate on "service exchange" as an alternative to some customers

Rising costs have seen some customers opt for refurbished parts and equipment and the company has been forced to incorporate its Welkom refurbishment plant into its Vereeniging operation

Chonin says it is appropriate that Nordberg has been honoured with inclusion in the SA Non-Listed Company Award because it has achieved its strategic objectives He says it has overcome the difficulties of being a highly geared financial structure by committing itself to its mission statement

Saficon's approach to the recession is to ignore it

BDM 17/11/92 (184C)

SAFICON Industrial Equipment (SIE) has a simple approach to the recession "We ignore it," says MD Don Bailiff

He's not joking In 1991 SIE increased sales by 20% despite a 10% drop in the materials handling market Much of the improvement came from repeat sales, but also from new business as SIE's reputation spread

In the seven years since acquiring the Toyota forklift franchise, the company has gained more than 40% of the market, compared with 8% when it set out

SIE's increase in market share is its biggest achievement in a competitive and overtraded market, says Bailiff

A small company with sales volume only a fraction of that of the motor manufacturer with which it shares a name and supplier, SIE receives the same backup and attention that Toyota manufacturers worldwide depend on

A permanent representative of Toyota Japan is in Johannesburg to liaise with the supplier, and SIE can expect any number of quality checks each year

The first completed model of any new line must also undergo stringent checks by representatives of Toyota Japan before the green light

For the past two years the company has won the international Parts and Service Excellence Award given annually by the Toyota Motor Corporation, competing against franchise holders in the UK, Germany, Sweden, Finland, Denmark and Belgium

It was highly rated in labour recovery, training methods, warranty control and stock levels, and judged the dealer which achieved the most over annual target

Although assembly kits are brought in from overseas, SIE is one of only three forklift manufacturers in SA which put together their own chassis and frames, which need to be extremely strong to handle heavy wear and tear

More than 80% of work on a forklift is done locally, with 40% of materials used sourced in SA

Clients can call upon more than 60 mobile field engineer units, coupled with a full service and maintenance package

Short and long term hiring options are offered With more than 800 units in its fleet, the SIE rental division is one of the largest in the country

SIE has set up a training facility for drivers, with instruction on safety, maintenance and operation of vehicles

SIE has clients including SA Breweries, Amalgamated Beverage Canners, Pick n' Pay and Dorbel Last year Volkswagen SA, looking for ways to streamline its operation, opted for a SIE full maintenance package

FM 20/11/92

CONTROL INSTRUMENTS FM 20/11/92

How low can it go?

Activities: *Designs, makes and services electronics and systems for specialised markets Makes and sells products in industrial ~~instru~~-mentation field*
Control: *Anglovaal 60%* (189C)
Chairman: *H V Hefer, MD R Friedman*
Capital structure: *67,7m ords Market capitalisation R13,5m*
Share market: *Price 20c Yield. 2% on earnings, p e ratio, 50 12-month high, 27c, low, 20c Trading volume last quarter, 4 500 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	14,1	16,8	14,4	11,0
LT debt (Rm)	1,4	1,6	3,0	2,7
Debt equity ratio	0,19	0,52	0,47	0,25
Shareholders interest	0,57	0,46	0,48	0,50
Int & leasing cover	9,4	n/a	1,1	1,2
Return on cap (%)	7,7	n/a	4,6	3,9
Turnover (Rm)	73,0	67,6	65,1	66,3
Pre-int profit (Rm)	5,1	(2,1)	2,3	1,9
Pre-int margin (%)	6,9	n/a	3,5	2,9
Earnings (c)	6,5	(6,7)	nil	0,4
Dividends (c)	2,2	nil	nil	nil
Net worth (c)	53,5	35,6	35,6	36,0

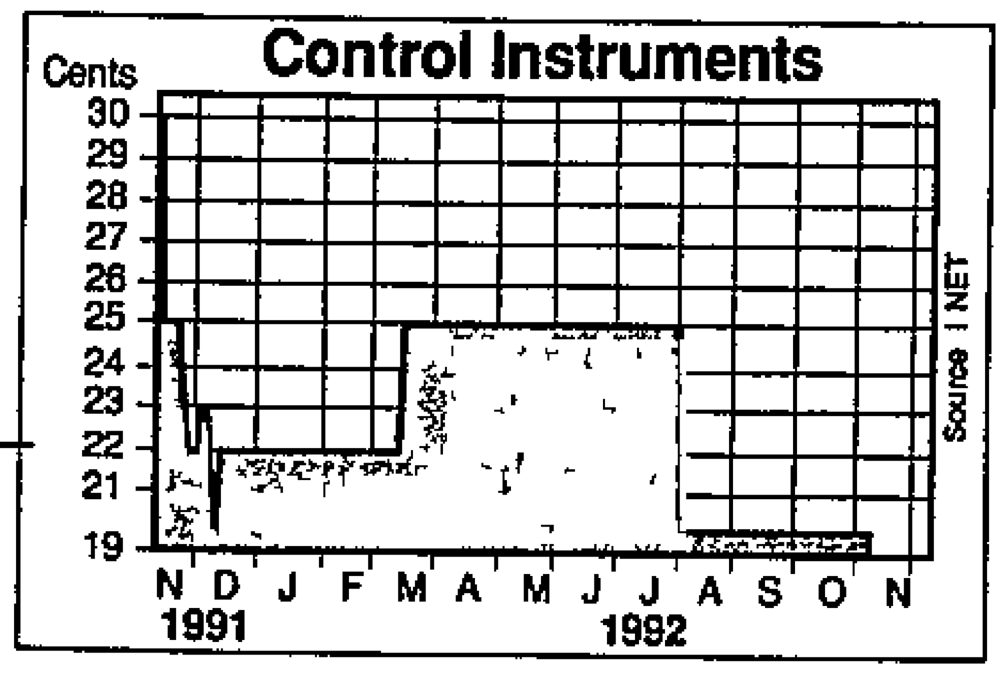
High exposure to the motor industry has undermined Control Instruments' profitability since the 1987 listing at 190c a share CI's main activities are automotive electronics and instrumentation, industrial instruments and access control systems (189C)

Vulnerability to the economic cycle is borne out by the steady slide of the share price Performance compared with the electronics sector has also been weakening High interest charges have done the most harm to profitability Two acquisitions, Ferris in 1988 and Harvey & Russell Industrial Instrumentation in 1989, increased interest charges, as did the rise in stocks due to the acquisitions and a three-month lead time in changing stock orders

Interest charges demolished earnings already hit by recession In 1991, a pre-tax profit of only R5 000 remained after a net interest charge of R2,3m In 1992, a pre-tax profit of R290 000 remained after net interest of R1,6m Interest and leasing cover are low at 1,2

Steps have been taken to cut gearing The debt equity ratio of 25% is half of 1990's as a result of improved asset management Working capital has been reduced steadily from R31m in 1989 to R20,9m in 1992

Gross cash flow took a tumble in 1990 to a negative R2,5m because of the losses incurred This has been reversed to a positive R2,6m last year Debt cover (gross cash flow/total debt) remains low at 19%



Earnings have only managed to break even since the loss of 6,7c/share in 1990 Future earnings will depend on the economy, especially the motor industry Static turnover in 1992 reflects the slowdown in that industry At least CI will pay no tax for some years, since it has R36,6m tax losses

CI has not paid a dividend since 1989 The share, at a record low, is still on a p e of 50 But judging by the improvement in asset management and gearing, this might be an interesting turnaround story *Louise Randell*

FM 20/11/92. (189C)

MAXMECH

Ambitious strategy

Maxmech is involved in a capital-intensive, specialised business Executive chairman Ivan Dettmann says it is the only locally owned company of its kind that designs, makes and markets sealing systems under strict quality control

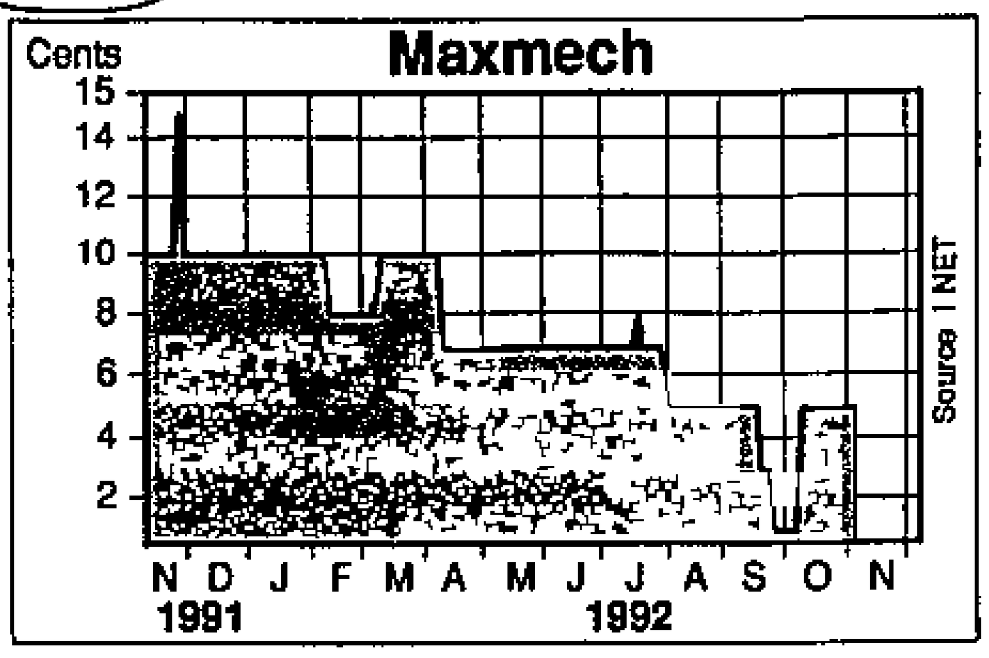
Turnover for the past two years reflects difficult conditions in the target market of process and related industries that use rotating equipment

In the last annual report, Dettmann says Maxmech aims to "pursue aggressively a marketing strategy which will ensure an increased market share"

In the continuing recession, this strategy may be too ambitious for a small company with a year-end debt equity ratio of 90% — up from 63% in 1991

Shareholders' funds include an interest-bearing loan repayable in 1997 Adding the loan to long-term debt lifts debt equity to 111%

The balance sheet weakened in 1992, with interest-bearing debt rising by half Asset



management deteriorated, with stocks rising by more than half and working capital requirements by a third

Continue

FM 20/11/92 (189C).

Activities: *Production of sophisticated sealing systems used by process and related industries on rotating equipment*
Control: *Directors 58,3%*
Chairman & MD: *I J Dettmann*
Capital structure: *5m ords Market capitalisation, R0,25m*
Share market: *Price 5c P/e ratio, 6,3 12-month high, 10c; low, 5c Trading volume last quarter, 10 000 shares*

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	0,80	0,66	0,44	0,80
LT debt (Rm)	0,38	0,18	0,11	0,03
Debt equity ratio	0,83	0,55	0,63	0,90
Shareholders' interest	0,54	0,49	0,45	0,39
Int & leasing cover	2,2	1,4	n/a	1,1
Return on cap (%)	13,5	10,6	n/a	9,5
Turnover (Rm)	4,6	5,9	4,5	4,8
Pre-int profit (Rm)	0,35	0,31	(0,41)	0,22
Pre-int margin (%)	7,7	5,3	n/a	4,7
Earnings (c)	2,6	1,0	(11,2)	0,8
Dividends (c)	—	—	—	—
Net worth (c)	28,1	28,6	17,4	18,2

* 1990 figures have been restated

But the income statement showed some improvements after the poor 1991 results Turnover improved slightly and net operating loss (before abnormal items) reduced from R500 000 to R10 000 Emphasis has remained on cost control. However, operating costs before interest payments still absorb 96% of turnover

Ploughing back profits

The DCM-listed share is highly geared to speculation, a 1c rise in share price will produce a 20% return on investment The price stands at a 73% discount to NAV But high gearing, deteriorating asset management and difficult market conditions make any fundamental improvement unlikely

A dividend has not been paid for the past four years, nor is one likely for the foreseeable future As a small company competing against bigger players, it will be channelling any profits back into the business *Louise Randell*

SA steel props the Chunnel's roof

By DON ROBERTSON

S/Times (Bus) 29/11/92.

SOUTH African steel has been used in the channel tunnel between Britain and France The coup was achieved by Babalegi-based Tswana Steel

Since 1986 until October last year, it exported about 43 tons of steel wire a week to the UK for use in the tunnel

The 1,6mm black baling wire was used for tying steel reinforcing together before cement was poured The wire rod was bought from Iscor, drawn to size and annealed by Tswana Steel

The contract was won against international competition Because of sanctions against SA, details of the contract have been suppressed

Tswana Steel marketing director Anton Lotter says that when the contract was won, a price of £267 a ton was charged When the contract ended last year the price had risen by only £30 a ton

Tswana Steel started in Pretoria in 1974 and was registered in Bophuthatswana in 1978 The company employed 38 workers and had a turnover of R100 000 a year Today, the company employs 475 and has a turnover of between R3-million and R4-million a month

1890

Flexible

The company is a large user of steel — about 2 000 tons a month for the manufacture, among other things, of beds, cabinets, lockers, cupboards, office furniture, school desks and first-aid boxes

A fibreglass plant was opened recently on the 6ha site for the manufacture of garden and office furniture

The main source of income is from its wire drawing On site is a bedding and sheet metal plant A wide range of beds are made for domestic use and the mining and institutional industry

The company is investigating the possibility of producing hospital equipment and basic school desks which it hopes to export

Operations are largely labour intensive and flexible Bed production is about 300 a day, but this could be increased to 500 or 700

Shortly before the Namibian elections, Mr Lotter received an order for 1 314 folding steel tables with a delivery date of one week The tables were delivered before polling day

Mr Lotter believes that South Africa's economy will not improve until there is a new government — not an interim one The company hopes to increase exports

About R1-million comes from exports each month

The sales team visits about eight African countries a month Many of its members are learning French, Portuguese or Swahili to associate closely with those countries

The company is owned by Mr Lotter, managing director Div De Villiers and production director John (Wally) Walters Lesia Groenewald, wife of the founder, also has a share in the company

MANUFACTURING
METALS, METAL
PRODUCTS
1992

Waste-tech helps Fraser Alexander improve 54%

B Day 19/2/92 (189)

JABULANI SIKHAKHANE

BOOSTED by the recent Waste-tech acquisition and strong performances by its major divisions, materials handling group Fraser Alexander increased earnings by 54% in the six months to December

The issued share capital increased 26% and earnings a share rose 22,2% to 54,5c Dividends were up 9,1% to 12c with the cover increasing 4,5 times from 4

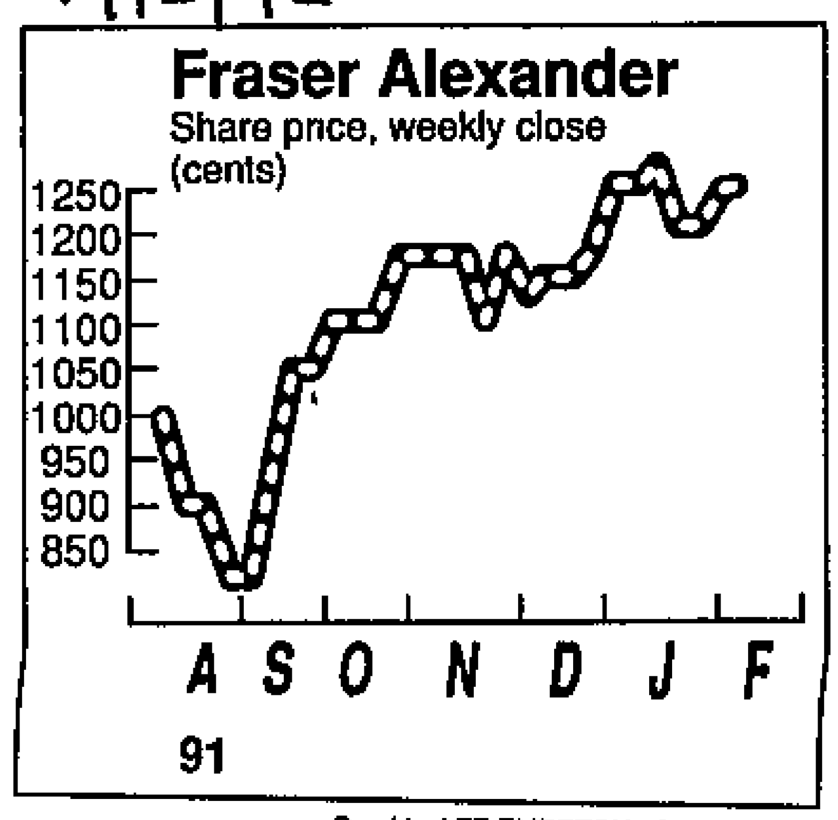
Executive chairman Peter Flack said with Waste-tech results stripped out, the group's businesses still showed real earnings growth

Waste-tech was expected to add about 7% to Fraser Alexander earnings at the time of acquisition last year

Flack said recovery during the review period was led by the concrete products division which received a boost from the successful introduction of concrete pipes for the mining industry and concrete toilets for the housing market

The mining division suffered losses in its underground operations and UK-based coal trading business

Flack said the coal operation had lost R1m-R2m in two contracts



Graphic LEE EMERTON Source I NET

The mining division will be under pressure during the second half following coal intake cutbacks by the ferrochrome industry

All other group divisions were on or ahead of budget Group turnover increased 65% to R172,84m and net income before extraordinary items rose 54% from R5,56m to R8,57m

Financial director Les Maxwell said that with a lower proportion of income coming from offshore operations, the effective tax rate increased to 42% where it was expected to hold for the year

An increase in shareholder's funds resulting from the Waste-tech acquisition, lower capital expenditure and improved profitability saw gearing reducing to 51% from the year-end level of 72% Maxwell said gearing could reduce to 40% by year end

The second half, traditionally Fraser Alexander's best period, is expected to be the same or slightly better than the first

Flack said the Waste-tech acquisition had shot the group's waste management division into number two slot, after mining services, in terms of contribution to group profits

With the Department of Water Affairs expected to introduce stricter waste handling regulations, he said, waste management represented a major growth area for the group

Fraser Alexander was excited by business opportunities in Africa and had delegated a senior executive to explore further opportunities, Flack said

The group was currently working on a joint venture in Zimbabwe, in bulk materials handling, tailings and mine dump beneficiation The Aids epidemic in Africa also presented opportunities for the group's medical waste division

Fralex, which holds 57,8% of Fraser Alexander, increased earnings by 26% to 31,7c, with dividends up 7,2% to 7c a share

Usko's deal under attack

189

EDWARD WEST

THE Shareholders' Association has agreed to back Usko minorities in their bid to fight an impending deal for company control

Shareholders' Association chairman Issy Goldberg said on Friday he and a myriad of shareholders were "aghast" at a cautionary announcement published by Usko last week and the subsequent speculation on details of the proposed deal

He said a cautionary notice was usually structured to act as a caveat when negotiations were being entered into

"This Usko cautionary notice tells shareholders a deal has already been consummated with a certain party subject to certain conditions, but the details of the deal are still shrouded in mystery

"To minority shareholders; the unkindest cut of all is the notice in the cautionary announcement that no other offer can be negotiated as it is contractually undertaken by the board of Usko that they will not consider any further offers of any kind"

The announcement last week was preceded by another cautionary which stated that Aberdare Cables was involved in negotiations with Usko Goldberg said minority shareholders would want Usko to explain why the Aberdare negotiations were rejected B/Day 17/2/92

It was speculated last week that the offer came from Dorbyl and the term would require minorities to give up 240 Usko shares for one Dorbyl share

With enough support and legal backing, the Shareholders' Association would take steps to "vigorously oppose the possibility

□ To Page 2

Usko

B/Day 17/2/92

189

□ From Page 1

of this offer being consummated", Goldberg said

In response, JSE senior corporate finance officer Douglas Doel agreed a cautionary's aim was to warn shareholders of an impending deal

However, in Usko's case, the JSE was advised of factors which could disrupt Usko's reconstruction Shareholders needed to be informed of this, Doel said

Even though the cautionary said Usko had accepted an offer and that no other offers could be entertained, the fact that there were conditions precedent to the offer meant the deal could still be overturned, he said

The JSE would have preferred to have known what the conditions were, but Usko management had said negotiations were at a sensitive stage and the JSE respected Usko's wish for confidentiality Doel said

Usko, Dorbyl, Metkor and Rhovan chairman Floors Kotzee would not comment yesterday other than to say his main responsibility was to his shareholders

Tempers rise over Dorbyl Usko offer

S Times (Buss) 189

16/2/92

By JULIE WALKER

USKO minorities are poised to strike back if a deal between Dorbyl and Usko is accepted ahead of a potentially more favourable offer from Powertech's Aberdare

Usko, which until last year had interests in iron, steel, vanadium and cabling, is in financial difficulties Its bank borrowings top R150-million and it is trading in an insolvent state, with negative shareholders' funds of more than R90-million

Late last year, Berzack made a bid for the group because of its complementary holdings in cables, but later walked away from it

Terms

Aberdare was believed to have been competing with Berzack for Usko Aberdare said on Wednesday this week that it would bid for Usko

The next day, it was announced that Usko and controlling shareholder Metkor had received offers and one had been conditionally accepted

In terms of the accepted offer, Usko and Metkor are contractually bound not to embark on negotiations with any other party for the disposal of any of its shares or part of its businesses

It is believed that the offer has been made by Dorbyl, which warned its shareholders on February 3 that negotiations were under way

Usko, Dorbyl and Metkor have as chairman Floors Kotzee

Issy Goldberg of the Shareholders Association of SA, says he is aghast at the way Usko appears to have accepted an offer without having told the minority of the terms

Mr Goldberg urges Usko members to write to him at Box 3778, Cape Town He pledges to fight for the best deal on their behalf

"Usko's management has run this group down from a mild-blue chip to dross," says Mr Goldberg

Par

According to one Usko shareholder, the proposal amounts to a closed-shop incestuous deal where the chairman merely switches his Dorbyl bidding hat for his Usko acceptance hat The potential for conflict of interest is plain, he says

No fewer than five Usko directors are on the Dorbyl board

Usko traded at nearly 100c for several years before the 1990 venture in vanadium with Rhovan pushed the share price almost to R6 The price is now 40c

Usko sold off its steel interests, valued at R125-million, to Iscor for R50-million last year, its steel trading operations for R5-million and its failed vanadium venture assets to Rhovan for R1

Mr Kotzee is also the

□ To Page 2

Usko anger

189

S Times (Buss) 16/2/92

□ From Page 1

Rhovan chairman

Given its record of disposing of assets at below par, Usko might sell its remaining cabling operations at a giveaway price Minority shareholders might be obliged to consider an offer below the current market price, ignorant of the Aberdare terms

Neither Usko nor Dorbyl will comment Aberdare refers questioners to its Wednesday announcement

Fireworks can be expected if Usko members are yet again disadvantaged There appear to be significant breaches of the rules and principles of the Securities Regulation Panel

Samancor floored by stainless steel

(189)

S/Times (Buss) 16/2/92

By IAN ROBINSON

A COLLAPSE in world stainless-steel production at the end of last year triggered Samancor's decision temporarily to close its ferrochrome plant

Samancor will switch off all its ferrochrome furnaces by February 20 for at least three months.

Stainless-steel production declined in the US throughout 1991 and fell sharply in Europe and Japan towards the end of the year.

World production dropped from an annual rate of about 11-million tons in the first half of the year to about 8-million

Chromium is an essential element in stainless steel All grades of stainless steel contain at least 12% chromium

Chromium is added to the steel melt either in the form of ferrochrome or in stainless-steel scrap.

The downturn in stainless steel has resulted not only in reduced demand for chromium units but an increase in the availability of scrap Consequently scrap prices fell to below $700 a ton, but have rallied in the past few weeks to more than $900

At a scrap price of $750 a ton the effective cost of the chromium content is only 37 US cents a pound compared with Samancor's ferrochrome price of 52c/lb

The effective cost of the nickel content — an essential ingredient in austenitic grades of stainless steel — is $2,70/lb compared with $3,50 for virgin nickel

In some mills in Europe up to 90% of chromium units are coming from scrap compared with a normal 50%

Samancor managing director Hans Smith says the temporary closure is the best strategic response to the weak demand

Reducing the price would not stimulate increased demand Nor would it force high-cost foreign producers to close because in some countries factors other than profit play a dominant role in maintaining domestic production

The government supports ferrochrome production in Japan — the world's second-largest producer after South Africa — for strategic reasons

Continuing production — even at a low level — would result in a further build-up of stocks and a consequent increase in interest costs

Samancor has strengthened its long-term position in the world ferrochrome industry through its purchase of Middelburg Steel & Alloys (MS&A)

Solution

Not only has it increased its share of world production capacity from about a fifth to about a third, but it has acquired new technology which could increase its strategic options.

Mr Smith says that pre-reduction — using MS&A's chrome direct reduction (CDR) plant, currently inoperative — is the long-term solution for reducing production costs

Mr Smith is "very pleasantly surprised" to learn of the performance of the plasma furnace at the former MS&A Palmiet plant at Krugersdorp.

The furnace produces a superior product based on chromite fines feedstock which can be used only in limited quantities in conventional submerged-arc furnaces

Iscor denies retrenchment

(189 M)
CT 14/2/92

JOHANNESBURG — Iscor yesterday denied it was laying off about 2 000 white employees at its Vereeniging plant, saying it was considering options that would ultimately put some 350 jobs in jeopardy

"The Vereeniging Works only employs a total of 2 200, of whom some 50% are white workers," Iscor said Options included transfers, early retirement and reduced working hours in certain sections. — Sapa

COMPANIES

Poor trading conditions hit Haggie Rand's sales

189

B/Day 14/2/92

JABULANI SIKHAKHANE

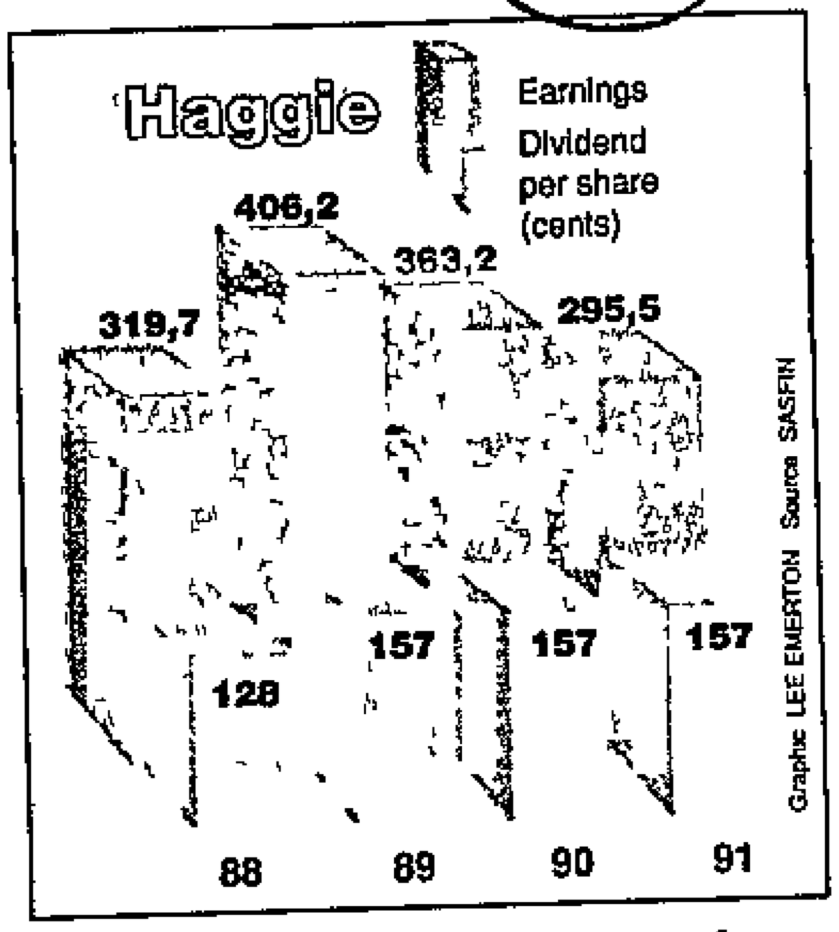
HAGGIE RAND's earnings dropped 19% to 295,5c as trading conditions deteriorated sharply in the second half of the year to December. But the dividend was pegged at 157c a share — where it has held static since 1989.

With lower retained profits MD Chris Murray said the group would have to finance capital expenditure mainly from borrowings Gearing may top 40% over the next two years from 1991's 26%

Haggie, jointly controlled by Malbak and Anglo American Industrial Corporation's subsidiary Scaw Metals, manufactures wire and ropes, copper-based products and engineering consumables

During the review period domestic sales were down 9% Murray attributed this to the recession and lower demand from the gold mining industry This affected the wire and rope division which generates about 50% of Haggie's gross turnover

Sales of heavy ropes, mainly used by the gold mining sector, were down 30%, while sales to the general mining industry (including platinum and coal mines) fell by 20%



Although export sales were up 14% for the full year (32% up at the interim), these were not strong enough to offset the decline in local demand Exports account for 15% of the group's total turnover

Murray said increased export volumes were crucial for the group to recover fixed costs to ease the pressure on operating margins which have been dropping since 1987 when they peaked at 14,5%

The group had worked hard on developing export markets from which further benefits should accrue in financial 1992

Overall turnover fell 6% to R1,18bn, but operating income dropped 24% to R105,04m As a result margins dropped further to 8,8%

After net interest payments of R19,02m (R20,34m), pre-tax income at R86,02m was down 27% on the previous year

Higher export allowances reduced the tax charge which dropped 46% to R19,34m (R36,01m) As a result the reduction in taxed income was held to 18% at R66,68m (R81,39m) After minorities and preference dividends, attributable income fell 19% to R57,51m, equivalent to earnings a share of 295,5c

Haggie is budgeting for an improved performance in 1992 Murray said this would come mainly from rationalisation benefits, incremental tonnages in the export markets and tighter management of working capital Haggie's cost containment programme, which included a reduction in the workforce, would also help.

Columbus to apply for all incentives

Bday 14/2/92

(189)

LESLEY LAMBERT

ANGLO American and Gencor's joint Columbus stainless steel project would apply for all state export incentives, including the accelerated depreciation allowances, CE Fred Boshoff said yesterday

Spelling out the details of the new tax allowances offered in terms of S 37E of the Income Tax Act, Boshoff said the project developers were concerned about a condition of the allowances which would force them to forego other export incentives These included the General Export Incentive Scheme and the regional industrial development programme

"We intend negotiating for these incentives as well," he said at a conference on export incentives in Johannesburg yesterday

Boshoff said the scope and capital costs of the revised Columbus project would be defined within the next two to three months

Application would then be made for the S 37E allowances The allowances would help the project over the difficult start-up period when major capital projects normally experienced the greatest cash flow problems, Boshoff said

But, even with state assistance, it would take a long time before the project produced real investment returns

"It is a risky project and we are not expecting real returns within five or even 10 years We are probably looking at a horizon of about 15 years," he said

"But we have the backing of groups which believe that this is the type of project SA must develop"

The inclusion of Middelburg Steel & Alloys recently acquired by an Anglo /Gencor consortium would provide much of the project's basic infrastructure, resulting in a considerable cost-saving, Boshoff said.

"This will give us the advantage of economies of scale and we will not have to employ more people The employment opportunities will be created in the secondary industries"

MS & A had the capacity to produce 120 000 tons of stainless steel a year This would be expanded to 500 000 once the project was fully commissioned, catapulting SA to the position of fifth largest producer of stainless steel after Japan, the US, Germany and France

Boshoff said that in order to compete on international markets, Columbus would have to increase its production of ferritic stainless steel, which has a high chrome content

FM 14/2/92 (189)

HIGHVELD STEEL (189)

Level-pegging FM 14/2/92

Highveld Steel & Vanadium's ability to maintain its dividend in spite of a 3,7% drop in turnover and 46% slump in pre-tax profit is due mainly to a sharply lower tax rate and the large cash reserves

Chairman Leslie Boyd says there was R285m in the bank at end-December, compared with R194m a year ago, and interest income is now a significant contributor to earnings

This cash holding could well enable Highveld to maintain dividends again during 1992 despite the gloomy outlook of further drops in international steel consumption and prices and continuing depressed prices for vanadium pentoxide and the range of ferro-alloys produced Boyd indicated at this week's press conference he hopes to hold the 1992 dividend at 70c

He says world steel consumption appears to have fallen by about 5% from 1990's 775 Mt to 735 Mt in 1991 and is expected to drop by another 3% to about 713 Mt this year

Depressed trade dampened expected benefits from the lifting of sanctions, which allowed Highveld to return to formerly lucrative markets such as the US and UK. Instead, prices were such that Boyd says Highveld had to be careful in its marketing with regard to anti-dumping legislation

Both the vanadium and ferro-alloy markets remain depressed The Vantra division ran at just 25% of rated annual production capacity of 18m lb. Silicomanganese and ferrosilicon prices have been hit because the market has been oversupplied from China, the former USSR and the Eastern Bloc

Transalloys ran its silicomanganese furnaces at two-thirds of capacity until July, then brought them below 50% Its medium-carbon ferromanganese furnaces were shut between June and October Rand Carbide dropped ferrosilicon production to 70% of capacity in February and 45% in November

It is against this background that John Vorster, backed by metal trader Marc Rich, is opening up the Vantech vanadium pentoxide operation Vorster is also moving into ferrosilicon through Silicon Technologies, which has bought Sentrachem's calcium carbide plant near Newcastle for conversion

Vorster was successful with his previous move into ferrochrome, ChromeCorp Technology (CCT) Boyd is pessimistic over Vorster's chances with these latest ventures, but, as a major competitor, he could hardly be expected to say anything else

"I don't think Vantech has any special formula that will enable it to live when prices drop to these levels There is no way it can produce at the same cost as our Vantra division Nobody can survive present ferrosilicon prices and I do not believe Vorster's backers are spending their money wisely," Boyd comments

He remains confident over the future of the Columbus stainless steel venture, despite the setback to this market Final details on Columbus are expected later this year and Anglo American has begun to advertise the project in foreign publications

Boyd says production from Columbus should come on stream in 1995, by which time the stainless steel market should have recovered "I would be far more worried if we were commissioning the plant now"

At R13,10, Highveld looks fully valued, assuming a maintained dividend this year, but should continue to be underpinned by long-term investor interest in Columbus

Brendan Ryan

STAR 14/2/92

Genrec lifts earnings

(189)

Genrec has reported an increase in profits for the six months to December to R17,6 million (R14,5 million)

Earnings per share for were 140c (113c) An interim dividend of 30c (25c) has been declared.

The group says. "Gross fixed domestic investment is currently at a low level, with few major capital projects under construction.

"Until this situation improves, trading conditions will remain difficult and operating profits in the second half may be 10 percent below those of the first half"

Genrec expects, however, that taxed earnings for the full year will be higher. — Sapa.

Exports playing more important role for Haggie

STAR 14/2/92

By Sven Lunsche (18)

A drop of about 20 percent in demand for the group products saw earnings at engineering group Haggie slump by 19 percent in financial 1991

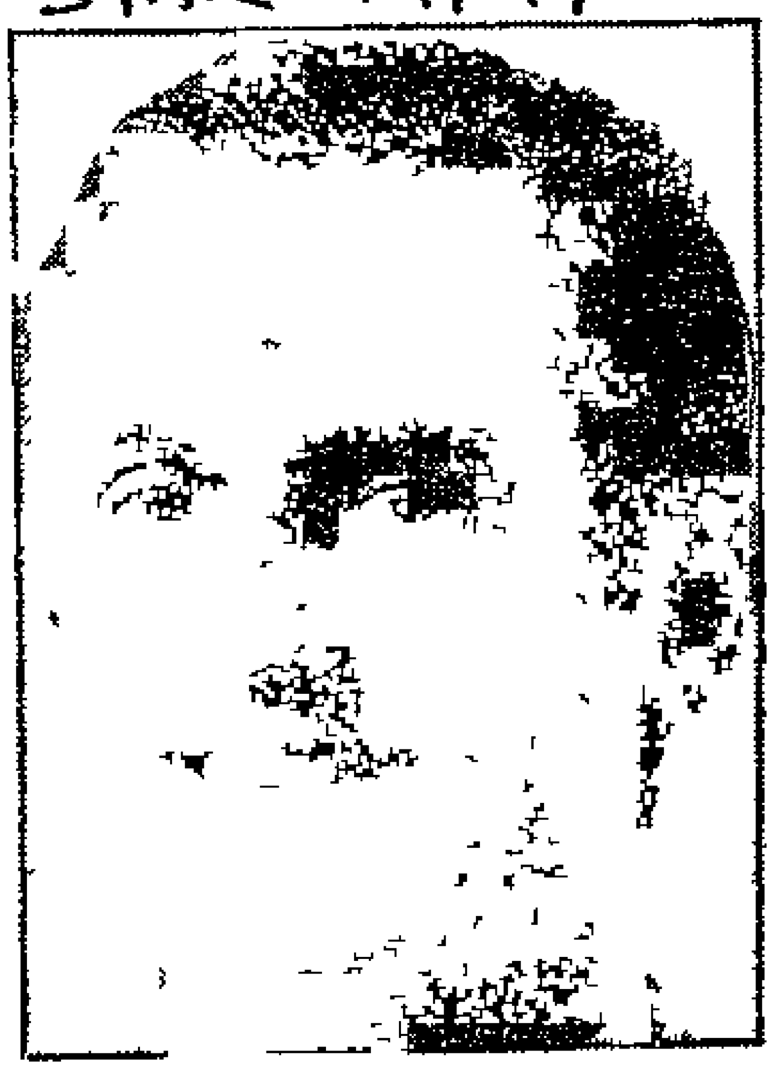
However, the group is budgeting for an improved performance in the current financial year on the back of a stong balance sheet and rationalisation in the copper metals division

Haggie's turnover fell by six percent to R1,18 billion (R1,25 billion), while operating income slumped by 24 percent to R105 million (R137,7 million) as profit margins slipped from 10,9 to 8,8 percent.

Attributable income declined by 19 percent from R70,7 million to R57,5 million with earnings per share dropping by the same percentage to 295,5c (363,2c).

The group, however, maintained its total dividend of 157c a share after declaring an unchanged final dividend of 110c

While sustained growth in exports was not strong enough to offset the impact of the sluggish local market, they are playing a more important part in Haggie's total performance



Chris Murray . budgeting for improvement

Managing director Chris Murray says export sales increased by 14 percent during the year and now accounted for about 15 percent of total sales

He attributed the nine percent decline in local sales to slower economic activity and reduced demand from the gold mining industry

He said the wire and rope division, which generates about half of the group turnover, was the most serious affected by the downturn and had the largest drop in margins

The copper metals division reported lower sales volumes, but a substantial rationalisation of the business had led to an improvement in margins

On a more positive note Mr Murray says Haggie's balance sheet remained strong and provided "a solid platform for future expansion"

Borrowings increased by only R5 million, despite capital expenditures of R66 million, resulting in a healthy 26 percent ratio of net borrowings to equity The ratio of total liabilities to equity was reduced from 54 to 46 percent.

Mr Murray also announced a new R150 million steelcord factory to be built in conjunction with an unnamed overseas company, which will meet the demand of local tyre manufacturers for core steel wire

Looking ahead Mr Murray is budgeting for an improvement in earnings as operating profits should benefit from higher tonnages, mainly for the export market, and tighter working capital control.

DEPARTEMENT VAN MANNEKRAG

No. R. 440 **14 Februarie 1991**

KENNISGEWING VAN INTREKKING VAN GOEDKEURING AS INSPEKSIE-OWERHEID VIR HOUERS ONDER DRUK

Ek, Imanuel Mulder, aangestel as hoofinspekteur ingevolge artikel 19 (1) van die Wet op Masjinerie en Beroepsveiligheid, 1983, handelende kragtens die bevoegdheid my verleen deur Regulasie C72 (3) (c) van die regulasies gepubliseer onder Goewermentskennisgewing No R 109 van 26 Januarie 1973, gee hiermee kennis dat alle goedkeurings as inspeksie-owerheid wat ingevolge Regulasie C72 (3) (a) van bedoelde regulasies verleen is, met ingang van 8 Februarie 1992 hiermee ingetrek word

Alle aansoeke vir goedkeuring as inspeksie-owerheid sal voortaan slegs oorweeg word indien dit vergesel gaan van 'n geldige akkreditasiesertifikaat deur die Suid-Afrikaanse Buro vir Standaarde uitgereik ingevolge die Gebruikskode vir die Evaluering van die Tegniese Bevoegdheid van Inspeksie-Owerhede vir die Sertifisering van Houers Onder Druk, SABS 0227

I. MÜLDER,
Hoofinspekteur

No. R. 475 **14 Februarie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN GOEWERMENTSKENNISGEWING

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID MEDIESE HULPFONDSOOREENKOMS VIR DIE METAALNYWERHEDE

Ek, Pieter Gabriel Marais, Minister van Mannekrag, trek hierby, kragtens artikel 48 (5) van die Wet op Arbeidsverhoudinge, 1956, Goewermentskennisgewing R 2050 van 23 Augustus 1991 in met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing

P. G. MARAIS,
Minister van Mannekrag.

No. R. 476 **14 Februarie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID HERBEKRAGTIGING VAN MEDIESE HULPFONDSOOREENKOMS VIR DIE METAALNYWERHEDE

Ek, Pieter Gabriel Marais, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1995 eindig, bindend

DEPARTMENT OF MANPOWER

No. R. 440 **14 February 1991**

NOTICE OF WITHDRAWAL OF APPROVALS AS INSPECTION AUTHORITY FOR VESSELS UNDER PRESSURE

I, Imanuel Mülder, appointed as chief inspector in terms of section 19 (1) of the Machinery and Occupational Safety Act, 1983, acting in terms of the powers vested in me by Regulation C72 (3) (c) of the regulations published under Government Notice No R 109 of 26 January 1973, hereby give notice that, as of 8 February 1992 all approvals given to inspection authorities in terms of Regulation C72 (3)(a) of the said regulations, are hereby withdrawn

All applications for approval as inspection authority will henceforth only be entertained if it is accompanied by a valid accreditation certificate issued by the South African Bureau of Standards in terms of the Code of Practice for the Evaluation of the Technical Competence of Inspection Authorities for the Certification of Vessels Under Pressure, SABS 0227

I. MÜLDER,
Chief Inspector

No. R. 475 **14 February 1992**

LABOUR RELATIONS ACT, 1956

CANCELLATION OF GOVERNMENT NOTICE

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY: METAL INDUSTRIES MEDICAL AID FUND AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby, in terms of section 48 (5) of the Labour Relations Act, 1956, cancel Government Notice R 2050 of 23 August 1991 with effect from the second Monday after the date of publication of this notice

P. G. MARAIS,
Minister of Manpower.

No. R. 476 189 **14 February 1992**

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY· RE-ENACTMENT OF METAL INDUSTRIES MEDICAL AID FUND AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1995 upon the employers' is vir die werkgewersorganisasies en die vakverenigings wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is

P. G. MARAIS,
Minister van Mannekrag.

BYLAE

NASIONALE NYWERHEIDSRAAD VIR DIE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

MEDIESE HULPFONDS VIR DIE METAALNYWERHEDE

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

- Automotive Parts Production Engineers' Association
- Border Engineering Industries Association
- Cape Engineers' and Founders' Association
- Constructional Engineering Association (South Africa)
- Covered Conductor Manufacturers' Association
- Domestic Appliance Manufacturers' Association of South Africa
- Electrical Engineering and Allied Industries Association
- Electronics and Telecommunications Industries Association
- Fire Protection Industries Association of South Africa
- Gate and Fence Association
- Hand Tool Manufacturers' Association
- Heavy Engineering Manufacturers' Association
- Iron and Steel Producers' Association of South Africa
- Lift Engineering Association of South Africa
- Light Engineering Industries Association of South Africa
- Materials Handling Association
- Natal Engineering Industries Association
- Non-Ferrous Metal Industries Association of South Africa
- Plastic Manufacturers' Association of South Africa
- Plumbers and Engineers Brassware Manufacturers' Association
- Port Elizabeth Engineers' Association
- Precision Manufacturing Engineers' Association
- Pressure Vessel Manufacturers' Association of South Africa
- Radio, Appliance and Television Association of South Africa
- Sheetmetal Industries Association of South Africa
- S.A. Agricultural Machinery Association
- S.A. Association of Shipbuilders and Repairers
- S.A. Electro-Plating Industries Association
- S.A. Engineers and Founders Association
- S.A. Fasteners Manufacturers' Association
- S.A. Foundry Association
- S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
- S.A. Machine Tool Manufacturers Association
- S.A. Radio and Television Manufacturers' Association

organisations and the trade unions which entered into the said Agreement and upon the employers and employees who are members of the said organisations and unions

P. G. MARAIS,
Minister of Manpower

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SCHEDULE

NATIONAL INDUSTRIAL COUNCIL FOR THE IRON, STEEL, ENGINEERING AND METALLURICAL INDUSTRY

METAL INDUSTRIES MEDICAL AID FUND

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

- Automotive Parts Production Engineers' Association
- Border Engineering Industries Association
- Cape Engineers' and Founders' Association
- Constructional Engineering Association (South Africa)
- Covered Conductor Manufacturers' Association
- Domestic Appliance Manufacturers' Association of South Africa
- Electrical Engineering and Allied Industries Association
- Electronics and Telecommunications Industries Association
- Fire Protection Industries Association of South Africa
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- Hand Tool Manufacturers' Association
- Heavy Engineering Manufacturers' Association
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- Lift Engineering Association of South Africa
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- Plastics Manufacturers' Association of South Africa
- Plumbers and Engineers Brassware Manufacturers' Association
- Port Elizabeth Engineers' Association
- Precision Manufacturing Engineers' Association
- Pressure Vessel Manufacturers' Association of South Africa
- Radio, Appliance and Television Association of South Africa
- Sheetmetal Industries Association of South Africa
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- S.A. Association of Shipbuilders and Repairers
- S.A. Electro-Plating Industries Association
- S.A. Engineers and Founders Association
- S.A. Fasteners Manufacturers' Association
- S.A. Foundry Association
- S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
- S.A. Machine Tool Manufacturers Association
- S.A. Radio and Television Manufacturers' Association

S.A. Reinforced Concrete Engineers' Association

S.A. Tube Makers' Association

S.A. Valve and Actuator Manufacturers Association

S.A. Wire and Wire Rope Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Amalgamated Engineering Union of South Africa

Amalgamated Society of Woodworkers of South Africa

Engineering Industrial and Mining Workers' Union of South Africa

Iron Moulders' Society of South Africa

Metal and Electical Workers' Union of South Africa

Mynwerkersunie

Radio, Television, Electronics and Allied Workers' Union

S.A. Boilermakers', Iron and Steel Workers, Shipbuilders' and Welders' Society

S.A. Electrical Workers'Electrical Workers' Association

S.A. Yster-, Staal- en Verwante Nywerhede-Unie

(hierna die "werknemers" of die "vakverenigings,; genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Behoudens andersluidende bepalings in hierdie klousule, is hierdie Ooreenkoms van toepassing op en moet dit oral in die Republiek van Suid-Afrika, uitgesonderd die hawe en nedersetting van Walvisbaai, nagekom word deur alle werkgewers en werknemers in die Yster, Staal-, Ingenieurs- en Metallurgiese Nywerhede wat lede van onderskeidelik die werkgewersorganisasies en die vakverenigings is

(2) Hierdie Ooreenkoms is nie van toepassing nie op werkgewers en hul werknemers wat saam met die werkgewer deelnemers is aan 'n skema wat mediese bystand verskaf en wat bestaan het op 18 Julie 1966, en waartoe die betrokke werkgewer 'n gedeeltelike bydrae maak ten opsigte van elke werknemer wat lid is van die skema en andersins deur hierdie Ooreenkoms gedek word terwyl sodanige skema in werking bly en genoemde werkgewer en werknemers voortgaan om deelnemers aan die skema te wees en die werkgewer voortgaan om 'n gedeeltelike bydrae ten opsigte van elke sodanige werknemer te betaal

(3) Ondanks subklousule (2) is hierdie Ooreenkoms van toepassing op werkgewers en werknemers ten opsigte van werknemers wat nie gedek word deur 'n fonds wat in daardie subklousule bedoel word nie, of wat ophou om daardeur gedek te word

2. GELDIGHEIDSDUUR VAN OOREENKOMS

Hierdie Ooreekoms tree in werking op 'n datum wat die Minister van Mannekrag kragtens artikel 48 van die Wet op Arbeidsverhoudinge, No 28 van 1956, vasstel, en bly van krag tot 31 Desember 1995 of vir die tydperk wat die Minister bepaal

3. ALGEMENE BEPALINGS

Die bepalings vervat in klousules 3 tot 19 van die Ooreenkoms herbekragtig by Goewermentskennisgewing R 2050 van 23 Augustus 1991, soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op werkgewers en werknemers

S.A. Reinforced Concrete Engineers' Association

S.A. Tube Makers' Association

S.A. Valve and Actuator Manufacturers Association

S.A. Wire and Wire Rope Manufacturers' Association

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(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

Amalgamated Engineering Union of South Africa

Amalgamated Society of Woodworkers of South Africa

Engineering Industrial and Mining Workers' Union of South Africa

Iron Moulders' Society of South Africa

Metal and Electrical Workers' Union of South Africa

Mineworkers' Union

Radio, Television, Electronics and Allied Workers' Union

S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society

S.A. Electrical Workers' Association

S.A. Yster-, Staal- en Verwante Nywerhede-Unie

(thereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

1. SCOPE OF APPLICATION OF AGREEEMENT

(1) Except as otherwise provided in this section, the terms of this Agreement shall apply to and be observed throughout the Rpublic of South Africa, excluding the port and settlement of Walvis Bay, by all employers and employees in the Iron, Steel, Engineering and Metallurgical Industries who are members of the employers' organisations and the trade unions respectively

(2) The terms of this Agreement shall not apply to employers and their employees who are participating with the employer in any scheme providing medical benefits in existence as at 18 July 1966, to which the employer concerned contributes part of the contributions for each employee who is a member of the scheme and otherwise covered by this Agreement, while such scheme continues to operate and the said employer and employees continue as participants in the scheme and the employer continues to pay part of the contributions for each such employee

(3) Notwithstanding the provisions of subsection (2), the terms of this Agreement shall apply to employers and employees in respect of any employee who is not covered by, or ceases to be covered by, a fund referred to in that subsection

2. PERIOD OF OPERATION OF AGREEMENT

This Agreement shall come into operation on such date as may be fixed by the Minister of Manpower in terms of section 48 of the Labour Relations Act, No 28 of 1956, and shall remain in force until 31 December 1995 or for such period as the Minister may determine

3. GENERAL PROVISIONS

The provisions contained in clauses 3 to 19 of the Agreement re-enacted under Government Notice R 2050 of 23 August 1991, as further extended, renewed, amended or re-enacted from time to time, shall apply to employers and employees

4. KLOUSULE 3: WOORDOMSKRYWING

(1) In die eerste reël van paragraaf (b) van die woordomskrywing van "werknemer", skrap die woorde "van krag"

(2) In die woordomskrywing van "werknemer", voeg die volgende paragraaf in na paragraaf (d).

"Vir die doeleindes van (b) van hierdie woordomskrywing sluit "enige ooreenkoms" enige ooreenkoms wat reeds verval het maar wat in werking was op die datum van inwerkingtreding van hierdie Ooreenkoms of wat in werking getree het ná die datum van inwerkingtreding van hierdie Ooreenkoms "

(3) In die omskrywing van "Streek B", vervang die uitdrukking "Die Nasionale Nywerheidsraad vir die Yster-, Staal-, Inenieurs- en Metallurgiese Nywerheid (Grensstreekraad), Posbus 7227, Oos-London, 5200, of Carmelhuis, Gladstonestraat 7–9, Oos-Londen, 5201;" deur die uitdrukking "Die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid (Grensstreekraad), Posbus 13162, Vincent, 5217, of Kamer 419, Vierde Vloer, XDC-gebou, Manchesterweg 19, Chiselhurst, 5247, Oos-Londen,".

(4) In die omskrywing van "Streek E" skrap die uitdrukking "dog met inbegrip van die landdrosdistrikte Parys en Sasolburg"

(5) In die omskrywing van "Streek F", skrap die uitdrukking "uitgesonderd die landdrosdistrikte Parys en Sasolburg"

5. KLOUSULE 9: BYDRAES

(1) In subklousule (2), vervang die bestaande tabel deur die volgende· "Bydraes per week:

Afhanklike-kategorie	Loon groep 1	Loon groep 2	Loon groep 3
	Tot en met R314 per week	Oor R314 tot en met R456 per week	Over R456 per week
Lid alleen	R28,25	R33,35	R37,10
Lid plus 1 afhanklike	R39,90	R45,10	R49,10
Lid plus 2 afhanklikes	R41,85	R47,40	R51,40
Lid plus 3 afhanklikes	R44,00	R50,10	R53,95
Lid plus 4 of meer afhanklikes .	R45,45	R52,35	R56,35"

(2) In subklousule (6) (c), vervang die uitdrukking "of 'Amaleng', De Villiersstraat 8, Johannesburg, 2001 " deur die uitdrukking "of 2de Kantoorvlak, Metal Industries House, Andersonstraat 42, Johannesburg, 2001 "

6. KLOUSULE 10: BYSTAND

In subklousule (1) (a), vervang die uitdrukking "R50 000" deur die uitdrukking "R55 000"

Namens die partye op hede die 31ste dag van Desember 1991 te Johannesburg onderteken.

C. J. M. PRINSLOO,
Lid

W. P. COETZEE,
Lid

D. G. LEVY,
Hoofsekretaris

4. SECTION 3: DEFINITIONS

(1) In the first line of paragraph (b) of the definition of an "employee" delete the word "operative" (189)

(2) In the definition of "employee" add the following paragraph after paragraph (d)

"For the purposes of (b) of this definition 'any agreement' shall include any agreement that has expired but was operative at the date of coming into operation of this Agreement or became operative after the date of coming into operation of this Agreement "

(3) In the definition of "Region B" substitute the expression "The National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry (Border Regional Council), P O Box 13162, Vincent, 5217, or Room 419, Fourth Floor, XDC Building, 19 Manchester Road, Chiselhurst, 5247, East London," for the expression "The National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry (Border Regional Council), P O Box 7227, East London, 5200, or Carmel House, 7–9 Gladstone Street, East London, 5201;"

(4) In the definition of "Region E" delete the expression "and includes the Magisterial Districts of Parys and Sasolburg"

(5) In the definition of "Region F" delete the expression "excluding the Magisterial Districts of Parys and Sasolburg"

5. SECTION 9: CONTRIBUTIONS

(1) In subsection (2) substitute the following for the existing table "Contributions per week

Dependant category	Wage group 1	Wage group 2	Wage group 3
	Up to R314 per week	Over R314 and up to R456 per week	Over R456 per week
Member only	R28,25	R33,35	R37,10
Member plus 1 dependant	R39,90	R45,10	R49,10
Member plus 2 dependants	R41,85	R47,40	R51,40
Member plus 3 dependants	R44,00	R50,10	R53,95
Member plus 4 or more dependants	R45,45	R52,35	R56,35"

(2) In subsection (6) (c) substitute the expression "or 2nd Office Level, Metal Industries House, 42 Anderson Street, Johannesburg, 2001 " for the expression "or 'Amaleng', 8 De Villiers Street, Johannesburg, 2001 "

6. SECTION 10: BENEFITS

In subsection (1) (a), substitute the expression "R55 000" for the expression "R50 000 "

Signed at Johannesburg for and on behalf of the parties, this 31st day of December 1991

C. J. M. PRINSLOO,
Member

W. P. COETZEE,
Member

D. G. LEVY,
General Secretary

Genrec earnings improve by 20%

(189)

WILLIAM GILFILLAN

THE dearth of major new projects had little effect on the results at engineering group Genrec, where earnings increased 21% to R17,6m from R13,7m in the six months to December.

Shareholders were rewarded with a 20% increase in the interim dividend to 30c from 25c a share on earnings which jumped to 140c (113c) a share.

CE Ian Colepeper said productivity improvements were the reason for the growth in earnings. "The job has been done more efficiently, whether this be paying creditors quicker or welding better."

In fact, the rise in earnings came on the back of a marginally higher turnover at R281m (R279m).

"Times are tough. Currently no major projects — such as power stations — are on the go. We are waiting for the Columbus and Alusaf projects to commence."

He attributed the low tax rate (31%) largely to export incentives, but also to investment allowances. (Exports comprise about 20% of turnover)

Production commenced last October at a R45m high-precision machinery facility.

Also during the period under review, the group acquired VMI Tooling, high precision machine cutting tools manufacturer and distributor.

This acquisition saw the group's cash balances drop to R29,5m from R56,2m in June last year. However borrowings had also increased to R45,1m from R21,8m. Colepeper said this reflected a conscious decision by management to gear up Genrec

B/Day 14/2/92

Gearing rose to 51% at the end of December from 29% at the end of June.

A jump in working capital — which he said came about largely as a result of a decline in creditors — largely contributed to the rise in borrowings.

Coleper predicted earnings in the second half could be as much as 10% below the first half, due to the low level of gross domestic fixed investment in the country.

MASTERBORE

Drilling for dross

(189)

FM 14/2/92 (189)

The outlook seems bleak for shareholders in Masterbore, the second company to have its shares suspended on the JSE so far this year A spokesman for liquidator Westrust says that while investigations are at an early stage, the drilling group seems insolvent, even if book values of plant are substantial, its specialised nature and the depressed economy could mean an inadequate return

In addition, assets are subject to notarial bonds with two banks The only hope, it seems, is a rescue operation from outside But despite a few inquiries, no firm offers have yet been made According to court documents at the provisional liquidation last month, net assets were only R150 000

A fair spread of minority shareholders could walk away hurt At the time of Masterbore's last annual report in February 1991, directors held 37% of the company

FINANCIAL MAIL • FEBRUARY • 14 • 1992 • 89

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Rodney Dacomb, one of two remaining directors — the rest resigned on January 13, just before the voluntary liquidation — says chairman Peter Rawson does not directly hold any shares The last annual report shows a property was bought from Rawson's wife, Lorraine, for R1,58m, settled by the issue of 3,16m shares at 50c

Dacomb says these have been sold But Rawson may have indirect interests

Rawson, described in the court application brought by former financial director Basilios Tsingos as a "fugitive from justice," is the controversial figure in the Masterbore saga Rawson strongly denies this description in an advertisement he placed in *Business Day*

But he has been linked to the Old Mutual insider trading scam Just under a year ago a warrant was issued for his arrest, along with Mutual's Marco Celotti and David Schapiro Masterbore ex-CE Wilf Davies says Rawson has not attended any board meetings inside SA in the past 12 months, meetings were in Harare and once in London

Last week, Rawson was in Zambia, early this week in Zimbabwe While the *FM* could not reach him, he told an intermediary that he had "had enough" and did not want to add to his *Business Day* statement

While Masterbore was shaky a year ago, debt was down and it looked like a turnaround was possible This had changed dramatically by the August interim, which reported a loss of R506 000

Rawson accuses Davies of negotiating a deal with a Rand Mines drilling subsidiary on behalf of Masterbore, then with his partners (apparently including Tsingos) resigning and buying the operation personally

Davies denies this, saying the company was left "high and dry" to face the banks and creditors and that when the deal with Rand Mines took place Masterbore did not have any money He says when bankers learnt Rawson would not be providing any assistance, all the group's accounts were frozen and overdrafts called in

"To try to get employment for about 100 Masterbore employees left without even their current month's salaries, various members of ex-management proceeded to negotiate the purchase of various assets from another drilling company," Davies says

The market seemed to anticipate the crash The share price, which once peaked at 330c, fell from 38c just before the interim to 10c before the suspension *Shaun Harris*

SAMANCOR

Trench warfare

Conditions in the ferrochrome market resemble trench warfare as Samancor, the world's largest producer of the commodity, digs in to make its prices stick in the face of fierce consumer opposition

Samancor's closure of all its ferrochrome furnaces from the end of this month for at least three months comes after ChromeCorp Technology (CCT) shut its furnaces for at least two months from January

These moves have been made against the background of bitter opposition to the $US52c/lb price increase which the SA producers forced through for the last quarter of 1991 The increase resulted in a number of consumers boycotting SA suppliers and turned to the spot and scrap markets for their requirements

TOUGH GOING

Six months to	Dec '90	June '91	Dec '91
Turnover (Rm)	871	935	954
Pre-tax income (Rm)	319	248	254
Attrib income (Rm)	182	180	118
Earnings a share (c)	109	107	85
Dividends (c)	40	70	40
Net worth (c)	758	795	1 029

Customers will return

Samancor, CCT and the other major SA ferrochrome producer, Consolidated Metallurgical Industries, are all confident customers will have to come back Available supplies on the spot market have been mopped up, the stainless steel scrap price has risen sharply and a number of overseas ferrochrome producers have been forced to cut back or close

Samancor MD Hans Smith and CCT MD John Vorster are talking of pushing for further increases to get the ferrochrome price up to 55c/lb.

Smith declines to give a precise figure for the ferrochrome stockpile now held by Samancor, but the group has been running at 75% of its 1Mt/year capacity, equal to monthly sales of 62 500 t A three-month shutdown indicates a stockpile of at least 187 500 t Smith says that after this, the group would still be holding "prudent" inventories

According to Smith, when the stainless steel scrap price bottomed at $670/t last year, steel producers buying scrap were getting ferrochrome at an effective 37c/lb and nickel at $2,70/lb, compared with respective ruling international prices of 52c/lb and $3,75/lb. He says excess scrap is off the market and the scrap price is back to $900/t

Other key factors in the decision to shut the furnaces were the need to rebuild Samancor's cash balances and to ensure there would be no surplus ferrochrome supplies hanging over the market to depress prices when the recovery comes

Samancor's net available cash resources fell to R101,6m at end-December, from R445,8m six months before Shutting the furnaces means major cost savings, including R30m a month in electricity charges

Smith refuses to break down Samancor's earnings to show the respective contributions from the chrome and manganese divisions He says the chrome division "performed very well" during the six months However, both divisions are under pressure as the 20% drop in pre-tax income shows

On top of the reduced earnings, there was a R33,4m extraordinary charge This involves the costs of restructuring and rationalising the MS&A and Rand Mines chrome interests into Samancor That can be construed as Samancor having paid R33m too much for these assets but Smith dismisses this, saying the R33m charge is "a small price to pay in terms of the overall deal"

The group faces a tough second-half, with both manganese and ferrochrome markets remaining depressed because of the recession in the main industrial economies In addition to the ferrochrome shutdown, Samancor has reduced manganese ore production and prices

Barring a sudden improvement in market prices, which seems unlikely, earnings will be lower in the second-half than in the first That should depress the share price, and it did drop 250c to R28,50 on release results However, two factors continue to provide support the maintained interim dividend indicates the final should be maintained, and investors continue to take a long-term view on Samancor

They are looking to the benefits of the Columbus stainless steel project, details of which are expected this year At current prices, though, the share looks fully valued to expensive

Brendan Ryan

FM 14/2/92 (189)

OTIS ELEVATOR (189)

Going up? FM 14/2/92

Since financial year-end the business base has been substantially expanded by the R21m acquisition of Melcorp SA (*Fox* January 17) Nevertheless, the annual report, read in conjunction with the circulars in connection with the acquisition and the rights issue, underscores the extent to which Otis has underperformed in recent years

Accepting that one is comparing a mature company, in the context of the SA elevator market, with a relative newcomer, it is nonetheless striking that Melcorp was able to double its attributable profit over the past five years whereas Otis's earnings during the same period show a net decline of 11%, despite the 1991 recovery.

Despite a difficult environment, Melcorp was able not only to grow market share but to improve its trading margin — probably reflecting enhanced economies of scale So whereas in 1988 its pre-interest margin was under 9%, in the eight months to October 31 1991 this widened to 16,5%

This was in marked contrast to Otis, where margins have declined from 22,8% five years ago to 11,2% The inescapable conclusion is that Otis's fall from grace in 1990 had more to do with slack management control than the business climate

In the circumstances, it is surprising that Otis has been able to buy Melcorp on a multiple not dissimilar to its own Despite having to go through the financial rand market in respect of 75% of Melcorp's equity, the total expected consideration of R22m is 6,8 times last year's annualised earnings, which compares with Otis's own historic PE of 6,7

So it is difficult to argue that Otis is overpaying, even though the deal may involve a goodwill write-off of R11m, based on Melcorp's October 31 balance sheet

Otis is to hold a one-for-five rights issue at 220c to raise R7,48m gross to help finance the acquisition The rights announcement says that the combined pro forma effects of the acquisition and issue, other things being equal, would have been to reduce 1991 earnings by 4,8c a share to 33,5c, with an "immaterial" impact on NAV — the latter being a little surprising, in view of the substantial premium paid for Melcorp's assets

The earnings forecast presumably does not allow for the benefits of rationalisation, so it will be disappointing if earnings do not in fact advance this year

Ironically, R7,48m is less than extra retained earnings would have been if, in just the past three years (1988-1990) of the old policy of distributing almost all reported earnings, Otis had instead followed a more normal policy of having dividends twice covered This would also have avoided the need to pass the payment altogether in 1987 when, though earnings were almost maintained, it had to make an unexpected tax payment

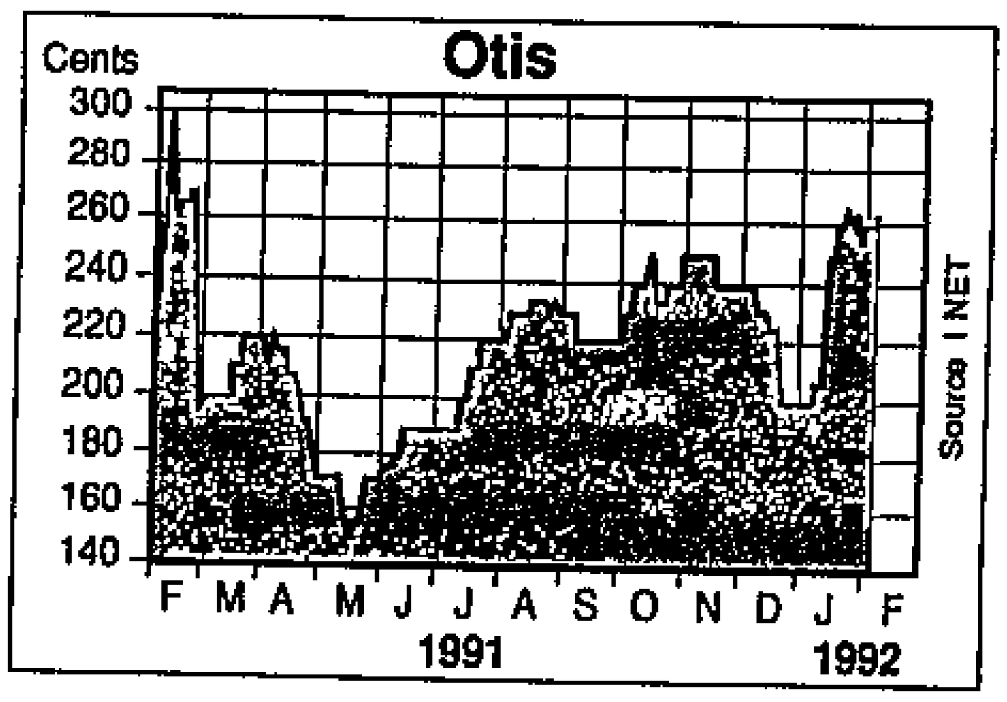
For United Technologies, of course, the earlier dividends were received in commercial rand, then worth more in US$ than it is now, while it can presumably follow its rights through the discounted financial rand.

Otis has not been a particularly rewarding investment in recent years, and it's hard to argue that the record justifies a better share price performance It can only be hoped that the Melcorp acquisition heralds a more dynamic approach by management

Brian Thompson & Michael Coulson

Activities: *Makes and services elevators and escalators*
Control: *United Technologies 51%*
Chairman: *A M D Gnodde, MD R E Markham*
Capital structure: *17m ords Market capitalisation R45,1m*
Share market: *Price 265c Yields 7,2% on dividend, 14,4% on earnings, p e ratio, 6,7, cover, 2,0 12-month high, 300c, low, 150c Trading volume last quarter, 196 000 shares*

Year to November	'88	'89	'90	'91
ST debt (Rm)	—	3,6	1,9	—
LT debt (Rm)	0,1	0,1	0,1	0,1
Debt equity ratio	(0,21)	0,20	0,12	(0,31)
Shareholders interest	0,28	0,36	0,43	0,40
Int & leasing cover	n/a	53,8	12,7	n/a
Return on cap (%)	50,6	46,4	20,8	31,7
Turnover (Rm)	72,0	9,18	98,2	117,0
Pre-int profit (Rm)	16,4	17,2	6,4	13,1
Pre-int margin (%)	22,7	18,7	6,5	11,2
Earnings (c)	47,2	51,0	12,0	38,2
Dividends (c)	42	45	12	19
Net worth (c)	71	78	77	97




Otis's Gnodde *a more dynamic approach?*

Steel industry in the iron grip of low demand and prices

B/Day 13/2/92 (189)

CHARLES LEADBEATER

THE world steel industry probably wishes it could start 1992 over again. It has got off to a bad start. In Europe thousands of jobs are being cut. Early last month British Steel announced plans to close the remaining blast furnaces at its forlorn Ravenscraig plant in Scotland

Usinor Sacilor, the French state-owned group which is Europe's largest producer, last week estimated its 1991 losses at £317m and announced plans to cut 8 000 jobs, about 13% of its workforce, in the next three years

The normally stable German producers, the heart of the European industry accounting for about a third of production, are in turmoil Last week's pay agreement with IG Metall to avert a strike is likely to lead to a faster rate of job losses. German analysts expect at least 6 000 job losses this year in the industry's workforce of 130 000

They will be partly produced by mergers among Germany's string of steelmakers By the end of the year Krupp and Hoesch should have merged to create a second force in the German industry to compete with Thyssen, which is merging its special steels division with general steel

The prospect of both these groups cutting their costs is almost certain to put pressure on medium-sized steel producers such as Klöckner Werke and Peine Salzgitter in Germany and Hoogovens in the Netherlands to follow suit by gaining economies of scale through partnerships and alliances.

Ilva, the Italian group which is Europe's second largest producer, is in the midst of a plan to sell 20% of its production. But with its profits plunging and few buyers in the market for inefficient steel plants, it seems almost certain that Ilva will be pushed soon into politically painful moves to cut costs and jobs, especially at its Plombino plant on the coast opposite Elba.

The tale of woe from Europe's leading integrated steel producers is echoed across the Atlantic.

Inland Steel last month reported it made its largest ever loss in 1991 of $275m. It plans to spend about $215m in the next three years to cut about 3 500 jobs.

US Steel, the largest integrated producer which is the steel arm of USX, reported a loss for the year of $507m against net income of $310m in 1990 Bethlehem Steel, the second largest producer, is to cut its workforce by almost 25% by selling or closing down several operations.

In the coming months the US and European producers could be joined by Japan's integrated producers in declaring sharply lower profits. The mighty Nippon Steel, the world's largest producer, has warned that profits are under severe pressure.

Yet these three months may mark the industry's low point from which it could begin to recover.

Demand may be stabilising. The Organisation for Economic Co-operation and Development expects steel demand in the OECD economies to fall by about 1% this year after a 5,2% fall last year. Prices for steel used in some consumer products are firming in Europe and the US. The worst may be over as stronger world growth encourages a revival in investment and output from vital customer industries such as cars and trucks.

That optimism may be misplaced. The path to recovery is difficult to predict because the course of the downturn has confounded expectations. In both the US and Europe the decline in output and demand has been relatively modest but the impact on the steelmakers' finances has been great.

Christopher Plummer, director of steel services for Wefa, the Pennsylvania-based forecasting group said: "The volume of US steel shipped to customers last year fell by 8%. In previous recessions the fall was more than 20%. The fall in volumes has been mild but the financial and corporate impact has been huge"

The explanation is that in Europe, as well as the US, structural factors have exacerbated the fall in output as marginal producers have been able to set very low prices.

In the US the main complicating factor has been the rise of the low cost mini-mills, which combine new technology electric arc furnaces with non-union labour, innovative payment systems and wafer-thin management layers, to produce low-cost steel especially for the construction industry. Through the depths of the recession the most competitive mini-mills — Nucor, Chapparal and Birmingham — have been making profits, according to Plummer.

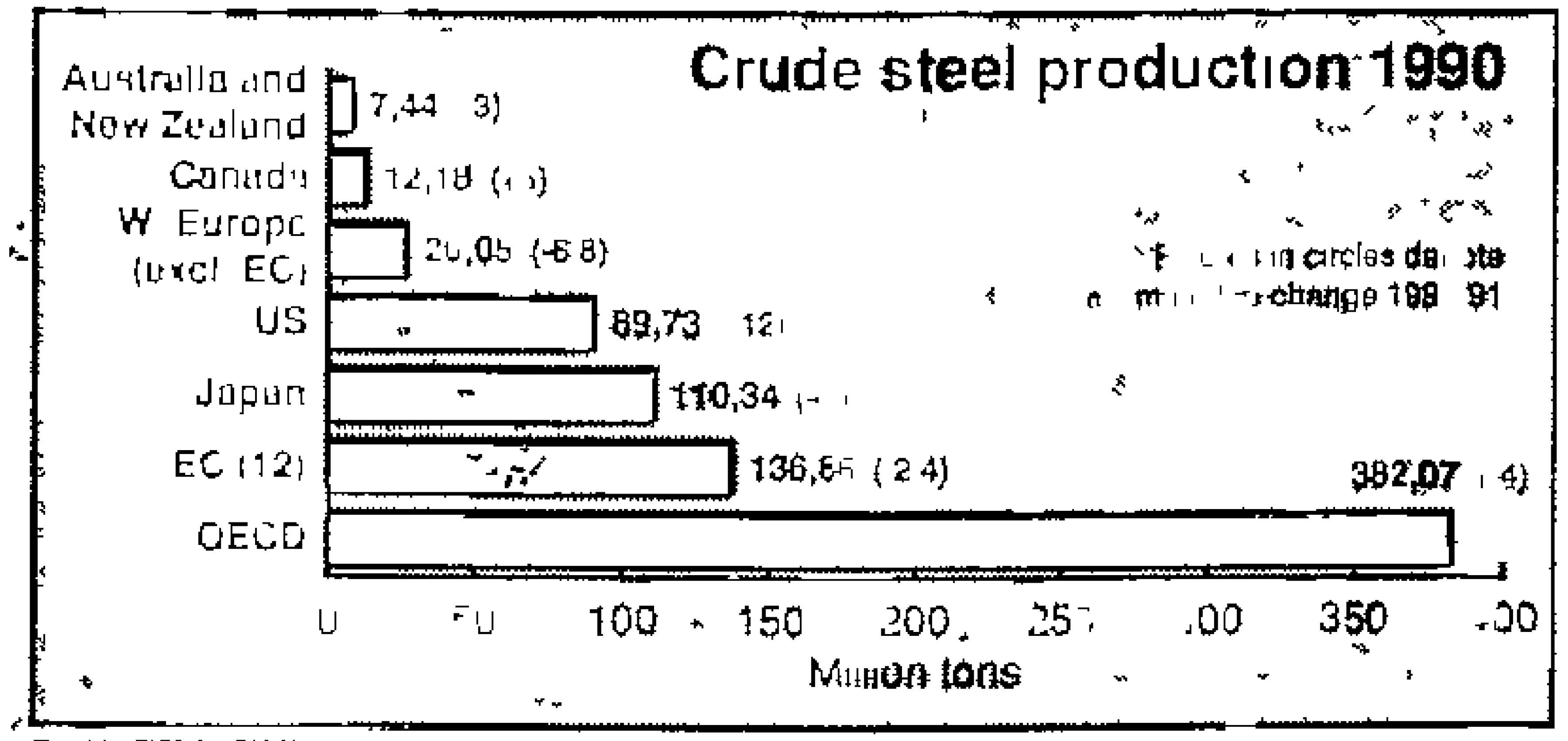
In Europe the problem has been created by subsidised public sector producers who cut prices to maintain market share and keep plants running These producers have driven down prices for the rest of the industry

The growing integration of world steel markets has amplified the pricing problem. For much of the past two years lower demand from the former Soviet Union and China has forced exporters to find other markets for their steel And this year lower steel demand in Japan and Germany will force their producers to export more This could dash the hopes of US and European producers that 1992 will bring a measure of stability

This year US exports are likely to fall by 22% while imports to rise 8% sucked in by the expected recovery

Any recovery this year in the steel markets of Europe and the US is likely to be halting and patchy. The companies which stand to benefit will be in the right parts of the steel market, in the right parts of the world

Long products producers, who supply beams and heavy-duty wire to the construction industry, will continue to suffer on both sides of the Atlantic. In the US virtually all the big integrated producers have withdrawn from this sector in the face of competition from the mini-mills



Graphic FIONA KRISCH Source OECD

The main beneficiaries of recovery will be groups such as Usinor, Hoesch and Thyssen which are the biggest flat products makers

The other factor which should distinguish groups able to take advantage of recovery will be the geographic spread of their activities. Thyssen should be hit by slower growth in Germany but it makes 15% of its revenues in the US which should be recovering, compared with US turnover of 5% at British Steel.

The boom of the late '80s which returned steelmakers to profit in the US and Europe proved shortlived. The effects of the downturn of the early '90s will reverberate through the industry for several years to come. — Financial Times.

Usko accepts offer for control

BI Day 13/2/92

EDWARD WEST

(189)

THE takeover battle for Usko took a new turn last night when Usko disclosed that it had accepted an offer for control, believed to be from Dorbyl

In an announcement to shareholders today Usko said it had received a number of offers, one of which had been accepted subject to certain conditions

In terms of the offer Usko and its controlling shareholders "were contractually bound not to embark on any other negotiations with any other party for the disposal of any shares in Usko"

The announcement follows a bid for Usko by Aberdare Cables yesterday

Business Day learnt from reliable sources last night that control of Usko had already passed to Dorbyl Dorbyl's offer — accepted by the major shareholders — is believed to have been one Dorbyl share in exchange for 240 Usko shares

Based on Dorbyl's closing price of R29,50 a share yesterday, this would mean Dorbyl paid in the region of 12c for every Usko share it bought This compares to Usko's current trading price of 40c

Dorbyl, Usko and Metkor chairman Floors Kotzee would not comment last night on the speculation other to refer to what was said in Usko's cautionary announcement to shareholders Metkor holds 27,1% of Usko while Iscor holds a 29,7%

Last year Usko sold its steel interests to Iscor and it vanadium interests to Rhombus Vanadium Earlier, analysts said Aberdare's bid if successful would have given it Usko's dominant market share in the overhead cable market

COMPANIES

Masonite's tight cost management pays off

B/Day 11/2/92 (189)

EDWARD WEST

PULP WOOD and timber company Masonite Africa has increased profits by 54% to 167c a share in its financial year to December 1991 because of tight cost management and savings achieved from the commissioning of new plant

Earnings growth was achieved from a 12% growth in turnover to R126,5m MD Alan Wilson said yesterday in a telephone interview that the 12% turnover growth was not so much the result of increased sales as the result of a 12% product price increase during the year

Reflecting tighter financial control and improved productivity, gross profit margins climbed from 8,9% to 13,8% and gave rise to the 72% increase in pre-tax profits to R17,4m

A fire broke out in Masonite's Estcourt factory in October, destroying some stock and putting the plant out of action for a week Certain products were imported to ensure continuity of supply The restoration of the plant gave rise to a R4,1m extraordinary item The company was insured against these losses

Wilson said a new R11m refiner plant was commissioned in mid-November 1990 The new plant resulted in lower maintenance costs — the plant replaced four smaller plants — lower usage of water and the recycling of 80%-90% of the steam used in the refining process

He said Masonite planned to invest in its future through the continual updating of technology and the increasing of production capacity Dividend policy would be aligned to the funding of this programme Consequently, in the year under review, dividends increased 40% to 60c a share covered 2,78 (2,5) times The final dividend was 35c a share

Wilson, positive about long-term prospects, said the expected economic recovery in 1992 would not occur soon enough to have a positive effect on earnings

Skin care launch eats profit

PARIS — French fashion and perfumes group Yves Saint Laurent said yesterday 1991 sales rose 2% to $574m in spite of the recession

The group, founded in 1962, maintained its prediction of a slight drop in 1991 profit from 1990's $43m

The company said heavy investment to launch a new skin care last year and a one-time foreign currency gain in 1990 explained the dip in profit — Sapa-Reuter

More private time wanted

TOKYO — Japanese white-collar workers in the Tokyo area work an average of 37,6 hours of overtime a month and complain of not having enough private time, a recent survey says

Recruit Research Company reported that 31,4% of its 3 047 male respondents said they worked more than 50 hours overtime a month

Recruit questioned 3 047 male white collar workers chosen at random in November last year

The workers were between the ages of 20 and 49 and lived within 50km of Tokyo

Asked about worries or unhappiness at work, 37,8% said they had too little private time

The average Japanese worker worked 2 044 hours last year compared with 1 949 hours put in by Americans in 1990 and 1 642 hours by Germans, the labour ministry said — Sapa-AP

Retrenchments 'could point to start of upturn'

B/Day 11/2/92 (189)

PAUL ASH

THE steel industry is hampered by high interest rates, poor business and consumer confidence, and a stubbornly high inflation rate, says Seifsa economics division head Michael McDonald in the latest edition of Seifsa News

Retrenchments for 1991 topped nearly 35 000, peaking at 3 393 in December However, past experience had shown more workers lost their jobs at the end of an economic downturn than at the beginning, he said

Signs of an export-led upturn could become apparent towards the end of the second quarter of 1992

A drop in interest rates, lower inflation and the "promising" start to Codesa talks would go a long way to restoring business confidence

If violence could be controlled, about R750m from the Independent Development Trust and other sources could be used for infrastructure building

Projects such as Mossgas, which had benefited many metal industry companies, were wrapping up Similar large-scale, government-sponsored projects were unlikely for some time

Cutbacks on capex by industry's major customers, such as Transnet, Eskom and Armscor, meant exports would have to play a greater role in the future

The fall of sanctions had opened world markets to the industry, but it was vital the industry improved its competitiveness in the field of manufactured products instead of relying largely on markets requiring only beneficiated raw materials

COME PARTY

Poor carbon steel demand stalls Highveld

WILLIAM GILFILLAN (189)

POOR local and international demand for carbon steel played havoc with Highveld Steel & Vanadium's performance last year

The metals company shut down several of its operations in the year and MD Trevor Jones said he expected further closures would take place this year

Although the final dividend has been held at 40c a share, giving an unchanged total of 70c a share, attributable profit dropped 36% to R96m from R150m This is equivalent to earnings of 130c a share from the previous year's 208,4c

Reduced volumes and lower international prices saw turnover drop 4% to R1,38bn from R1,43bn Had it not been for interest earned from the group's large cash pile, earnings would have been substantially lower Interest earned, making up 40% of the R95m in total earnings, was equivalent to 50c a share BDay 11/2/92

Jones said two furnaces had already been closed in the steel division last November, while the Vantra division — which produces vanadium pentoxide — was closed and reopened according to the prevailing market conditions

Chairman Leslie Boyd said this strategy, in place "for many years", was designed to support the vanadium price. It also ensured the group never ended up with large vanadium inventories, he added.

Boyd said although markets had opened up following the lifting of sanctions, low international prices had hampered a rapid re-entry into the North American and European markets Nevertheless, Highveld would have re-entered most of the export markets by the year-end

He said after the imposition of sanctions in the mid-'80s Highveld had found new markets abroad, but exported less beneficiated products Boyd said "The reopening of North America will enable us to trade again in higher-value-added products"

Although the outlook for vanadium demand was flat, Jones said a contraction in supply should help support its price. Highveld's current vanadium price is $2,60/lb from $3,15/lb in March last year

He professed a lack of concern over last

☐ To Page 2

Highveld

BDay 11/2/92

(189)

☐ From Page 1

year's announcement that Precious Metals Australia (PMA) was to open a vanadium mine, Windimurra, in Western Australia PMA "had gone a little quiet" on the proposed project, he said and suspected feasibility studies indicated production costs were turning out higher than expected

Boyd said weak silico-manganese prices had hampered Highveld's ferro-alloys operations "Ferro-silicon markets have been overwhelmed by supplies from China and the Eastern bloc," he said

Expansion moves for the Columbus project would be announced before the end of the year Columbus would produce between 400 000 and 500 000 tons of stainless steel a year when the expansion programme had been completed

Boyd said it had been possible to maintain the dividend as the group, controlled by Anglo American Industrial Corporation, and the world's largest vanadium producer, was in a strong cash position Cash on hand at the end of December stood at R285m He hoped 1992's total dividend would be maintained at 70c a share in spite of the prospect of another drop in earnings

● Comment: Page 10

COMPANIES

Dorbyl announcement expected in a week

JABULANI SIKHAKHANE

ENGINEERING group Dorbyl will announce details of its cautionary notice within the next week, CE Dawid Mostert said yesterday B/Day 11/2/92

Mostert's announcement came as Dorbyl's share price continued to test new highs amid speculation that the group would be unbundled (189)

The shares rose 200c yesterday to a fresh peak of R32, taking the gains over the past week to 23% The shares were at R15,50 three months ago

Dorbyl asked shareholders last week to exercise caution as negotiations were in progress

Although Mostert would not throw any light on the cautionary notice, he said the group would probably need another week before making an announcement

Market speculation was that Dorbyl would be unbundled, with one or more divisions being listed separately.

Analysts said last month's reshuffling of the group's nine major companies into three divisions — manufacturing, trading and contracting — had set the scene for unbundling

Hiveld expects profits to continue to decline

STAR 11/2/92

By Sven Lünsche (184)

A slump in the price of Highveld Steel & Vanadium's (Hiveld) key products — steel, ferroalloys and vanadium — brought a 38 percent drop in its profits in financial 1991

Chairman Leslie Boyd expects a further decline in profits, although to a lesser degree, in the current year as no major improvements are expected in its domestic and international markets

However, the group has maintained its total dividend of 70c a share, supported by a strong cash balance of R250 million at year-end

In line with its major local competitors — Samancor and Consolidated Metal Industries — Highveld has curtailed production of its products over the past few months to boost prices

Local steel sales slumped by 16 percent and world steel consumption fell by 4,7 percent last year, forcing the group to close two iron-making furnaces and to withdraw almost completely from the market

Further cuts in production are contemplated this year, Mr Boyd says

In line with lower world steel demand, vanadium consumption contracted further last year, leaving the Ventra division to operate at only a quarter of capacity

A similar situation prevailed in the ferroalloy division as silicon and silicomananganese prices remained weak throughout the year

As a result Transalloys reduced its silicomanganese facilities from two-thirds of capacity in July to below half capacity by year-end

Rand Carbide cut back production to 45 percent of capacity

Group turnover in 1991 held up fairly well at R1,38 billion, compared with R1,43 billion in 1990, but pre-tax income fell sharply from R201,3 million to R109,2 million

After providing R54,8 million for depreciation and earning interest of R37 million on its cash balance, attributable income fell to R95,6 million (1990 R150,2 million)

Earnings per share dropped by 38 percent from 208,4c to 130c

Mr Boyd says the main reasons for the decline in Highveld's fortunes were lower volumes in both the export and local markets, as well as lower export prices

He is pessimistic about the short-term outlook for prices of its products as the local economy is not expected to achieve any increase in domestic sales this year

He expects international steel consumption to decline by three percent as a significant oversupply situation exists both in steel and alloys coupled with aggressive pricing in weak US dollars

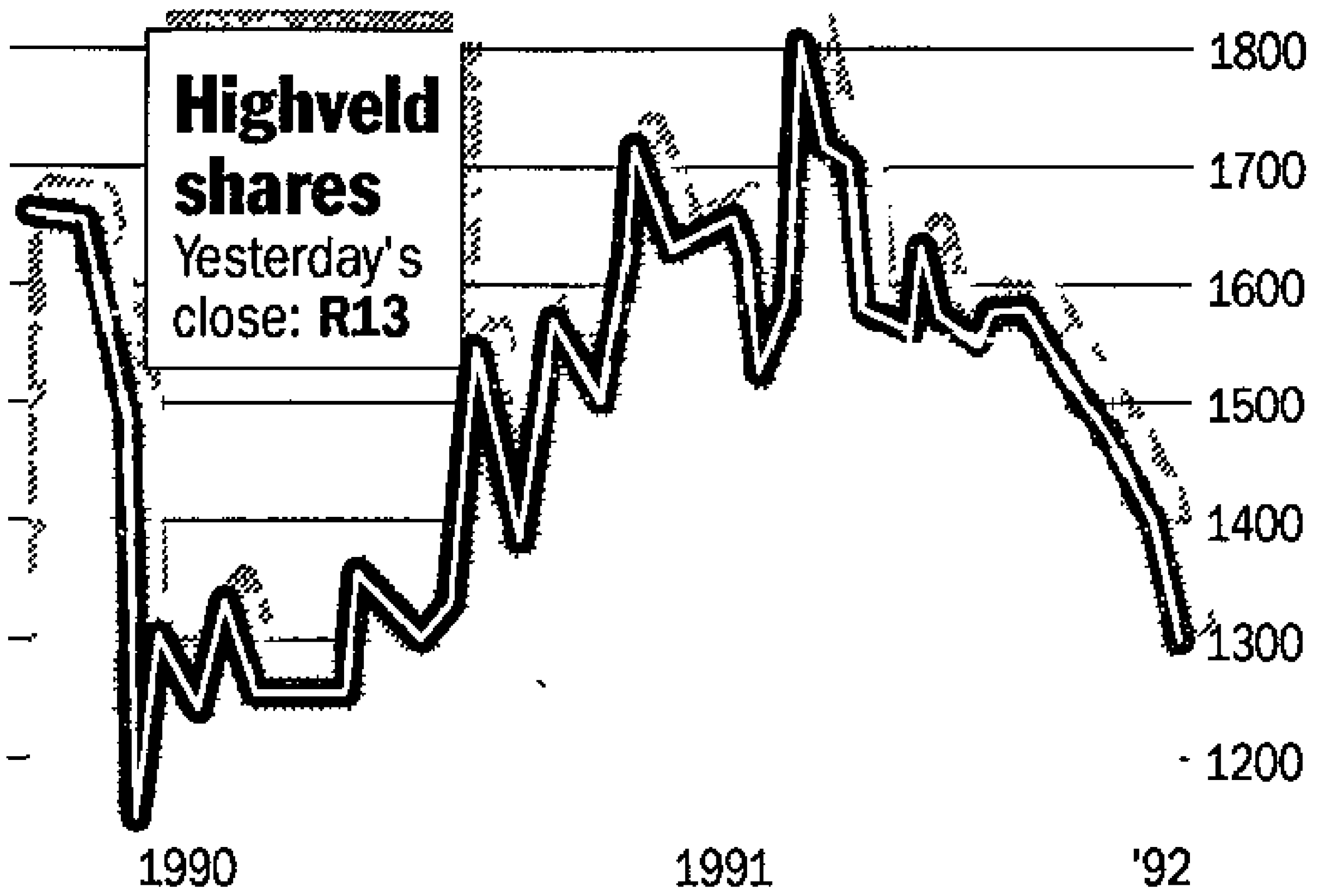
"However, provided further cutbacks in production occur and the US economy lifts out of its recession, steel prices should improve towards year-end"

Mr Boyd says that the repercussions of the breakup of the Soviet Union and changes taking place in China will continue to be major influences on steel and alloys in 1992

Turning to the ferrosilicon market, Mr Boyd says that supplies from China and East Europe have resulted in an oversupply of alloys, which have been disposed of at low prices in the West

The price of vanadium, however, could stabilise this year following the closure of Usko and Carbovan of Canada, although price movements will be determined by world steel production

Mr Boyd says the slump in the markets has made it difficult for Highveld to recapture its share of the EC and US steel markets, which opened up to SA companies after the lifting of sanctions last year



GH Marais awarded Bulawayo contract

B Day 11/2/92

Business Day Reporter

ENGINEERING firm G H Marais had been awarded a Z$30m contract as consulting, electrical, electronic and mechanical engineer for a shopping centre to be built in Bulawayo, the firm said yesterday

The centre will be the largest in Zimbabwe

The firm, which was involved in the construction of similar shopping centres such as Sandton City in Johannesburg, will handle the design of electrical and mechanical services for the centre, including lighting, fire-fighting and security

Construction is to be financed by the Mining Industry Pension Fund (MIPF) whose CE, Sam Nkomo, is the brother of Zimbabwean vice-president Joshua Nkomo

The contract represented a major breakthrough to carry out similar projects in the future, G H Marais chairman Ferdie Geyer said in a statement

"While the business sector of Zimbabwe has at its disposal a fairly strong infrastructure, there is still considerable scope for expansion and the need for large shopping centres is increasing," he said

Geyer said the firm would use its offices in Zimbabwe to establish new links with other countries in Africa

He said the company was looking at undertaking projects in Kenya and Angola

The contract was awarded to G H Marais as they had already established a company in the country, Nkomo said

The MIPF manages assets of over Z$500m and its property portfolio is worth about Z$100m, Nkomo said

The fund planned to invest in similar projects throughout the country

Ferrochrome production slides to 10% of capacity

(189 B) CT 10/2/92

From MATTHEW CURTIN

FERROCHROME production in SA has come to a virtual halt

SA is the world's biggest producer of the stainless steel-making alloy, but by the end of this month the industry will be operating at a mere 10% of its capacity of 1 7-million tons a year

Local producers have all had to cut back production, because by pushing up ferrochrome prices by 6% to $0,52 a pound in the December quarter last year they sacrificed what little demand there was for their material

Stainless-steel manufacturers in the US, the EC and Japan have turned their backs on SA ferrochrome because they have been able to buy scrap and other supplies of ferrochrome more cheaply

Samancor, which alone has a third of world ferrochrome capacity, announced at the weekend it would close all its ferrochrome furnaces for at least three months from February 20 The move would take 60 000 tons of the alloy off the market for a month. Samancor is currently operating at 75% of its capacity of a million tons a year. The group has also sharply reduced production from its chrome ore mines, and cut its production of manganese ore and ferromanganese

At a news conference on Friday, MD Hans Smith said the group had enough ferrochrome stocks to meet contractual commitments, and would still have healthy inventories when production restarted

Smith said Samancor decided to close its ferrochrome operations because demand for the alloy was weak, and as a way of conserving cash flow. "Samancor has the resources as an integrated producer and manufacturer to manage the recession and low commodity prices better than most," he said

Smith admitted that there was a perception among customers that Samancor was "public enemy number one" for raising prices in a recession. But he believed Samancor's biggest clients in Japan respected the pressure under which the company operated Samancor's target was still a price of $0,55/lb

Paying the penalty

However, a ferroalloy dealer for one the US's largest steel-makers said yesterday Samancor was paying the penalty for raising prices when market conditions did not justify this

He said that when Samancor bought Middelburg Steel & Alloys' (MS & A) ferrochrome division last year the group said market conditions would justify a price of $0,52/lb. That had not been the case, and SA producers had lost sales and a good deal of goodwill by their "stubborn take-it-or-leave-it approach".

Other US market sources said that although production cutbacks would help SA producers' cash flow, they still faced the fixed costs of maintaining furnaces.

In shutting down its ferrochrome operations, Samancor has followed the lead of Chromecorp Technology (CCT), which shut down its 180 000-ton-a-year furnaces in January for two to three months. Consolidated Metallurgical Industries (CMI), the largest producer after Samancor, is operating at a maximum of 60% of its 330 000-ton-a-year capacity.

Smith said Samancor inherited large stocks when it bought MS & A in October, and took advantage of low electricity rates offered by Eskom in December to run its furnaces at near full capacity

Samancor was in a good position to take advantage of what would be a sharp rise in ferrochrome demand, even if it came later than expected, Smith said

He said negotiations were under way with unions to discuss the plant closures, none of which was permanent. Samancor's chrome division employs 3 500 people.

The group posted earnings of 85c a share in the six months to end-December, 22% lower than the 109c a share posted in the interim stage in 1990

Smith noted the group's cash reserves had fallen to R102m on December 31 last year against R392m at December 31 1990, after the R250m purchase of MS & A.

He was unhappy with current cash levels, which were a major reason for stopping ferrochrome production, and cutting chrome ore, manganese ore and other ferroalloy production.

It was likely that the Columbus Stainless Steel joint venture with Highveld Steel and Vanadium would go ahead later this year. Samancor was considering all options, including a rights issue, to finance its share of the project

Prices too high for world demand

Ferrochrome output almost at a standstill

B/Day 10/2/92 (189)

MATTHEW CURTIN

FERROCHROME production, in SA has come to a virtual halt.

SA is the world's biggest producer of the stainless steel-making alloy, but by the end of this month the industry will be operating at a mere 10% of its capacity of 1,7-million tons a year.

Local producers have all had to cut back production, because by pushing up ferrochrome prices by 6% to $0,52 a pound in the December quarter last year they sacrificed what little demand there was for their material.

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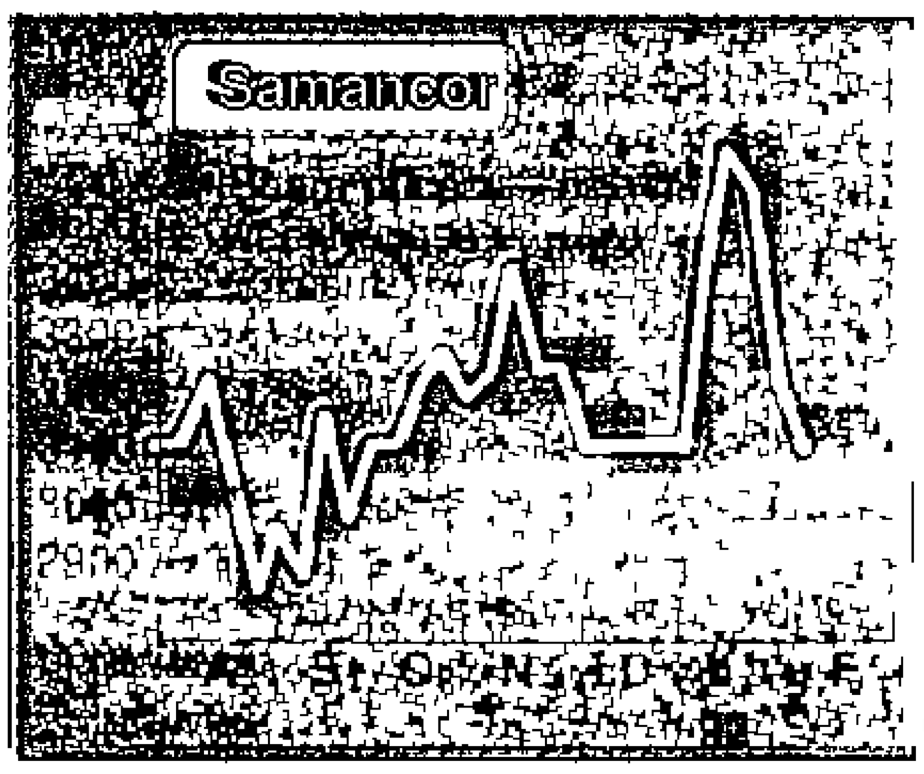

Graphic LEE EMERTON Source I NET

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Ferrochrome

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☐ From Page 1

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Chromecorp set to join ferroalloy 'big boys'

B Day 10/2/92

(189)

MATTHEW CURTIN

CHROMECORP Technology (CCT), the unlisted ferrochrome producer backed by international commodities trader Marc Rich, will have joined the likes of Samancor, Highveld Steel & Vanadium and Assmang as a diversified ferroalloy producer in a matter of months

CCT MD John Vorster said at the weekend that subsidiary Silicon Technology (Siltech) would start production of ferrosilicon by October.

Siltech has bought Sentrachem's calcium carbide plant near Newcastle, in a deal signed at the end of January but reported last week

Vorster said CCT had been eyeing the ferrosilicon market for 18 months, but its decision to go ahead was triggered by the calcium carbide plant coming onto the market Sentrachem bought the plant from AECI for R60m last year

Siltech would have to convert the plant which, while not ideally suited to ferrosilicon production, saved the company the expense and time of launching a greenfields venture

Vorster said the ferrosilicon market was depressed as the worldwide recession had hit carbon steel manufacturers, the main consumers of the alloy

Ferrosilicon is used in the manufacture of carbon steel as a deoxidant, and free market spot prices are currently at about \$620 a ton, compared with highs last year of about \$770/ton, and ruling prices of \$1 125/ton in 1988/89

Erratic sales strategies from China, a large producer of the alloy, have caused havoc on international markets

However, Siltech's entry to the market would be well-timed

Current SA producers, Highveld's Transalloys and Samancor, had only 2% of world ferrosilicon trade, so Siltech faced little local competition

Western producers like Norway, what is left of Yugoslavia, and Germany were increasingly losing their competitive edge as machinery aged The leading developing world producer, Brazil, suffered from unreliable power supply and other production problems which were jeopardising its position as the world's second largest exporter

Siltech was negotiating a contract with Eskom in which its electricity tariff would be tied to ferrosilicon prices, part of the power group's customer incentive scheme already applied to aluminium producer Alusaf's expansion project

Vorster said exporting ferrosilicon amounted to exporting electricity, so energy intensive was the refining process It took 4 200 megawatt hours to produce a ton of ferrochrome, 9 000 for ferrosilicon, and 13 000 for silicon or aluminium metal

He said CCT subsidiary Vanadium Technologies (Vantech), which bought the mothballed plant and mineral rights from Rand Mines Vansa Vanadium last year, would start producing vanadium pentoxide in April

Vantech had had to modify the Vansa plant extensively It would be using the same process as Highveld to extract vanadium pentoxide from vanadiferous ore New technology introduced at Vansa and Usko proved the undoing of both companies' attempts to break into the vanadium business, and both operations folded last year

Vorster said that as with ferrochrome and ferrosilicon, the key to making a success of vanadium was to be sure Vantech was a low cost producer, so it could ride out the trough in commodity prices The market for ferrovanadium and vanadium pentoxide, used in manufacturing special steels, was as depressed as for other ferroalloys

Samancor stages fight-back

STAR 10/2/92

By Derek Tommey (189)

Samancor, the world's largest producer of ferrochome, is to shut down all its ferrochrome furnaces for at least three months, says managing director Hans Smith

Analysts say one reason for the shutdown is to help stabilise the ferrochrome market

But it will also result in a marked improvement in Samancor's cash flow

Mr Smith said at the weekend that the shutdown could cut Samancor's profits by about R50 million But it would generate more than R200 million in cash for the company as stocks were sold off

Between June and December last year the company's cash holdings dropped from R579,9 million to R263,4 million

The re-opening of the furnaces would depend on market developments and orders from Samancor's customers

However, the news of the shutdown was sweetened for shareholders by the announcements that Samancor's interim dividend would remain unchanged at 40c a share

But the unchanged interim does not imply that the final dividend (last year 70c) will also be unchanged

The payment would depend on market conditions, he said

The shutdown should reduce world supply of ferrochrome by about 180 000 tons and help improve the supply-demand position, say analysts

Total world production of ferrochrome is about 2,5 million tons a year

Mr Smith said Samancor had enough stocks to meet its commitments during the shutdown and would still have about two-and-a-half months' supply in hand at the end

It could leave about 3 500 people at Samancor short of work

He said the shutdown was a short-term move and that no retrenchments were envisaged

Discussions have been were taking place with the employees' organisations to see how the furnace closings are to be handled

Hardest hit will probaly be Eskom It will lose about R30 million a month in revenue Samancor is discussing with Eskom how to minimise the effects of the loss

Unless there is an unexpected increase in steel production in the next six months, second half-year profits will not equal those in the first half

Mr Smith pointed out that a two percent increase in world economic activity would produce a four percent increase in steel production, a 12 percent increase in consumption of alloys and a 25 percent increase in the demand for ore

Samancor had a turnover of R954 million in the six months to December, of which R167 million arose from the purchase of the ferrochrome operations of Middelburg Steel & Alloys (MS&A), the Rand Mines Group chromite assets and the Manganese Metal Company

The balance of R787 million was 9,6 percent lower that the R871 million a year earlier

Net attributable income fell by 17 percent to R151 million

The manganese alloy market was oversupplied and prices declined

However, rationalisation arising from Samancor's purchase of MS&A's assets helped improve the supply-demand balance for ferrochrome

Production levels were adjusted in line with reduced sales, leading to a 29 percent drop in chrome ore sales

Manganese productions has been reduced in line with market demand Chrome ore production will be reduced in line with the furnace closures

The Columbus Joint Venture plans are proceeding apace and the announcement of the project go-ahead is expected in the current calendar year

Czech imports may hit steel producer's plans

B/Day 10/2/92

189

MATTHEW CURTIN

CHEAP and potentially good quality imports from Czechoslovakia may threaten the successful return of Tosa, Dorbyl's steel tubing producer, to the seamless tube market in 1993

A spokesman for trading company Metmar said yesterday that after a visit by representatives of Czechoslovakia's stainless steel industry to SA last week, the prospects were good that imports of special steel products would rise sharply from the former Soviet bloc country

He said Metmar had signed an agency agreement with the Czechoslovakian steel sector for trade in SA.

The volume of the SA market for seamless tubes was about 40 000 tons a year — worth between R70m and R100m — compared with Czechoslovakian production of [illegible],6-million tons a year

Tosa's seamless tube plant in Vereeniging, a joint venture between Iscor and Dorbyl, was mothballed in the middle of last year to allow for a R75m upgrading programme.

The new technology used in the plant has been dogged by teething problems.

The Metmar spokesman said that with Tosa's plant inactive, SA's mines and industries were increasingly having to use imports to satisfy their seamless tubing needs.

Metmar was confident that Czechoslovakian imports would compare favourably in price, quality and quantity with alternative sources from the EC and Japan

The country, which had a history of quality steel production, was keen to earn hard currency now that former Soviet markets were falling away

However, Tosa GM Harry Coetzee said yesterday that Tosa was confident of returning competitively to the tube market once its plant was back on line in early 1993.

He said Tosa had adequate stocks and had been able to keep and supply many of its customers, sometimes with imports, while the plant was being overhauled.

He added that the seamless tube market was highly competitive in SA with customers demanding high quality products produced to tight specifications to be delivered at short notice.

The biggest concern for Tosa was that of possible dumping, should the preferential trade agreement signed last year between SA and Czechoslovakia be repeated.

In the agreement, SA has waived the 5% import surcharge on Czechoslovakian imports in return for similar concessions for SA exports

The main producers of seamless tubing, which has a range of applications particularly in the mining and petrochemical sectors, are Germany and Japan Without the import surcharge and with the benefit of a weaker currency, Czechoslovakian products will be available at significantly lower prices than those from Western sources

Haggie takes to making steelcord

189

STAR 19/2/92

Haggie is to build a R150 million steelcord factory on the Witwatersrand to meet the needs of tyre manufacturers who rely entirely on 6 000 tons of imports a year

Steelcord is primarily used as reinforcement in steel-belted tyres, and demand is increasing at the expense of textile reinforcement material Haggie expects demand will rise to 10 000 tons a year by 1996

MD Chris Murray said yesterday the R83 million first phase would start later this year. The factory should be commissioned in mid-1993

"The project is being undertaken in collaboration with an overseas partner, and will be financed out of Haggie's existing borrowing capacity," he said

"Haggie's gearing will rise from 26 percent to 40 percent at peak," he said — Sapa

Samancor chrome shock

SAMANCOR will cease ferrochrome production for at least three months and mining of manganese ore will be reduced because of poor international markets. S/Times(Buss)

Managing director Hans Smith says the group's cash position will benefit But unless market conditions improve, profits in the second half will be lower than in the first six months. 9/2/92

Mr Smith says in a shock interim announcement that all ferrochrome furnaces will be shut down on February 20. The extent and timing of the re-opening will depend on market developments and orders Trade unions will be consulted about the effects on workers.

Attributable profits for the six months to December fell by 17% to R151-million from R182-million in spite of a rise in turnover to R954-million from R871-million in the first half of the previous year (189)

The interim dividend at 40c will be maintained

About R167-million of turnover came from the acquistion of Middelburg Steel & Alloys (MS&A) and Manganese Metal.

Samancor in drastic furnace closure move

STAR 8/2/92 (189)

DEREK TOMMEY

SAMANCOR, the world's largest producer of ferrochome, has struck again in its drive to win a better price from the world steel industry

Samancor's managing director, Hans Smith, said last night that the company was taking the drastic step of shutting down all its ferrochrome furnaces for three months

This would reduce world supply of the metal by about 180 000 tons and should improve the supply-demand position Total world production of ferrochrome is about 2,5 million tons

Buyers are likely to be alarmed by the announcement, say analysts

The shutdown could lead to ferrochrome supplies becoming tight just when the world economy and the demand for the metal is picking up

Samancor has been fighting for a higher price for its ferrochrome for some months Last October it took the market by surprise when it announced that it was increasing the price from 49 US cents to 52 US cents a pound

Competitor Consolidated Metal Industries, which also raised its price to 52 US cents a pound, reported this week that this move had led to a sharp drop in its sales Samancor has not said what effect the price increase had on its own sales

Mr Smith said Samancor had enough stocks to meet its commitments during the shutdown and would still have about two-and-a-half months' supply in hand at the end

The shutdown could reduce Samancor's profits by about R50 million, but would put about R200 million in cash in Samancor's coffers

It could leave about 3 500 people at Samancor short of work But the shutdown is a short-term move and no retrenchments are envisaged

Discussions have been taking place with the employees' organisations to see how the furnace closures were to be handled

Hardest hit will probably be Eskom It will lose about R30 million a month in revenue, said Mr Smith

Samancor is discussing with Eskom how to minimise the impact of this loss

Ferrochrome producers stick to higher figures

BDay 7/2/92 189

MATTHEW CURTIN

FERROCHROME producers in SA have "called the bluff" of stainless steel customers worldwide by sticking to higher producer prices despite weak market conditions, and sacrificing some of their market share in the process

But as customers return to SA to meet their ferrochrome requirements, they will have to pay even more for SA material, Chromecorp Technology (CCT) MD John Vorster believes

He also said prices would rise again in the June quarter to as close to $0,55 a pound as SA producers could get

CCT is SA's third largest ferrochrome producer and, by November, will also have its recently acquired vanadium and silicon ferroalloy divisions up and running

In an interview yesterday, Vorster said Samancor, Consolidated Metallurgical Industries and CCT would weather the 60% drop in orders for SA ferrochrome, provoked by their 6% increase in prices in the December quarter last year

"SA's ferrochrome producers are in the business to make money, not to win market share, and we are only making adequate returns at 55c a pound," Vorster said

Industry sources noted that last year's ruling ferrochrome prices of $0,49/lb were unchanged from levels in the early '80s, and represented a real drop in prices of about 50% in the decade

In that period, stainless steel producers earned good profits and had shown no willingness to pay more for their ferrochrome, sources said

Vorster said ferrochrome made up a small fraction of the costs of manufacturing steel, in which the most expensive inputs were electricity and nickel

He predicted that 1992 might be a record year for local ferrochrome exports as customers returned to SA

Industry sources said many customers boycotted SA ferrochrome in response to last year's price rise Instead they bought stainless steel scrap and material from the spot market

However, Samancor, CMI and CCT are in a strong position They are the lowest cost producers worldwide and have more than half the world's cost effective ferrochrome capacity

Discounts

Low prices have led to ferrochrome plant closures in many European countries and the Philippines in the past year

SA producers say they have stood firm on price increases and have preferred to cut production as orders began to dry up in the last three months of 1991

In the US, however, customers say SA producers are offering significant price discounts to move inventories

CCT has shut down its three furnaces until April in what Vorster said amounted to "a stock adjustment exercise"

CMI is operating at a maximum of 60% capacity and Samancor is expected to announce cutbacks today

Klipton's record of real growth marred

B/Day 7/2/92

189

MARCIA KLEIN

INDUSTRIAL holding company Klipton's 13,3% decline in attributable profit to R2,4m from R2,8m in the six months ended December could bring to a halt its six-year record of real growth

Turnover rose by 21% to R59,9m (R49,5m), but operating profit dropped by 4,6% to R5,1m (R5,3m), with operating margins narrowing from 10,8% to 8,5%

The diversified operating companies in the group "focused on maintaining market share, sometimes at the expense of operating margins", joint chairman Nigel Matthews said

Gearing was seasonally higher Although creditors were reduced, stock levels were above budget, resulting in a higher than budgeted level of debt and a 72,5% hike in Klipton's interest bill to R1,2m

This saw pre-tax profit decline by 15,7% to R3,9m (R4,7m) and earnings a share drop by 27,2% to 20,6c (28,3c) on more shares in issue

Matthews said Klipton's safety and security division had performed well, but the industrial division had been hard hit by worsening trading conditions in its target markets

Sales across the group had slowed significantly

Klipton would continue to concentrate on reducing costs through improved productivity and asset management

Although Matthews expected no change in trading conditions over the next six months, he said Klipton would continue to investigate acquisitions

Export market boosts Pals' turnover

B/Day 7/2/92

WILLIAM GILFILLAN

A 45% rise in export business enabled clothing group Pals Holdings to increase turnover by 24% for the six months to August

But the lower margins earned by the group to get a foothold in the export market resulted in earnings growing by only 9% to R514 000 (R472 000)

All exports by the company, which manufactures men's trousers, jackets, and suits, were to the UK

The lower operating margins meant the 24% rise in turnover (actual figures were not given) converted into a virtually unchanged operating income (before the depreciation charge) of R1,4m

However a lower depreciation charge of R279 000 (R292 000) and a reduced interest charge of R225 000 (R277 000) helped income before tax rise to R885 000 (R801 000)

MD Harold Noik said the lower interest charge came on the back of a drop in borrowings generated by a stronger cash flow as a reult of the higher exports

Pals' importers pay for their goods on shipment from SA which was preferable to local sales which involved credit terms

An interim dividend of 2c (1,8c) a share was declared on earnings of 5,7c (4,7c) a share

Klipton's record of real growth marred

(189)

BDay 7/2/92

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W-13 (189)

A farmer claims that half his dairy herd has been poisoned by a vanadium factory in the eastern Transvaal — and there is serious concern about the health of residents in the area. **By JENNIFER VERSTER and EDDIE KOCH**

FARMERS in the eastern Transvaal are up in arms about toxic fallout from a German-owned vanadium plant that they say is linked to a disease which kills cattle and causes cows to abort prematurely

And the health of people living near the factory, in the upper Steelpoort Valley 40km north of Middelburg, may be at risk A farmer whose land borders the chemical plant claims his lungs have been made "rotten" by the pollution, while preliminary studies conducted by the Medical Research Council indicate that one in two people in the district suffer from eye irritation

The department of health — responsible for monitoring pollution emanating from the Transvaal Alloys factory, owned by the German multi-national Norddeutsche Affinerie — appears to be dragging its feet over addressing the problem.

"Your factory poisons 30km and further the environment around you," said farmer Piet Geldenhuys in a letter to the company *"In die natuur vrek al wat leef om u fabriek* (everything that lives around your factory dies) fish, birds, animals and a large number of plants and the people are being drastically affected "

The plant refines vanadium ore to produce vanadium pentoxide and ammonium metavanadate These appear to be strategic compounds used in the armaments and nuclear industries as well as the manufacture of synthetic fuels GR Hovener, general manager of Transvaal Alloys, refused to tell *The Weekly Mail* who the company's clients were

Hovener has denied any responsibility for degrading the environment around the plant He is backed by the government's chief air pollution officer, Martin Lloyd, who says "the dust on the windowsill in my office carries more toxins than the air in the eastern Transvaal"

But this has not deterred Geldenhuys from conducting a campaign against the multi-national And the farmer has received backing from a team of scientists based at Onderstepoort near Pretoria — toxicology researchers began investigations after they received reports some 18 months ago of a strange disease afflicting cattle in the area

Two-year-old bull calves on the farm seem to have stopped growing at six months. But they are the lucky survivors: in the past five years, Geldenhuys claims to have lost 50 percent of his dairy herd

A local vet identified the disease as "illthrift" — a chronic disease that suppresses the immune system of livestock, disrupts the animal's ability to digest food and impairs fertility It appears to be caused by long-term exposure to toxins

Onderstepoort's final report, issued in August, concluded that vanadium toxicity was the underlying cause "What this investigation has done is accumulate a library of circumstantial evidence that leads us to believe the animals on Mr Geldenhuys' farm have been suffering from the effects of excessive levels of vanadium we feel confident that vanadium toxicity is the underlying cause of the illthrift problem experienced on the farm

"On the basis of all our findings, and until proved otherwise, we conclude that there is sufficient circumstantial evidence to make a diagnosis of vanadium toxicity which was most probably caused by air pollution which most probably came from the nearby mine (processing plant) "

After months of research and post mortems on cattle and stillborn calves, together with grass and soil samples, the research team concluded that the cattle were suffering from malabsorption complicated by immuno-suppression and that the most likely cause was vanadium poisoning

"There is now considerable evidence to suggest that the animals on the farm have an impairment of their immune system This then makes animals susceptible to a wide range of infections that would otherwise not cause problems," says the report

Studies into the effects of exposure to vanadium toxins on humans are less conclusive A team of medical researchers headed by Dr Petro Terblanche, of the Medical Research Council in Pretoria, has begun probing the issue

"Fifty percent of the people living in the area complained of eye irritation," she told *The Weekly Mail* "That is consistent with vanadium poisoning, but it needs to be verified "

Vanadium can cause respiratory problems, irreversible decline in lung function, reproductive complications, lower respiratory tract infections, skins rashes, gastro-intestinal disturbances and lethargy.

Exposure to vanadium dust over about 15 to 20 years can lead to dust pneumonitis, which in turn leads to emphysema and high blood pressure It can also lead to mild renal tubular damage

There is concern among the people living in the area about the effect pollution may be having on their health Children suffer from chest ailments and asthma and there seems to be a high incidence of kidney problems Geldenhuys says local workers will not live on the farm because there is a higher incidence of women miscarrying.

M Wide, conducting a study for the international journal *Environmental Research* in 1984, found an increased frequency in spontaneous abortions in Finnish women that correlated to metal industries where aluminium, cobalt, molybdenum and vanadium were used She also found experimental evidence that a single dose of vanadium could interfere with foetal skeletal ossification in pregnant mice

Vanadium is used for its tactile qualities to strengthen steel South Africa has half the world's reserves and is the single biggest producer of vanadium products. Ammonium metavanadate is also used in the manufacture of dyes, inks and paints, and vanadium pentoxide in the manufacture of ceramics

At the factory, vanadium ore from a nearby mine is milled, the dust is mixed with water and sodium sulphate and made into pellets These pellets are dried and roasted in a rotary kiln at temperatures of 1220 to1300 degrees Celsius Smoke and gases from the kiln escape through chimneys Pollution is possibly from two sources vanadium dust from the crushing process or compound smoke and gases emitted from the kiln

"Work done by the CSIR has shown that there is considerable fall-out of vanadium dust near the mine (4710 micrograms a metre a day) and that these levels decrease further from the mine (processing plant) (536 micrograms a metre a day), which supports our own findings that aerial pollution of the farm is taking place and gives added evidence that inhalation toxicity could be playing a role," says the Onderstepoort report

This is not the first case of vanadium toxicity to be reported in South Africa

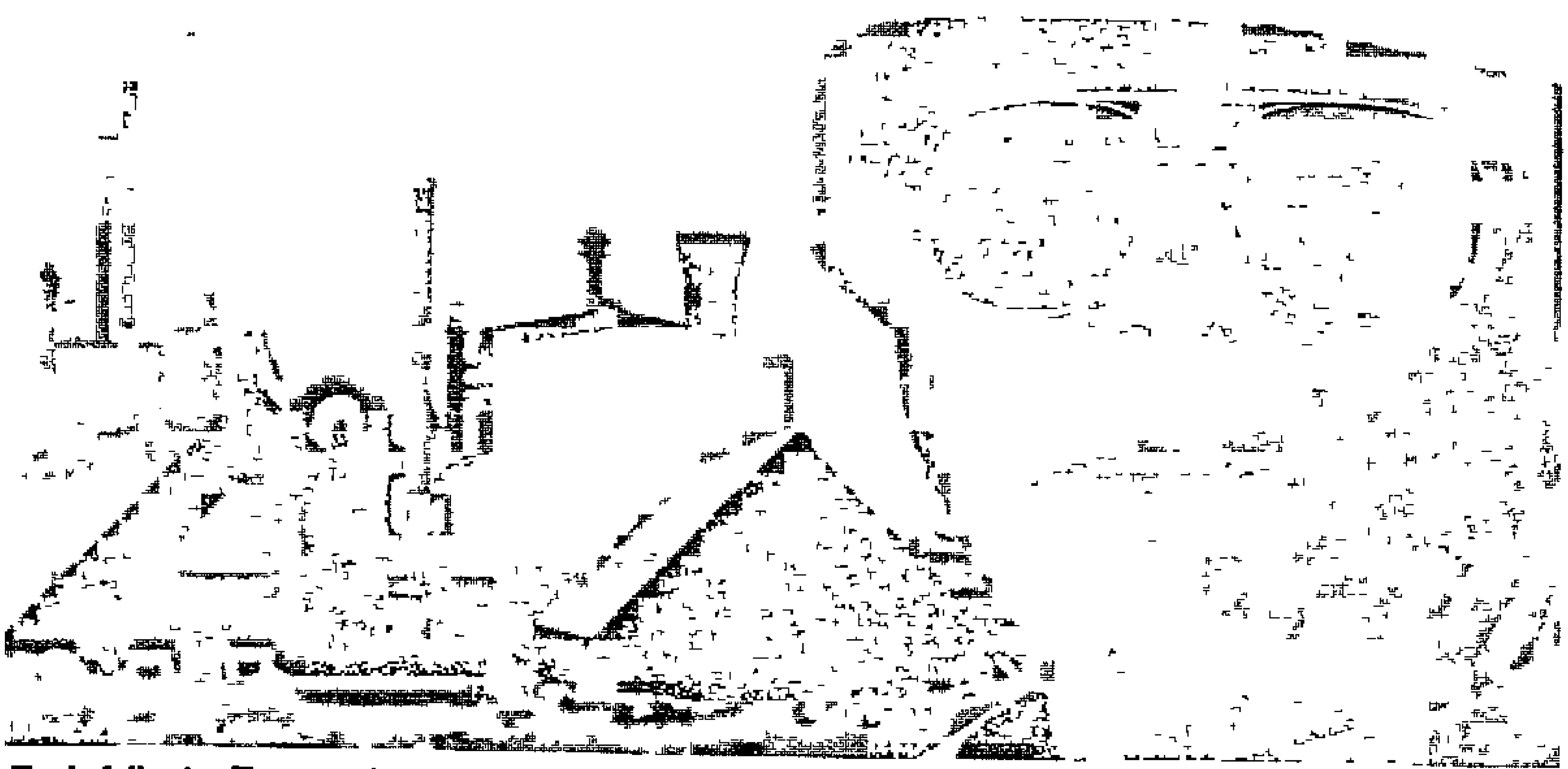
In 1976 a case was brought to the attention of the then minister of agriculture, Hendrik Schoeman, by a Mr Jacobs of the farm Leeuwklip in the Belfast district This was the same farm that Geldenhuys now owns

Geldenhuys bought the farm in 1986 Now facing bankruptcy because of his losses, he explained his problem to the Land Bank in Middelburg and was advised by the bank manager "to sell the farm as quickly as possible"

TA is adamant that it is complying with all standards and requirements set by the government (see accompanying article) Department of Health officials were unavailable for comment

W/Mail 7/2 - 13/2/92

BOEREDAG



Toxic fallout ... Transvaal Alloys' vanadium plant borders on Piet Geldenhuys' farm

Photo: GUY ADAMS

'Don't blame us,' says factory

W/Mail 7/2 - 13/2/92

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According to TA: "The plant has been upgraded continuously in order to modernise the equipment and ensure that the company complies with the obligations in terms of the Atmospheric Pollution Prevention Act. The company holds a registration certificate issued in terms of this Act.

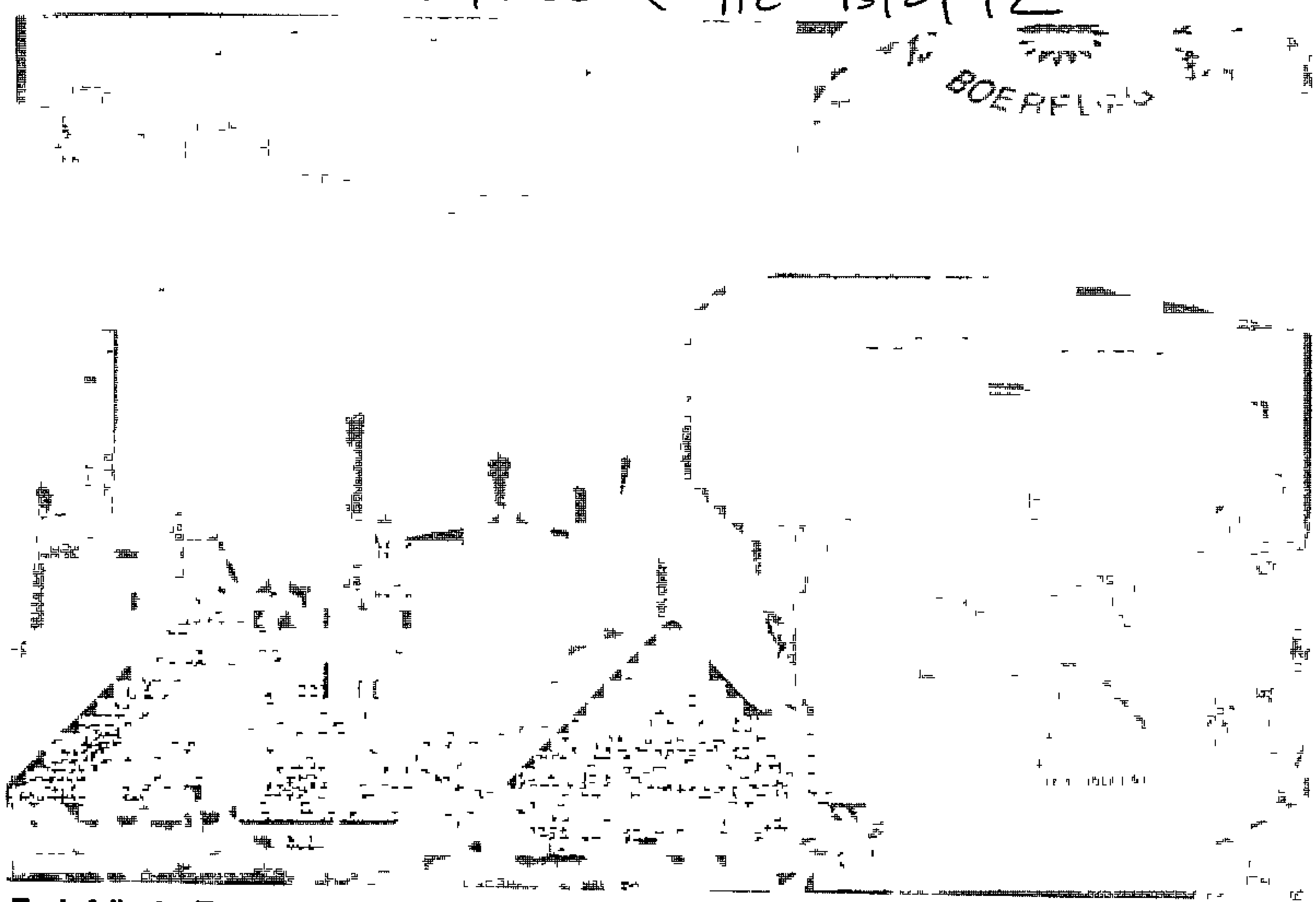
"Monthly, gravimetric monitoring, in line with Act 70 of 1973 as amended, of the plant environs is done by an authority accredited by the Department of Mineral and Energy Affairs — Air Quality Division. This monitoring reveals that the company is in compliance with the required standards.

"The company is aware of no conclusive evidence that its operations have caused any damage to Mr Geldenhuys.

"The company indicated that if Mr Geldenhuys persisted in his claims to the contrary, it would be necessary to arrange for certain sampling to be undertaken on his property. Mr Geldenhuys has refused to give the company access to his property.

"During 1975, an earlier owner of the property, a Mr Jacobs, brought a claim in the supreme court against the company for damages ... Expert evidence obtained by the company indicated that the problem experienced by Mr Jacobs arose from poor agricultural practices rather than from contamination or pollution from the company."

w/mail 7/2-13/2/92



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CONSOLIDATED METALLURGICAL INDUSTRIES

FM 9/2/92 (189)

Dull market outlook clouds recovery

Considering the state of the balance sheet of Consolidated Metallurgical Industries (CMI) at the June year-end, when debt was at a R216m high after the Purity operation was acquired, interim results show a reasonable turnaround

Long-term debt remains a burden at R128m but short-term borrowings have been slashed by R88m, funded by July's R102m rights offer That comes at the cost of preference dividend payments — R4,3m at the interim stage — but leaves a more manageable balance sheet

However, ordinary shareholders again miss out on dividends

Most encouraging is the return to operating profits after the previous year's losses, with earnings looking like they could break back into the black by financial year-end

But that depends on the world market, which chairman David Kovarsky says is not too encouraging for the next six months There is still an oversupply of ferrochrome and it may take some time before the supply-demand balance is restored World consumption of about 3,4 Mt a few years ago has dropped to about 2,7 Mt

Lower sales led to CMI shutting two furnaces, one each at Rustenburg and Lydenburg, cutting capacity by 40% CMI is now running close to available capacity and Kovarsky hopes the cutback will be short-term

The ferrochrome price increase late last year, a united stand by SA producers which forced the price up from US49c/lb to US52c, was not well received and resulted in reduced orders and some cancellations

Scrap and the spot market

"Many customers needed less ferrochrome because they were destocking and a lot also got their needs from scrap markets and on the spot market," Kovarsky says

Some of those customers have come back and orders for the first quarter are up Kovarsky says pushing up the price was something of a gamble, knowing it would result in decreased volumes, but he believes it has been better for the bottom line

"Even at US52c, we are at best on breakeven The price needs to be higher Negotiations for second-quarter prices start in about two months, depending on the world market, we will consider going for another increase "

While Kovarsky says the past six months were worse than expected, he is not unhappy with the results "We are pleased to be keeping our heads above water CMI has moved into survival mode," he says

At 840c, the share has traded between R8 and R11 during the past six months — up from a low of R6 a year ago The price seems reasonable, but future movements will depend largely on world demand for ferrochrome, which is uncertain *Shaun Harris*

CMI's Kovarsky *united stand badly received*

MORE STEEL

Six months to	Dec '90	Jun '91	Dec '91
Turnover (Rm)	102,0	172,6	144,0
Operating income (Rm)	(5,1)	(6,1)	10,4
Pre-tax profit (Rm)	(14,6)	(9,5)	4,2
Attributable (Rm)	(14,7)	(10,0)	(0,2)
Earnings (c)	(35)	(23)	7*

*Diluted

FM 7/2/92 (189)

MIDMACOR INDUSTRIES

Cost bind

(189)

FM 7/2/92

Activities: *Imports and/or distributes various industrial products, Honda motor cycles and Delta motor vehicles, rebuilds diesel engines and transmissions*
Control: *KNJ Industrial Holdings (Pty) 88%*
Chairman: *K N Jenkins MD D B Jameson*
Capital structure: *7,86m ords Market capitalisation R4,32m*
Share market: *Price 50c Yield 4,0% on dividend 12-month high, 60c, low, 35c Trading volume last quarter, 12 000 shares*

Year to June 30	'90	'91
ST debt (Rm)	20,0	24 5
LT debt (Rm)	6 1	5,3
Debt equity ratio	0,7	0,9
Shareholders interest	0,4	0 4
Int & leasing cover	2 2	1,4
Return on capital (%)	15 8	9,3
Turnover (Rm)	86,8	78 8
Pre-int profit (Rm)	7,4	4,7
Pre-int margin (%)	8,5	6 0
Earnings (c)	36,4	(1 0)
Dividends (c)	6	2
Net worth (c)	264	261

Midmacor's Jenkins *trading conditions remain competitive*

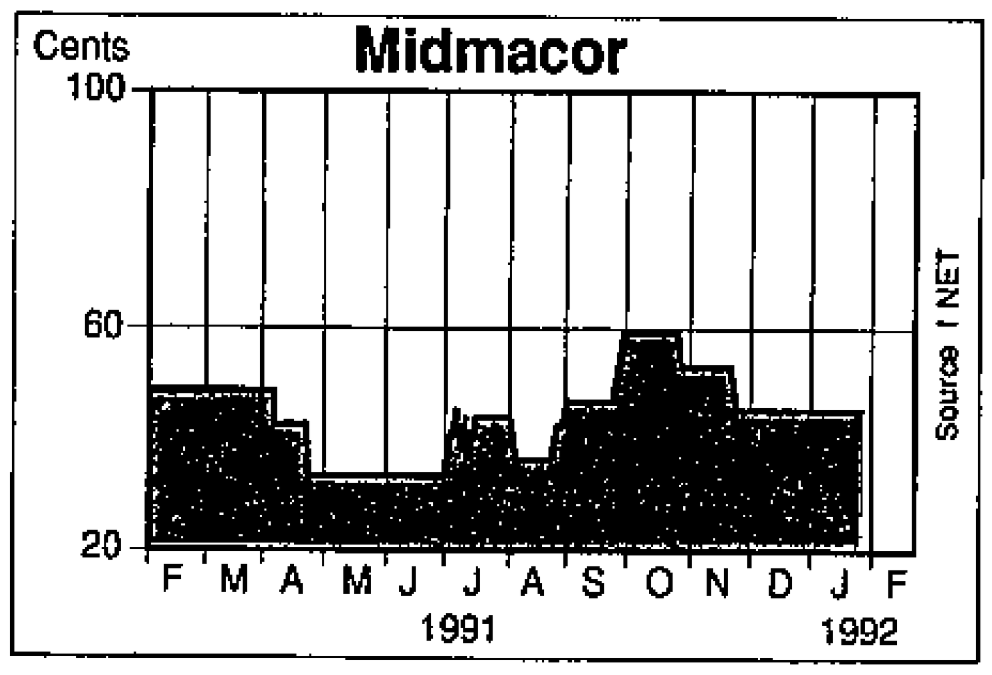
Midmacor has produced below average results since its reverse listing in 1990 and has again suffered from loss-making operations associated with the mining and engineering industries

Chairman Keith Jenkins says the group had to source products from factories in Taiwan and Brazil after Honda in Japan rationalised export models

Earnings were undermined by the fall in volume of repair work done by PDS Diesel Services (Pty), part of the diesel engine division

Reflecting the changes in operations, industrial sales were down in the third quarter and fell further in the fourth

Net operating income of R861 000 was more than eliminated by R1,8m write-offs of stock and irrecoverable work-in-progress Jenkins says provisions against these in previous years may have been inadequate



Jenkins says the work force and overhead costs have been cut but warns that trading conditions remain competitive

Midmacor probably does itself a disservice by not disclosing the effects of problems in the diesel engine operations There is no breakdown of turnover of the divisions Lack of this information makes it impossible to assess where Midmacor may go from here If one accepts management's view that problems in the diesel engine operations have been dealt with, this year should, at worst, reflect a return to stability — with the recovery of the diesel interests offsetting any further deterioration in the economy

Trading volumes are thin Obviously, the market is not happy with what has happened, nor, apparently, is it expecting significant recovery in the short term *Basil Barber*

Adverse conditions hit Klipton

(189)

STAR 7/2/92

Finance Staff

Worsening trading conditions saw earnings at industrial group Klipton fall by 13 percent to R2,4 million (R2,8 million) in the six months to December

The decline was even larger at 27 percent — from 28,3c to 20,6c — at the earnings-per share level as a result of a rise in the number of shares in issue

Klipton declares only one dividend at the end of the financial share

Joint chairman Nigel Matthews says "Although the security division performed well, the industrial division has been particularly hard hit by the worsening trading divisions"

Sales demand across the group slowed, although Klipton still managed to achieve a 21 percent rise in turnover to R59,9 million (R49,5 million).

"With conditions unlikely to improve significantly in the next six months, expenses are being tightly controlled while we concentrate our efforts on reducing costs by improved productivity and asset management," Mr Matthews says

He adds that Klipton is still investigating acquisitions to complement its existing business

During the interim period it acquired security group Sandton Sentry

Target well ahead on drilling programme

B/Day 6/2/92

WILLIAM GILFILLAN 189

ANGLOVAAL's Target Exploration Company drilling programme should be completed well ahead of the two years originally allowed for since its November 1990 inception, directors reported yesterday

The drilling has been carried out in an area near Allanridge in the Free State

Ten of the boreholes had been completed and the results of the drilling programme would be published when the outstanding deflections on reef horizons were finished and interpreted Just less than 20 000m were drilled in 20 boreholes during the six months to December

Exploration costs of R13,6m during this period brought total exploration costs since its inception to R30,3m

Expenditure to finalise the programme was expected to be R6m

COMPANIES

Otis details R7,5m rights offer

LESLEY LAMBERT

OTIS Elevator has announced details of its proposed R7,5m rights offer

Approximately 3,4-million new ordinary shares will be issued

The terms of the offer will be 20 new ordinary shares for every 100 ordinary shares held at a price of 220c a share The new ordinary shares will rank pari passu with existing ordinary shares.

Otis was raising the capital to fund part of the R22m it paid for Melcorp, directors said

B/Day 6/2/92

Based on the last audited financial statements of Otis and Melcorp and assuming that the acquisition and the rights issue were effective from December 1 1990, the combined pro forma effects of the offer and the acquisition on Otis shares would have been a decline in pro forma earnings from 38,3c to 33,5c

(189)

The effects on the pro forma net asset value per share as at November 30 1991 was immaterial, directors said

They said they expected the acquisition to produce synergistic benefits and growth opportunities which would boost earnings

An associate company of Otis has agreed to take up the rights on parent company Otis Elevator New Jersey's 51% stake in Otis Standard Merchant Bank has agreed to underwrite the remaining 49%

Buffcor directors 'set to buy out minorities'

B/Day JABULANI SIKHAKHANE 6/2/92

A LONG-awaited announcement by Buffalo Corporation (Buffcor) could relate to an offer to the minorities by the company's directors, market sources said yesterday

Buffcor has been attracting a lot of interest on the JSE since a cautionary notice in October. An announcement was expected last month, but Buffcor issued another cautionary advising shareholders that negotiations had not yet reached conclusion

Buffcor CE Isaac Menashe yesterday would say only that an announcement would be made shortly

However, market sources said that the directors, who hold about 53% of Buffcor's ordinary shares and 78% of the preference shares, were planning to buy out minorities The offer price is believed to be around 250c a share, compared with the current market price of 190c.

Sources added that the announcement of the deal was being delayed by counter bids from several other interested parties

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Buffcor is involved in the manufacture and distribution of reflective and non-reflective number plates and safety signs It distributes silkscreen products and also owns and lets property

COMPANIES

CMI back in the black, but its improved results still disappoint

(189) BDay 5/2/92

MATTHEW CURTIN

CONSOLIDATED Metallurgical Industries (CMI), the world's second largest ferrochrome producer, posted improved but disappointing results to break even in the six months ending in December

Interim results marked a huge turnaround from those in the same period in 1990 when the company plunged into the red because of weak ferrochrome prices and costs associated with the R181m purchase of Purity Chrome

However, Chairman David Kovarsky said yesterday that the interim results were "worse than expected", because of unexciting sales volumes and weak prices

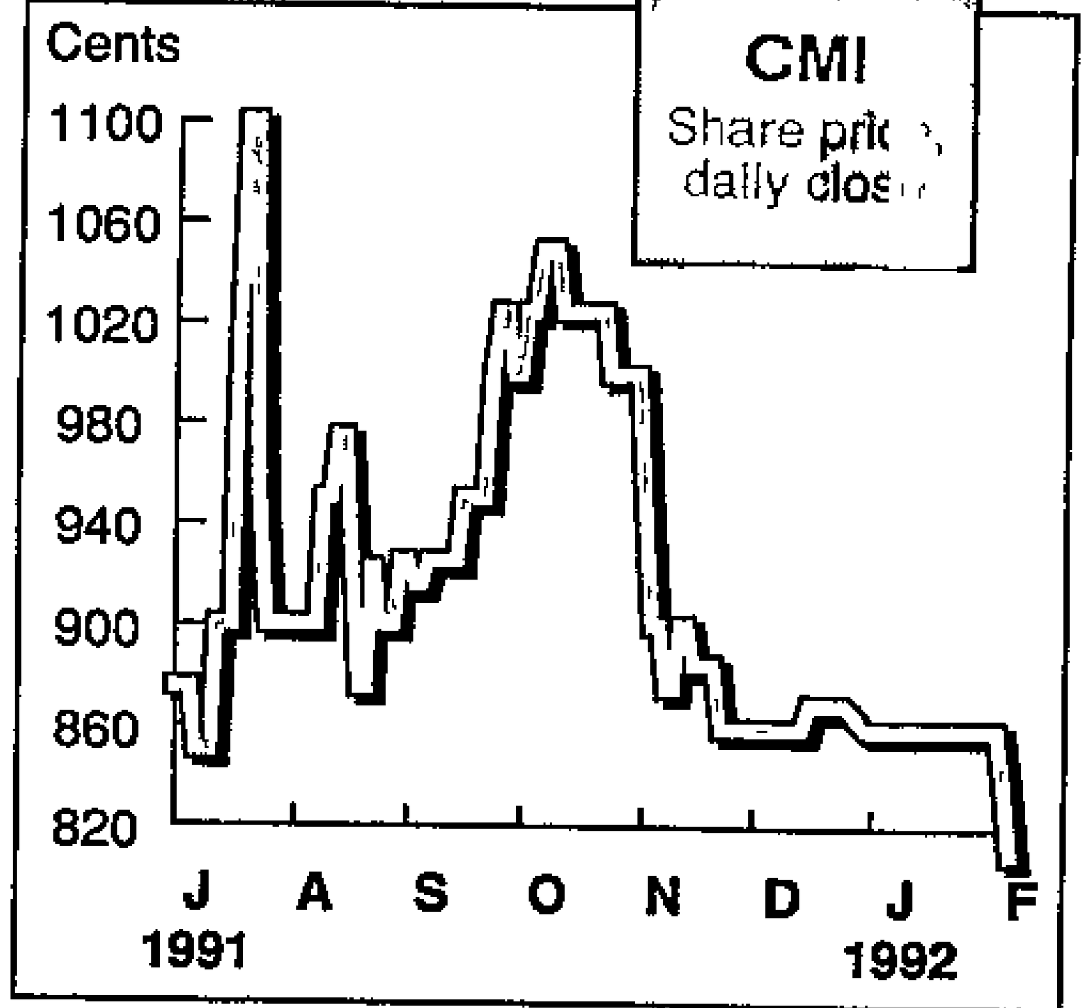
CMI posted diluted earnings of 7c a share, against a loss of 35c a share in the interim last year, but passed its dividend The company paid out a 25c preference dividend on its 1991 issue of preference shares

Kovarsky said the six months under review had been eventful because of Samancor's purchase of Middelburg Steel & Alloys' ferrochrome division, and the increase in SA producer ferrochrome prices from $0,49 to $0,52 a pound in the December quarter

The impact of the Middelburg sale was to remove a major competitor

Kovarsky said fears abroad that the main SA producers — Samancor and CMI (which share Anglo American as an important stakeholder), and independent producer CCT — were operating as a cartel, were based on the decision of all three to stand firm by the higher prices However, no cartel was in operation, he said

Kovarsky added by putting up prices SA producers had forestalled a probable fall in prices in the December quarter because of falling demand from stainless steel manufacturers, the main consumers of ferrochrome



Graphic FIONA KRISCH Source I NET

Marketing director Alan Kuhnert said the price rise had a "devastating effect" on sales, but the better prices had more than compensated for lower volumes

In the December quarter, German and Japanese customers had not bought SA material They relied instead on their own stocks, scrap and spot market supplies However, they were now having to use SA ferrochrome again, particularly with the closure of ferrochrome operations in Europe and the Philippines

He said the stainless steel market was resilient, with total consumption in 1991 likely to match near record levels of 10,6-million tons reached in 1990, almost double levels of the early 80s and the last major world recession

Demand had suffered most in the US — down 8,2% — followed by Western Europe — down 3,2% — and Japan Demand dropped sharply in the December quarter there, as the Japanese manufacturers lost out to European competitors in southeast Asian markets

However, stainless steel production rose 5% in 1991 in SA, Brazil, India and Taiwan, with 2% to 3% growth forecast for this year

Kuhnert said there was still a large oversupply of ferrochrome worldwide

CMI moved back into the black at the operating and after-tax levels in the six months under review thanks to a number of factors

The price for SA ferrochrome was 4% to 11% higher at $0,49c to $0,52c a pound in the second half of 1991 against $0,47 in 1990 With CMI also boosting its capacity by 50% through the purchase of Purity, turnover rose to R144m from R102m in 1990

Increased and more efficient production from the upgraded Rustenburg plant kept unit cost increases down to 4,3% in the period

CMI raised R102m from the preference share issue last year, money which was used to reduce short-term debt and to finance working capital A fall in interests payments to R6,2m from R10,3m in 1990 turned an interim after-tax loss of R15m into an after-tax profit of R4,2m CMI's gearing has fallen from 109% in December 1990 to 52% in December 1991

However, CMI narrowly missed returning to the black at the bottomline as after-tax profit was offset by the preference dividend payment of R4,3m The company posted an attributable loss of R180 000, against R15m in 1990

Ferrochrome producers in row with customers

STAR 5/2/92

By Derek Tommey (189)

South Africa's three ferrochrome producers have been engaged in a head-on confrontation with customers over the price of the product

The confrontation began five months ago in the wake of a steady drop in the ferrochrome price from 81 US cents a pound to 47c a pound, before recovering to 49c

The lower ferrochrome price resulted from a sharp fall — first in the US, then in Europe and finally in Japan — in stainless steel production

SA producers, who supply half of the world's ferrochrome, said they could not make a profit at 49c a pound

In a bid to instil some stability into the ferrochrome market, they individually announced a 3c a pound price increase to 52c

This is the first time the three producers have acted in this way and the move took the market by surprise

But the reaction from consumers was drastic They cut back sharply on purchases of SA ferrochrome

David Kovarsky, chairman of Consolidated Metallurgical Industries (CMI), SA's second-biggest producer after Samancor, said yesterday it was a nerve-racking period

The order intake was sharply lower, he said To avoid buying SA ferrochrome, customers ran down their stocks and bought fresh supplies on the spot market

But it seems that the destocking has at last ended, with ferrochrome in the spot market being mopped up

This should lead to orders in the first quarter of this year being higher than in the last quarter of 1991

While CMI's profits in the six months to December were less than expected, Mr Kovarsky said he was quite happy with the results, given the conditions in which the company operated

CMI had an operating profit of R10,4 million and net income of R4,2 million after a R6,2 million interest payment and R42 000 tax payment

This contrasts with a R14,7 million loss in the first six months of the 1990-91 financial year and a R2,47 million loss for the whole of that financial year

The 25c a share preference dividend for the five months to December took R4,3 million, leaving an attributable loss of R180 000

No ordinary dividend has been paid.

The R102 million rights offer last July, which was made partly to finance the purchase of the Purity ferrochrome plant, has left the company in a healthy financial state and well able to withstand any troubled times ahead

Current assets at December 31 1991 totalled R213,6 million, while interest-free liabilities were R71,7 million.

Mr Kovarsky said that because of lower sales, CMI had reduced its production capacity by 40 percent by closing down a furnace at Rustenburg and another at Lydenburg

However, the company had not retrenched anybody as it believed the poor conditions would last only short while

Questioned about the consequences of the increase in price in the December quarter and lower sales, Mr Kovarsky said that on balance the company came out on top

At current production rates and 52c a pound, CMI's profits in the six months to June should be slightly lower than in the six months to December

Any decision to increase production or the selling price would depend on the state of the market

CMI marketing director Alan Kuhnert said that because of production cuts in South Africa and elsewhere, he believed the supply-demand situation would balance out, if not by the end of the second quarter, then by the third quarter.

BUSINESS DAY, Tuesday, February 4 1992 3

Manganese price cut 14%

8 Day 4/2/92 (189)

MATTHEW CURTIN

SAMANCOR and Associated Manganese (Assmang) have slashed the price of high grade manganese ore by 14% for 1992 in the face of depressed market conditions and Australian competition, market sources said yesterday

The price cuts would have a significant impact on the companies' earnings in the year ahead

Samancor and Assmang, which is owned by Anglovaal and Associated Ore (Assore), are SA's two producers of high-grade manganese ore, which is an important ingredient in the manufacture of carbon steels

The sources said the manganese ore price had been cut from $3,33 to $2,85 a unit in the wake of an earlier 12% cut in price from Broken Hill Proprietary (BHP), Australia's largest mining company

SA ore prices are traditionally lower than Australia's because of the extra freight costs in exporting SA material to Japan

Assore's share price tumbled 24% or R40 to R170 on the JSE yesterday. Assmang was untraded at R330, and Samancor rose 25c to R31,35

Frankel Kruger Max Pollak analyst Kevin Kartun said yesterday that the carbon steel market was still in the doldrums because of the recession in the industrialised world

Steel manufacturers consumed more than 95% of manganese ore production, but carbon steel demand had fallen by about 5% in 1991, while manufacturers were still using up their manganese ore stocks

He added that export sales of manganese ore from SA companies could be as much as 30% down in 1991 from the previous year

Samancor MD Hans Smith said yesterday that price negotiations were at a sensitive stage and he could not comment on how much the group would reduce its prices

SA negotiating teams were currently in Japan, and, given the BHP price cut, Samancor would secure the best competitive price it could

Smith said there was still a shortage of high-grade ore worldwide, but because of depressed carbon steel demand and competition from the four countries which produced high-grade ore, prices were under pressure

SA, Gabon, Australia and Brazil are the largest producers of high-grade ore, although the former Soviet Union and China are producers of large amounts of low-grade material

Strong manganese ore prices have underpinned Samancor's results since 1989 when they rose from less than $2 a unit to an average of $3,40 in 1990, and $3,35 last year

The group does not disclose the breakdown of its earnings between its divisions, but market sources have said that the contribution from the manganese division has risen from 48% in 1989, to 70% in 1990, and to nearly 80% in 1991

Dorbyl cautionary could point to unbundling

(189)

B/Day MARCIA KLEIN 3/2/92

DORBYL has issued a cautionary announcement which could point to an unbundling of the engineering group

An announcement issued today warns shareholders that the successful conclusion of current negotiations could affect Dorbyl's share price

Dorbyl directors would make no comment on the cautionary announcement, but a recent report in the Financial Mail said that a new structure — which brought Dorbyl's nine operations into three new divisions — could pave the way for the group to unbundle and list one or all of its divisions separately

Although CE Dawid Mostert ruled out the separate listing of existing operations, he said at the time that Dorbyl's shares were thinly traded, and having more shares in issue was a possibility

The group's three new divisions comprise manufacturing, contracting and trading Mike Smithyman has taken the helm of the manufacturing division, which comprises Dorbyl Automative Products, Dorbyl Transport and tubemaker Tosa

The contracting division, with new chairman Louis Taljaard, includes Dorbyl Marine, Dorbyl Structural and Dorbyl Heavy Engineering

Dorbyl Light & General Engineering, Baldwins Steel and Stewarts & Lloyds make up the trading division, the major contributor to group turnover

Directors said in the group's annual report there was a considerable potential to expand export turnover

In the light of this, Dorbyl had opened an export marketing and co-ordination office in London.

Another coup for Vorster

By IAN ROBINSON

JOHN VORSTER Ferrosilicon from Ballengeich for world markets

JOHN VORSTER, chairman of Chromecorp Technology (CCT), has pulled off another coup in the ferroalloy industry.

Silicon Technology (Siltech), a CCT subsidiary, has bought the Ballengeich calcium carbide plant near Newcastle from Sentrachem's Karbochem division for an undisclosed sum

This sale comes soon after a R60-million deal in which AECI Chlor-Alkali & Plastics (CAP) sold its Ballengeich factory, assets and stock to Karbochem

Mr Vorster says the calcium carbide plant will be modified to produce 50 000 tons of ferrosilicon from two furnaces The export-oriented project is expected to come on stream about the end of October.

S/Times (Buss) 2/2/92 (189)

Quicker

Mr Vorster has followed a similar financing and marketing approach as in his previous two ferroalloy ventures — CCT's ferrochrome plant at Rustenburg which was commissioned in 1988 and Vantech's purchase of Vansa Vanadium from Rand Mines in April last year

The Siltech project is based on foreign funding. Swiss-based Marc Rich will be involved in marketing

The acquisition of the Ballengeich plant permitted a quicker entry to the business than would have been posssible if Siltech had built its own plant.

Ferrosilicon production uses a lot of power and Siltech may be able to negotiate a favourable price with Eskom It would link power costs to the ferrosilicon price.

This is in line with Eskom's customer incentive schemes (CIS), developed to offer competitive electricity prices to help industries compete in export markets

Although Mr Vorster describes the world market as "not wildly exciting", he is confident that the plant will be competitive.

World production of ferrosilicon is an annual 2,5-million tons, of which SA produces under 100 000 tons Samancor and Rand Carbide are SA's two other ferrosilicon producers

Ferrosilicon is used as a deoxidant in steel making and in the production of cast iron.

Siltech expects to employ about 150 people on the project

Special training for metal workers

S Times (Buss) 2/2/92

By ADRIAN HERSCH

GROUND-BREAKING moves to train and educate unskilled workers in metal industry are under way.

A joint management-union committee, set up in terms of the national industrial council pay settlement, met for the first time this week.

An agreement would ideally comprise industry-recognised training courses matched to the various grades

The National Union of Metalworkers of SA (Numsa) proposes that a hierarchy of core and specialisation skills apply to each grade

Core skills courses could include literacy, numeracy, quality concepts and health and safety

Specialisation skills courses would be chosen by the worker from a wide range, such as welding or crane driving.

But Numsa also wants the 13 grades in the industry reduced to five.

The reduction of grades is a major problem for employers because it could add a huge cost to the payroll

Many employers believe that nationally accredited training courses could fairly easily be linked to the 13 grades

Numsa will meet other unions in the industry and the training committee will sit again in the last week of February

Rejig at Dorbyl

(189)

THE R2,9-billion Dorbyl Group has reshuffled its nine major operating companies into three new divisions and appointed a chairman to head each

S|Times (Buss)

The three divisions will be made up of the manufacturing, contracting and trading sectors

2/2/92

METKOR

FM 31|1|92 (189)

Diluting Dorbyl's solid performance

Activities: *Varied interests in the engineering sector, including a controlling interest in Dorbyl*
Chairman: *F P Kotzee*
Capital structure: *108 5m ords Market capitalisation R298m*
Share market: *Price 275c Yields 5,7% on dividend 7,8% on earnings, p e ratio, 12,8, cover, 1 4 12-month high, 275c low 200c Trading volume last quarter, 2,7m shares*

Year to Sep	'88	'89	'90	'91
ST debt (Rm)	205 5	173,9	210,1	136,2
LT debt (Rm)	73 3	75,4	84,7	110,6
Debt equity ratio	0 35	0 27	0 32	0,26
Shareholders interest	0 52	0 59	0,50	0 55
Int & leasing cover	4 1	4 3	3,4	3,6
Return on cap (%)	9 4	12 5	10,9	10 7
Turnover (Rbn)	2 4	2,9	3 2	3,2
Pre-int profit (Rm)	144 6	214 9	194,5	185 2
Pre-int margin (%)	5 7	7 4	6,0	5 6
Earnings (c)	33 8	51,4	29,6	21,5
Dividends (c)	12 5	15 75	14,8	15,68
Net worth (c)	328	396	350	348

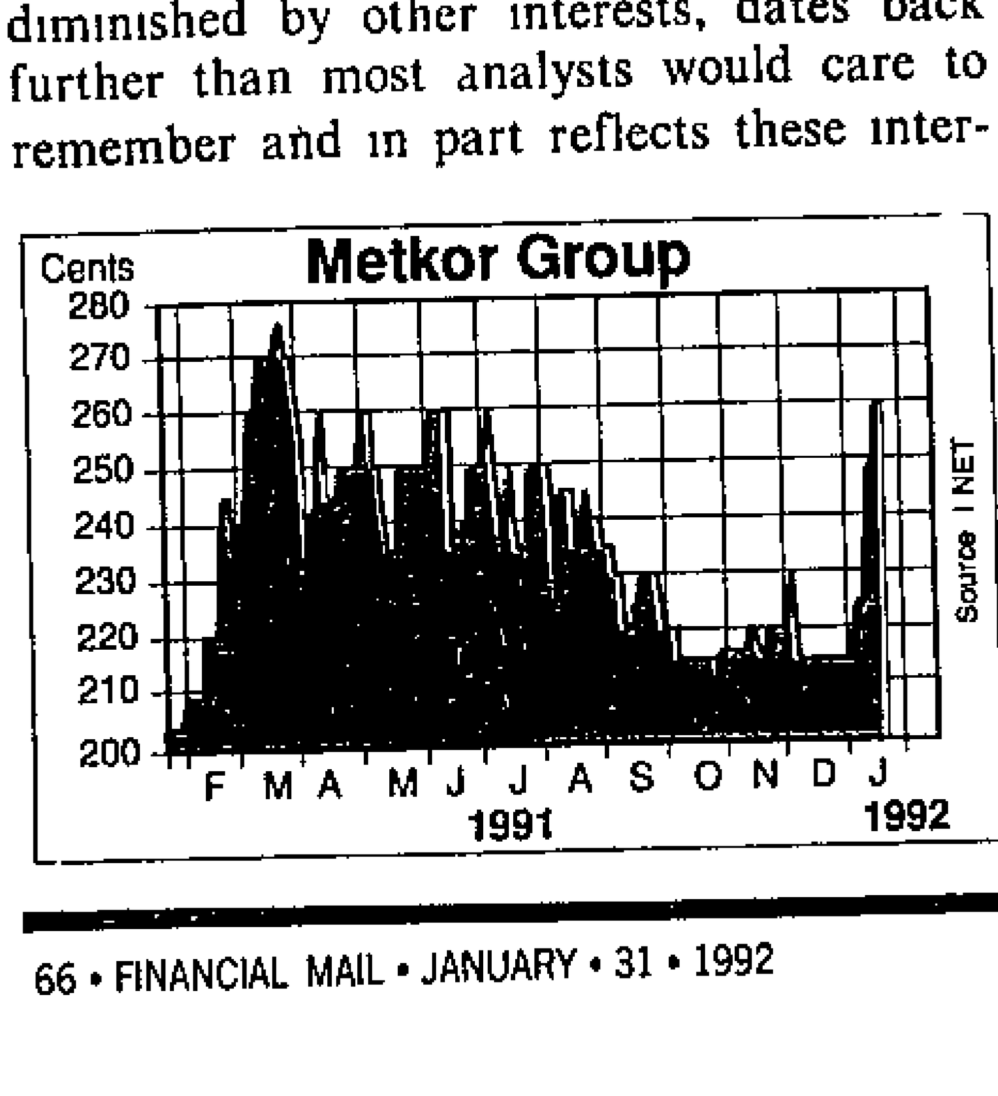
The financial statements are dominated by the Dorbyl subsidiary *(Companies* January 17, *Fox* January 24) which, last year, accounted for 90% of consolidated turnover and 96% of operating profit, before taking into account dividends from associates

Extending the breakdown to the bottom line, Dorbyl contributed 131% of consolidated earnings, pointing to another sizeable loss having been chalked up by the other subsidiaries, Metkor Industries and Wispeco

Earnings attributable to Dorbyl amounted to 37c a Metkor share, while losses attributable to Metkor Industries/Wispeco were about 8,8c, to give net consolidated EPS of 28,2c 1990 comparatives, similarly calculated, would have been 35c from Dorbyl and a negative 12,1c from the other subsidiaries, giving 22,9c net before taking into account associates

Attributable earnings, including associates, are skewed by the Usko debacle but, for the record, the contribution from associates (including dividends) turned from a positive 6,7c a share to a similar negative amount

The dichotomy within Metkor, where usually solid results from Dorbyl are invariably diminished by other interests, dates back further than most analysts would care to remember and in part reflects these interests' unsatisfactory financial structure



Metkor's Kotzee *needs to unlock value*

It appears that of total borrowings of R247m, R172m is utilised by Dorbyl, leaving R75m within Metkor itself This is about 70% of net worth after excluding NAV attributable to Dorbyl, and even if this is further adjusted to exclude the negative value at present attributable to the holding in Usko, one is still left with a debt equity ratio of 0,57, or almost three times Dorbyl's 0,21

This would be acceptable if the assets generated normal profits However, gross return applicable to these assets appears to be no more than 3% (versus Dorbyl's 11,7%) which, even in recession, seems low

The underperformance of these assets is also reflected in the share price of 275c Of this, about 255c is backed by the Dorbyl holding, based on that share's current R25, leaving a derisory 20c applicable to assets that have a book value equivalent to some 27% of Metkor's 349c net worth

To summarise for reasons that are unclear, the disciplines that have enabled Dorbyl to achieve reasonable results despite recession do not seem to have spread to Metkor's other interests Considerable value would be unlocked if these could be made to perform, but the fact that they have underperformed over an extended period raises the question whether shareholders can expect a more satisfactory profit contribution from the non-Dorbyl part of Metkor even when economic conditions return to normal

The collapse of Usko, jointly controlled by Metkor and Iscor, could have a ripple effect If this means closer attention to asset management, the outcome should be positive

Something that might indicate that action is being taken is that Wispeco is now managed as an independent profit centre under Metkor itself — performance since then is said to have been significantly better (accounting for the reduction in combined losses attributable to Metkor Industries/Wispeco last year?) This could prompt the break-up of Metkor Industries into more manageable business units *Brian Thompson*

Samancor set to cut production

BIDay 30/1/92 (189)

MATTHEW CURTIN

SAMANCOR, the world's largest producer of ferrochrome, looks set to follow other SA producers and drastically curtail its production

Market sources said yesterday that Samancor was likely to close down the conventional furnaces it acquired in its purchase of Middelburg Steel & Alloys' ferrochrome plant last year

Middelburg's main furnaces have a capacity of 300 000 tons a year, and Samancor has already shut down Middelburg's troubled chrome direct-reduction plant which has a capacity of 120 000 tons a year

Samancor MD Hans Smith said yesterday no decision had been taken yet on whether to close down furnaces He said Samancor was evaluating the best way to shut down operations and a final decision would be made after a board meeting on February 7

With the current trough in the stainless steel market, demand for ferrochrome was weak and Samancor had built up extensive stocks

Should Samancor go ahead with production cutbacks, the move will mean SA's ferrochrome industry is working at only 50% of its 1,7-million ton a year capacity

Samancor and Consolidated Metallurgical Industries are operating at 65% to 75% capacity, and CMI has closed its 70 000 ton a year Lydenburg furnace Chromecorp Technology closed its three furnaces with a yearly capacity of 180 000 tons at the beginning of January, only weeks after announcing plans to increase capacity in 1992

The coincidence of the SA cutbacks has fuelled concern that a ferrochrome cartel may be emerging in the wake of Samancor's purchase of Middelburg last year, and CMI's acquisition of Purity Ferrochrome in 1990

Irish Menell Rosenburg analyst David Russell said yesterday SA producers were taking a hard line, insisting on price increases at a time of poor demand. At best, there had been a consumer reluctance to accept the 6% increase in prices to $0,52 a pound in the December quarter, rolled over to the current quarter

Samancor alone had nearly 40% of cost-effective capacity worldwide, and Japanese stainless steel manufacturers were feeling the squeeze Japan is the world's largest producer of stainless steel in which ferrochrome is the key ingredient With SA production cutbacks, customers were even more poorly placed to find cheaper ferrochrome

Simpson McKie analyst Hennie Vermeulen said the cutbacks would not alter market perception of oversupply, because SA producers could quickly turn to their extensive idle capacity when ferrochrome demand increased

Datakor emerges as top player on a sliding JSE

189

B Day 27/1/92.

MERVYN HARRIS

DATAKOR emerged as one of the best performers on a sliding JSE last week.

After climbing 21,4% or 30c to a new peak of 170c, taking its rise to 48% since the start of the year, the shares slipped back to 160c shortly before the close on Friday. But they are expected to retest the new peaks

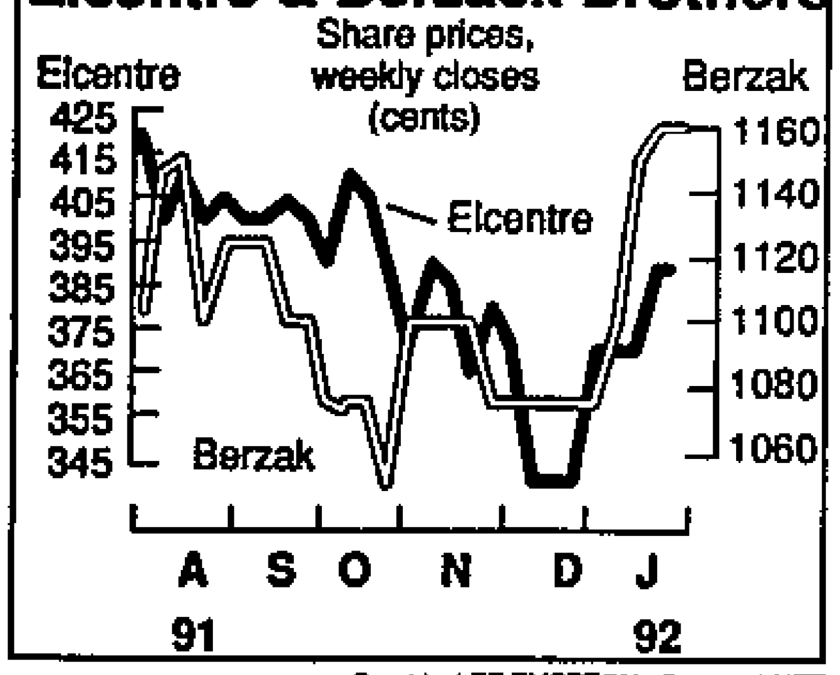
The upward rerating of the shares is recognition that Datakor has performed better than other computer groups in an electronic sector which has tended to lag behind the industrial board

Datakor's performance puts to flight those sceptics who questioned its ability to digest the acquisition of Unisys in 1988. Unisys was purchased for R132m in a disinvestment move by its US holding company and was then larger than Datakor.

The issue of whether management under chairman Nic Frangos could sail smoothly through the process of integrating the two companies has been satisfactorily answered after three years.

Moreover, the large amount of debt which Datakor took over at the time, pushing gearing to well over 100%, has been eliminated and the

Elcentre & Berzack Brothers



Graphic: LEE EMERTON Source I-NET

group is now in a good cash position

The next question that investors could ask is which other company in the electronic sector is set to show a similar potential for growth in earnings and share price?

An increasing number of analysts consider the Elcentre group to be a promising target This is particularly so if the share price is compared to that of Berzack in the engineering sector.

Essentially, Elcentre and Berzack have the same assets and income stream after both groups injected their cable and most of their other interests into Voltex, which then acquired a controlling stake in UK electrical wholesaler Bennet & Fountain (B & F)

But while Berzack has risen to a peak of R11,60, placing the shares on a historic dividend yield of 4,7% and a PE of 8,3, Elcentre has declined from a June peak of 450c to 390c, giving a yield of 9,2% and a p/e of 6,15

Berzack retains interests in industrial and commercial sewing machines but these are relatively minor in the context of the group's overall business Elcentre, however, ran into problems after it acquired Sanlic Hardware Holdings

However, the R5m loss at Sanlic, which dragged Elcentre earnings down, is now believed to have been turned around — just as B & F chairman Philip Aginsky reversed a loss of £10m into a profit of £2,5m in the last financial year

Dividend flows from B & F to Voltex and then through to Elcentre and Berzack have probably been delayed by the sluggish UK economic recovery and a need to reduce finance costs because of the high level of the finrand when B & F was bought But growth is on the cards

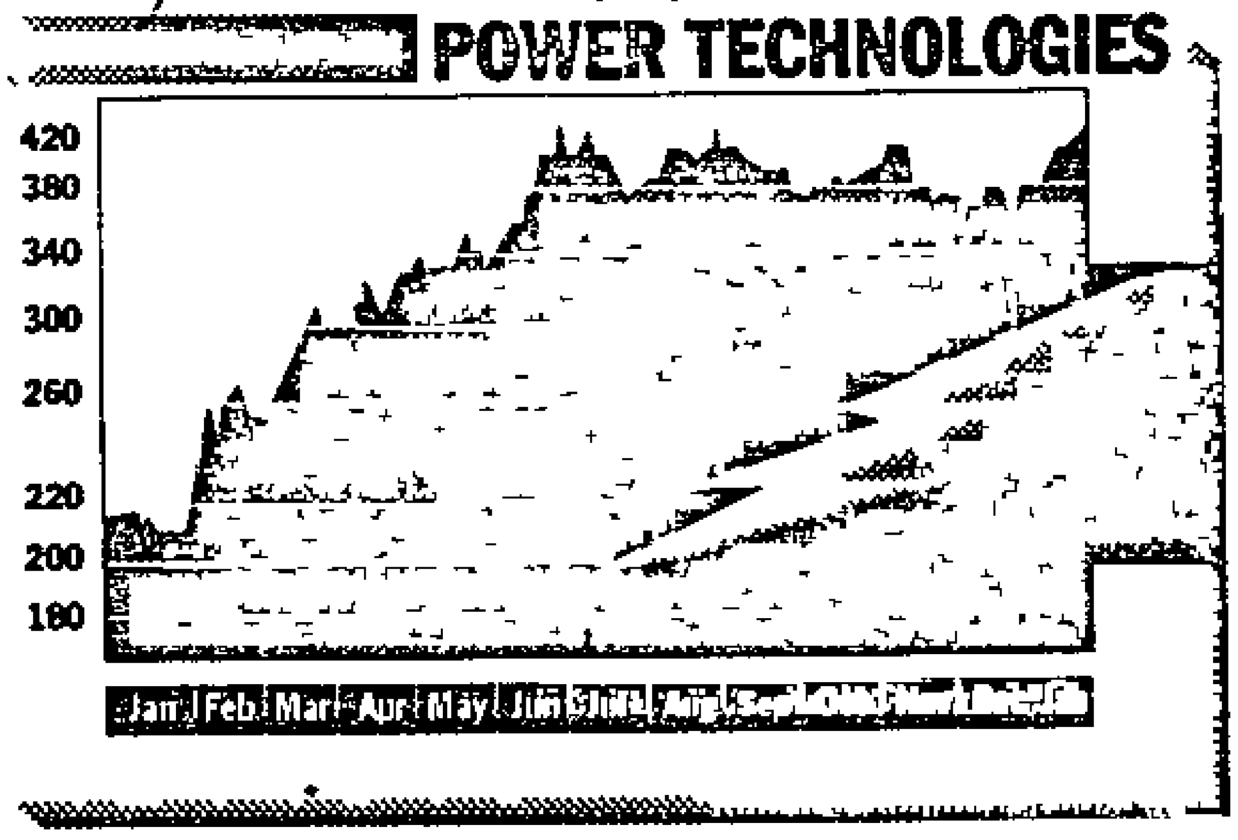
Moreover, the cable interests of Voltex have strong potential while Elcentre should benefit from electrification of the townships

Powertech ready for the big bang

(189)

S Times (Buss) 26/1/92

POWERTECH's fortunes will improve significantly the moment the Swedes lift sanctions against SA — and that should be soon



Executive chairman Peter Watt says the link is through Powertech subsidiary Brown Boveri Technologies (BBT), formed from the fusion of former Swedish company Asea and Swiss business BBC

The Swedes sold their remaining stake in Asea to Powertech in 1987 after quitting because of disinvestment pressure

Mr Watt says Powertech was obliged to seek a technological partner to replace Asea because of the severence of the Swedish link The best available in SA was Swiss-owned BBC

In parallel with domestic moves, BBC and Asea interests worldwide were merged — but BBT was kept out of ABB, the $30-billion a year global scene All this will change

Mr Watt says "Asea products have been in SA for years and have a high degree of acceptability Renewed access to technology and hardware will be of tremendous benefit to us"

BBT makes about half of the power generation equipment it sells Its strengths are complemented by Yelland, acquired from family interests and the minority taken out last year

Mr Watt says Powertech is careful not to do contracting business that would hurt a customer

The group has three other divisions in addition to power communications & cables — power generation, transmission & distribution, energy management & control, and lighting & electrical accessories

Power and communications cables company Aberdare is the leader in its field Although copper still rules for the conducting of electricity, optical fibres are rapidly replacing it in telecommunications

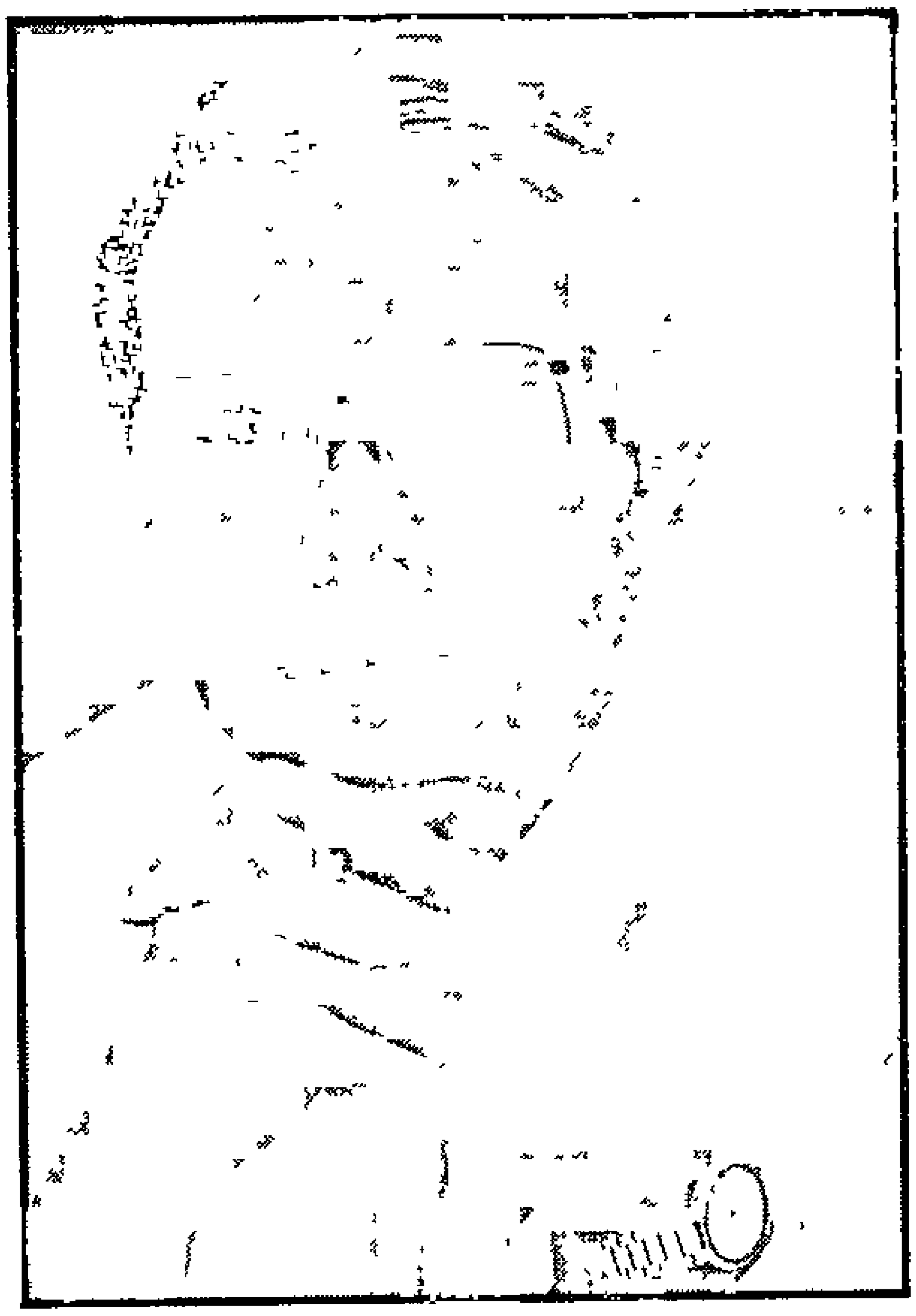
Almost everywhere, the capacity of telecommunications cabling is exceeded by the level of use and replacement of systems is as important as new installations

"I don't want to beat the same old drum, but when mass housing and infrastructural projects get under way, Powertech will be in a sound position to supply those markets

"We have the capacity and the designs The willingness and the money appear to be available, but it remains a matter of putting it all together"

Scope for business extends to the rest of Africa too

Another important avenue for fibre optics is in local area networking of computers



PETER WATT From low-tech to high-tech industry

The third division is energy management & control, which houses Willards Batteries, Delta Controls and EPC

Finally, lighting & electrical accessories includes Litemaster, Crabtree and Lascon Lighting These manufacturers are ripe for the economic upturn

A boxing fan, Mr Watt is involved in promoting the concept of free enterprise He teaches economics to politicos and other interested parties and plans to write a book about management

His credentials suggest he is equipped to put pen to paper in this field Mr Watt became the top man at Powertech five years ago after being chief executive of Aberdare, acquired in 1985 by Powertech

After qualifying as a chemical engineer, Mr Watt worked in foods and furniture before switching from low-tech to high-tech industry in 1983

Since he took over at Powertech, turnover has more than doubled to R1,2-billion, as have total assets to R600-million Income before tax has trebled and the rate of growth in earnings a share has outpaced inflation

This performance is reflected in the share price — up from 215c to 400c in a year

I asked Mr Watt what shareholders can look forward to

He replied "We are aware that we need to build a new division in the group, probably from scratch Disinvestment pickings are all but gone and we need to get plans in place now We are considering several fields and there are many environment-linked opportunities

"ABB is active in countries where the environmental pressures are much tougher than SA's Once sanctions are gone, it will be a major area of opportunity for the group"

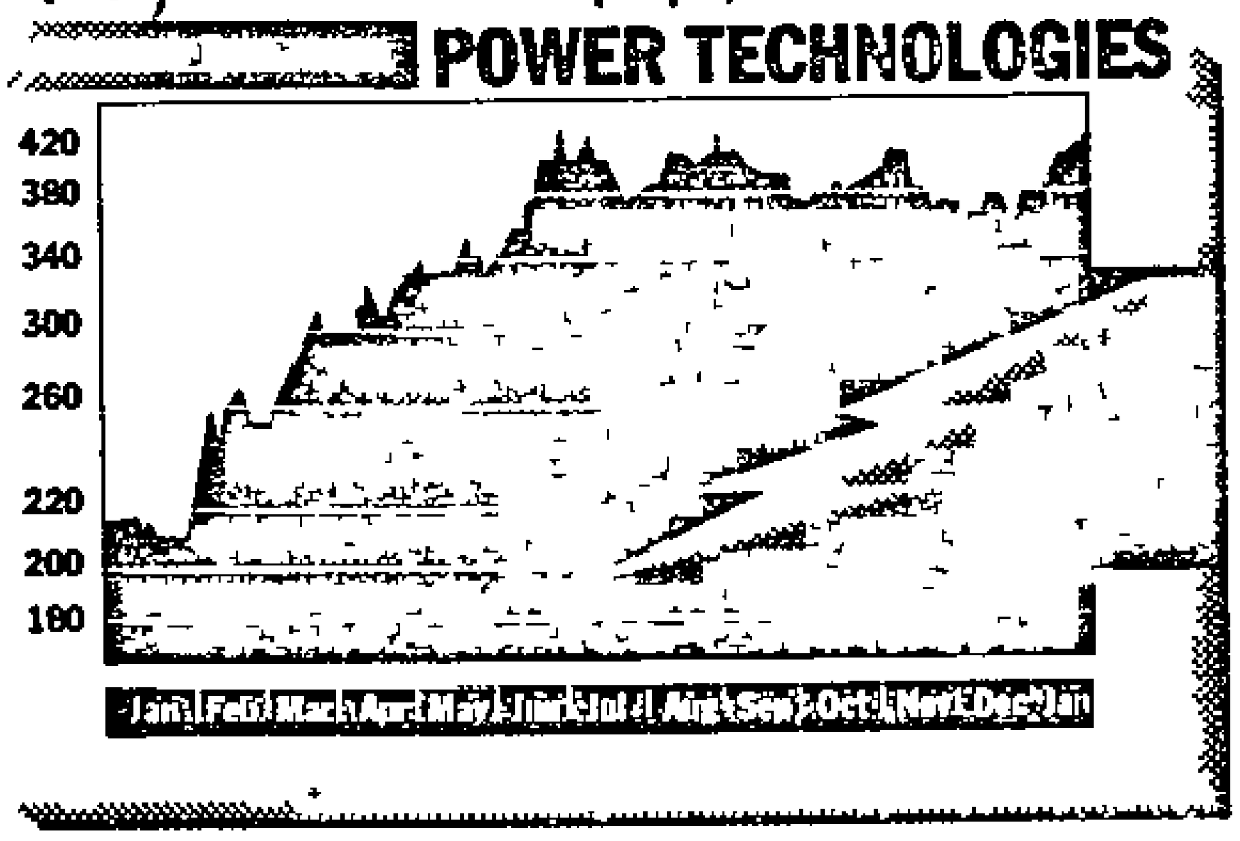
Powertech's balance sheet merits an A plus and the group is a strong cash generator

Powertech's share price of 400c is nearly 13 times historic earnings As with so many of the JSE's better counters, much depends on the economy Given the conditions and the fact that it is a market favourite, Powertech will not falter

Powertech ready for the big bang

(189)

S Times (Buss) 26/1/92



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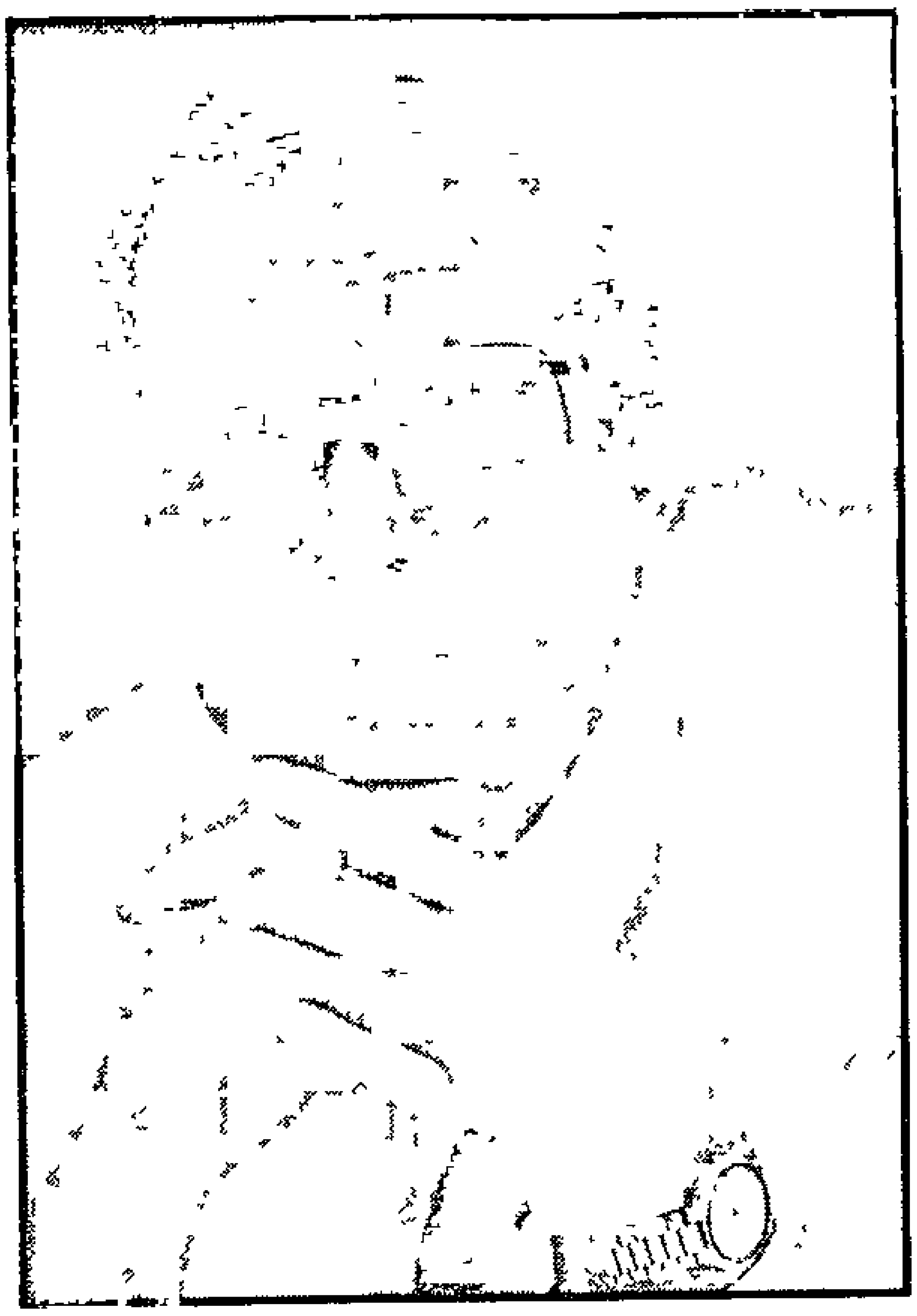

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Plessey SA changes name

Finance Staff

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Plessey SA, the electronics and telecommunications market leader which became a wholly-owned subsidiary of Sankorp last year, has changed its name to Plessey Tellumat SA

Managing director Dr John Temple says "The change stems from the change of ownership and the choice of name is to strengthen our identity in export markets and to distinguish us from other former Plessey operations elsewhere in the world STAR 21/1/92

"We have been exporting electronics products from South Africa since the 1980s and have served markets worldwide through our own wholly-owned UK subsidiary, Tellumat — hence the use of that name

"Our aim is to increase exports to 20 percent of turnover in the medium term"

Hudaco Industries nets a modest increase in earnings

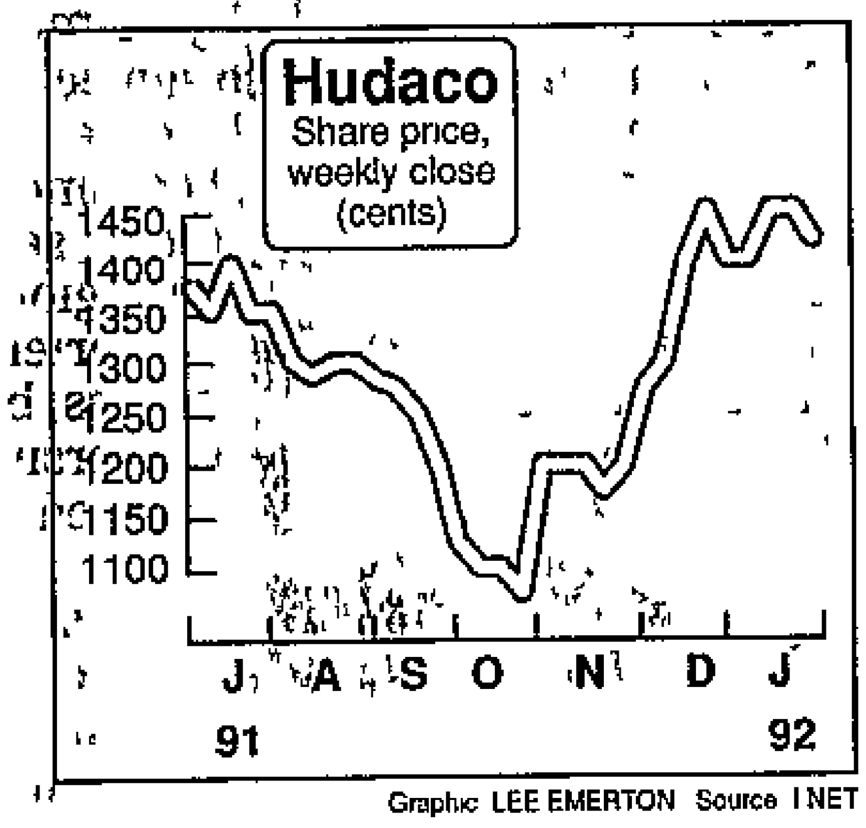
B Day 21/1/92 (189)

SEAN VAN ZYL

INDUSTRIAL consumable product distributor Hudaco Industries has disclosed a modest increase in attributable earnings to R25,6m for the year ended November while net borrowings have been reduced to R920 000 from R24m

The engineering-listed company's earnings came in 2% higher at 112,2c (1990 110,4c) a share for the year of which a total dividend of 51c (50c) a share has been declared

CE Kevin Clarke said the group, which recently acquired competitor Valard and its holding company Valhold, was well set to benefit from an economic upturn Combined with a wider product spread through the Valard acquisition, Hudaco's favourable debt position ensured the group would weather the recession and improve its performance



Graphic LEE EMERTON Source INET

Hudaco distributes a wide range of industrial consumables to the mining, agriculture, engineering and construction industries

In December, the group announced the acquisition of competitor Valard and Valhold for R75m Following shareholder approval, Hudaco plans to acquire the outstanding issued share capital, held by minorities in both companies, which would then be delisted

Valard is expected to contribute about R200m to sales for the current financial year Although Hudaco's turnover was expected to exceed R500m for financial 1992, Clarke said the deal's effect on earnings would be minimal for the present "Our shareholder base has been enlarged considerably, which will dilute the group's earnings a share"

Hudaco reported a 9% drop in sales to R366,7m (R403,1m) for the year while the operating profit dropped to R50,7m (R54,5m) However, the group was able to strengthen its operating margin to 13,8% from 13,5%

A drop in the interest bill to R4,7m from R9m boost the group's pre-tax profit, resulting in a 2% rise in attributable income to R25,6m (R25m)

Ferrochrome producer shuts down temporarily

BIDay 21/1/92 (189)

CHROMECORP Technology (CCT), SA's third largest producer of ferrochrome, has temporarily shut down its plant because it has built up enough stocks of the alloy to meet at least two months of demand

The move means that about 40% of SA's total ferrochrome capacity of 1,7-million tons a year is lying idle

Furnaces

This may encourage stainless steel manufacturers — who consume three-quarters of the world's ferrochrome production — to accept the 6% price hike SA producers have sought for the December and March quarters, because of a dwindling margin of oversupply

A CCT spokesman said yesterday the company shut down its 180 000-ton-a-year furnace on January 1 for the first time since operations began in 1988

Samancor, the largest producer, is operating its 950 000 ton-a-year conventional furnaces at 75% capacity

MATTHEW CURTIN

It has shut down the chrome-direction-reduction plant of 120 000-ton capacity it acquired in its purchase of Middelburg Steel & Alloys last year

Consolidated Metallurgical Industries closed its 70 000-ton-a-year Lydenburg furnace in December and is understood to be running its remaining 260 000-ton-a-year furnaces also at 75% capacity

The CCT spokesman said the company's plant had been closed for two reasons CCT had taken advantage of cheap Eskom rates in December and had produced at full capacity

Consequently, CCT had accumulated large stocks at a time of weak demand, a function of the higher price SA producers have asked for in the December and March quarters and the continued slump in worldwide demand for stainless steel

The spokesman said the plant would lie idle for two to three months, by which time ferrochrome stocks would have run down

Cost control helps Hudaco

Finance Staff (189)

STAR 21/1/92

Hudaco, which acquired Valhold and Valard last month, managed a two percent rise in earnings in spite of a nine percent drop in sales in the year to end-November, thanks to better productivity and cost control

Earnings a share were 112,2 (110,4c) and the final dividend of 30c makes a total of 51c (50c)

Borrowings were reduced by R23 million

The company says the depressed trading confitions of the past two years deteriorated further in the second half of the year with the gold mining, construction and agricultural markets being particularly affected

However, with the additional spread of products as result of the acquisition of Valard its strong market position should enable it to improve on its performance this year

Of the R75 million acquisitions price R63 million will be financed by the issued of Hudaco shares The impact on earnings will be minimal but the group's net asset value will rise by about seven percent.

New name for Plessey SA

(189) LINDA ENSOR

CAPE TOWN — Plessey SA, taken over by Sankorp last year, has changed its name to Plessey Tellumat SA BDay 21/1/92

MD John Temple said the new name was intended to strengthen Plessey's identity in export markets and to distinguish it from other former Plessey operations elsewhere in the world

In the past Plessey has served its international markets through its wholly owned UK subsidiary, Tellumat

Temple said Plessey Tellumat aimed to increase exports to 20% of turnover in the medium term The company's export drive was focused on Africa, Europe and Britain

He stressed the changes had no effect on technology or product relationships

Sankorp GM investments, Derek Hunt-Davis, has been appointed chairman of Plessey in SA

DIAGONAL STREET

by Robin Pegler

Wizard Ozz

S1 Times (Buss) 19/1/92

FOR the six months ended September 1991 Ozz increased income before tax by 28% and taxed profit by 33% Not many listed companies have been able to achieve such an improvement in present conditions Turnover rose by only 2% and working profit by 5%. The answer to how Ozz accomplished this lies in the fall in interest charges which were down by 44%

Debt.equity ratio is now 19,4% with interest cover of six times This compares with gearing of no less than 139% in September 1989 immediately after the takeover of Lucem

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

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

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

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

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

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

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

If profits for the second half are 20% higher, earnings for the year would be 58c and a dividend of 21,5c could be paid

At the current price of 330c this would give a yield of 6,5% and a p e of 5,7

The share is well worth looking at.

189

A head start for Engen

ENGEN has an advantage over world oil producers because of lower transport costs to Africa south of the equator S1 Times (Buss)

Margins for countries on the Indian Ocean are more stable than in North America.

It is partly for this reason that Engen is expanding its capacity 19/1/92

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

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

189

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

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

To fund this Engen made a rights issue of 40 for 100 at 2 500c to raise R1,1-billion. The cash is earning interest and will be drawn on when required for the capital programme.

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

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

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

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

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

The partial lifting of sanctions has opened up African markets to Engen. The rand hedge element, although small, should increase.

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

In fact, high oil prices could be harmful because inventory profits are taxable and stocks must be replaced at higher prices

Engen will be SA's first producer of unleaded petrol.

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

EXPORT BUSINESS

Ferrochrome price stays (189) Samancor

MATTHEW CURTIN

SAMANCOR is sticking to its guns and insisting on a US$0,52 a pound for its ferrochrome exports in the March quarter despite weak demand from customers worldwide triggered by the higher price and a slump in the stainless steel industry

Samancor MD Hans Smith said yesterday after a difficult December quarter when SA producers increased the ferrochrome price from $0,49/lb to $0,52/lb, Samancor was still selling only small volumes of ferrochrome

US market sources said yesterday that although SA producers — Samancor, Consolidated Metallurgical Industries and Chromecorp Technology — had signed contracts at the higher price, not only were volumes small but all SA producers were offering discounts at 7% of the contract price, raised from 5% last year BDay 17/1/92

One analyst said "The SA producers can say they are selling at 52c, but if that is only their list price and only for a minimal tonnage how relevant is it really?"

Smith said that Samancor's discounts were not of that order

There had been a marginal increase in the discounts the group was offering because Samancor had to reconcile two discount structures after its acquisition of rival producer Middelburg Steel & Alloys last year

He said SA producers normally offered discounts, which differed from contract to contract, as an incentive for customers to take as much tonnage as possible

Samancor was offering more discounts than a year ago, but with slack demand and low volumes, inevitably fewer discounts came into play at the moment

He would not comment on details of the group's discount schemes

Smith said he was not overly concerned about the poor consumption of SA ferrochrome.

"With stainless steel production down by 10% to 20% worldwide and higher prices demanded by SA producers, customers are running down stockpiles, so the market is simply not there for our material," he said

Otis to buy Melcorp interests

Business Day Reporter

OTIS Elevators' US parent, United Technologies, appears set to dilute its SA interests further by selling a 75% interest in Melcorp, the local agent for Mitsubishi lifts, to Otis

In October last year, Otis itself bought 24,97% of Melcorp from Melcorp MD Rufaine Hindley for R5,1m At the same time, a UK subsidiary of United Technologies bought the remaining 75,03% of Melcorp from a Virgin Islands holding company, Lift Technology, for just more than R15m

The UK firm now proposes to sell its Melcorp stake to Otis for a maximum of $5,2m, equivalent to R16,3m at the present financial rand exchange rate The exact amount will be determined by Melcorp's trading performance until May this year

Otis intends to finance its purchase with the help of a R7m rights issue

The company has not said whether its US parent would follow its rights

Otis has yet to say how it will finance the remaining R9,3m of the purchase price However, at the end of its last financial year Otis's net current assets were R2,8m,

□ To Page 2

Otis

BD 13/1/92 189

□ From Page 1

its interest in Melcorp was valued at R5,7m and the company had long-term borrowings of only R58 000. Shareholders' funds of R18,1m represented virtually all of the company's total R18,2m long-term capital employed.

At present, United Technologies owns 51% of Otis, held through Otis Elevator of the US, and for most of the past 10 years Otis's US parent has treated the SA company as a cash cow.

With one or two exceptions, annual dividend declarations have been at levels which fully absorbed earnings, leaving little in the way of retentions for reinvestment in the local firm.

Otis details financing of Melcorp deal

B/Day 14/1/92

ROBERT LAING (189)

OTIS Elevator's US parent company would follow its R7m rights offer to help finance its acquisition of Melcorp, Otis MD Roy Markham said yesterday

Responding to an article in yesterday's Business Day, Markham said the R16,3m transaction between Otis and a UK subsidiary of its US parent company, United Technologies, did not represent a dilution of the multinational's interests in SA

"It was the intention from the start to make Melcorp our wholly owned subsidiary. Our parent company assisted us and its assistance represents a net investment in SA by Otis," Markham said

He said local management brought in offshore help because it needed to act swiftly against competing bidders

"In order to buy time, we broke the transaction into two steps Step one was executed in October We bought the 25% share of Melcorp held locally while our parent company bought the offshore balance from Lift Technology in the Virgin Islands

"We are now executing step two, buying the offshore balance from our parent. The R9,3m needed after the rights issue be will raised through local borrowing," he said

The acquisition of Melcorp, the local agent of Japanese lift and escalator company Mitsubishi, would increase Otis's market share and the profitability of its East Rand manufacturing plant unavailable for comment last night The two are the world's largest pro-

proved unusually delicate

Long slog predicted for steel sales

SALES of SA steel to the EC could take as long as five years to return to pre-sanctions levels, industry spokesmen said yesterday

"Capacity limitations and pricing are likely to be major factors in a slow return to the EC," head of economics at the Steel and Engineering Industries Federation of SA (Seifsa), Michael McDonald said

"With a worldwide economic recession and overcapacity in manufactured steel, we do not want to jeopardise already shaky markets," he said BDay 14/1/92

Denmark gave the green light for SA's re-entry into EC steel markets last Friday

Sales were R350m at the time EC sanctions were imposed in 1986

McDonald said SA also planned an "orderly" re-entry into US markets Local producers had agreed to quotas since the lifting of sanctions in mid-1991 (189)

SA steel exports to the US in 1985, the year before the ban, were worth R1,7bn and amounted to 15% by volume of SA's total steel exports

McDonald said Japan, which removed trade and investment restrictions in October last year, could also become a major market for local steel products, as it had been in the pre-sanctions era — Reuter

Eskom may lend a hand to ferroalloys

By IAN ROBINSON

ESKOM is talking to ferroalloy producers about negotiated deals which link power costs to commodity prices

Eskom made a power-price deal with Alusaf last year It links the cost of electricity for the proposed Alusaf 2 project to the world aluminium price

The Alusaf feasibility study is expected to be completed by the end of February

Both the Alusaf deal and the talks with the ferroalloy producers are in line with Eskom's customer incentive schemes (CIS) policy which was developed to offer competitive electricity prices to assist industries to compete on export markets

S Times (B455)

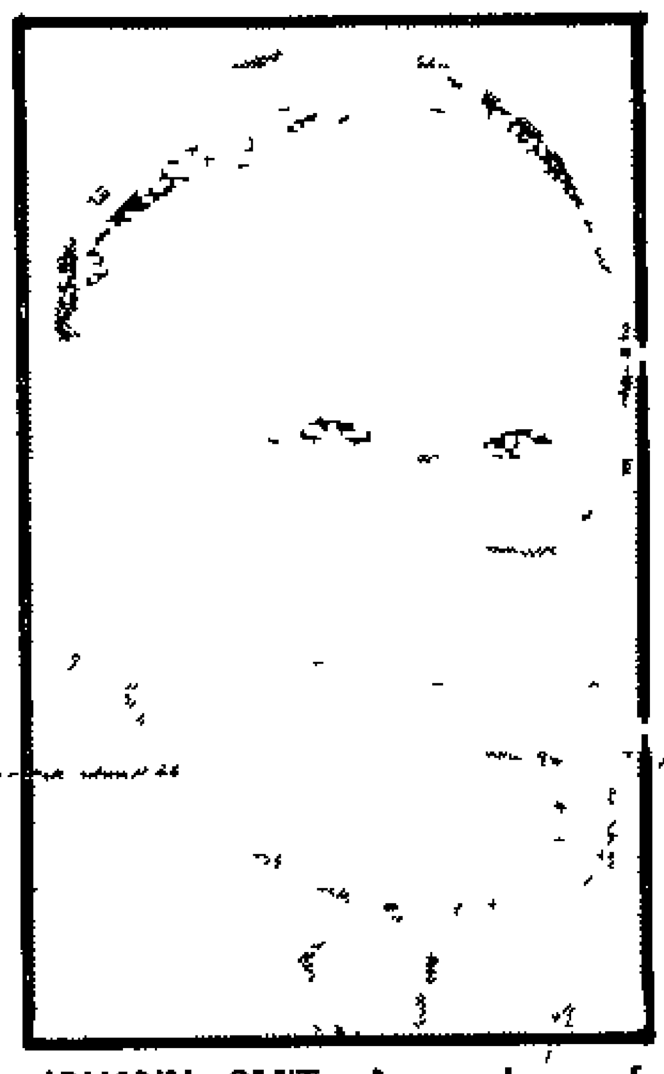
12/1/92

Excess

Eskom regards its role in these deals as that of a full partner in which it shares both the risks and the rewards

A prerequisite for Eskom in entering into CIS deals is that they must be at least five years to ensure a base load over a long time It is 25 years in the case of the Alusaf deal

This policy originated from the need to reduce Eskom's excess capacity which resulted from overoptimistic forecasts of South Africa's economic growth rate Underuse of capacity increases fixed costs of power stations and reduces revenue available to repay long-term loans



JOHANN SMIT A window of opportunity for exporters

CIS applies only to special projects and is intended to encourage customers to embark on new ventures which are internationally competitive It is a fundamental principle of CIS that it should not cut the existing tariff base

Eskom sales portfolio manager Johann Smit says the excess capacity represents a "window of opportunity" for power-intensive industries Only a few countries have excess power capacity It would be difficult for many to match Eskom's power rates to selected industries

Eskom applies two major criteria for choice of industry for CIS

- Power costs must comprise a significant proportion (minimum 10% to 12%) of total variable costs
- The industry must have potential for earning foreign currency

The ferroalloy industry meets these criteria and needs help to cope with the extreme cyclical swings in demand and prices

CIS deals also help to offset the effects of the phasing out of the government power rebate scheme introduced in the 1970s to promote the growth of the industry However, Eskom stresses that CIS is not intended to "replace or reduce existing State subsidies"

Eskom has identified the more power-intensive alloys — ferrosilicon, silicon metal and ferrochrome — as offering the greatest potential benefits for CIS Power comprises nearly half of total variable costs of ferrosilicon production

189

Ceiling

In spite of world overproduction of these alloys, Eskom believes that low prices will force the closure of many foreign plants and there is great potential for SA producers to increase market share

Eskom will negotiate "cap-and-collar" contracts with ferroalloy producers who opt for a commodity-linked price mechanism These contracts set floor and ceiling prices for the commodities If prices fall below or rise above these limits power costs will not change accordingly

Eskom hopes that opportunities provided by CIS will induce foreign partners to take part in SA mineral-processing ventures

Otis achieves a sharp boost in performance

B Day 9/1/92 (189)

JABULANI SIKHAKHANE

ELEVATOR company Otis has achieved a sharp turnaround in profitability for the 12 months to November 1991 with earnings up 222% to 38,3c (11,9c) and dividends increasing 58% from 12c to 19c a share

The group also announces today that it is to acquire the remaining 75% stake in rival Melcorp Otis bought a 25% holding in Melcorp last November for R5,12m.

Otis group MD Roy Markham said the Melcorp acquisition would have a very positive effect on Otis operations. Melcorp, which currently sources all its supplies from the Far East and Europe, would now source some of the supplies from Otis' Wadeville manufacturing plant

Turning to group results, Markham said the change in the fortunes of the group's elevator modernisation division was one of the factors contributing to the turnaround

In financial 1990 this division's contribution to the group fell by some R1m as property owners and developers held back on investments in existing buildings

Markham said that during the review period, the group developed a new range of packages and developers responded positively

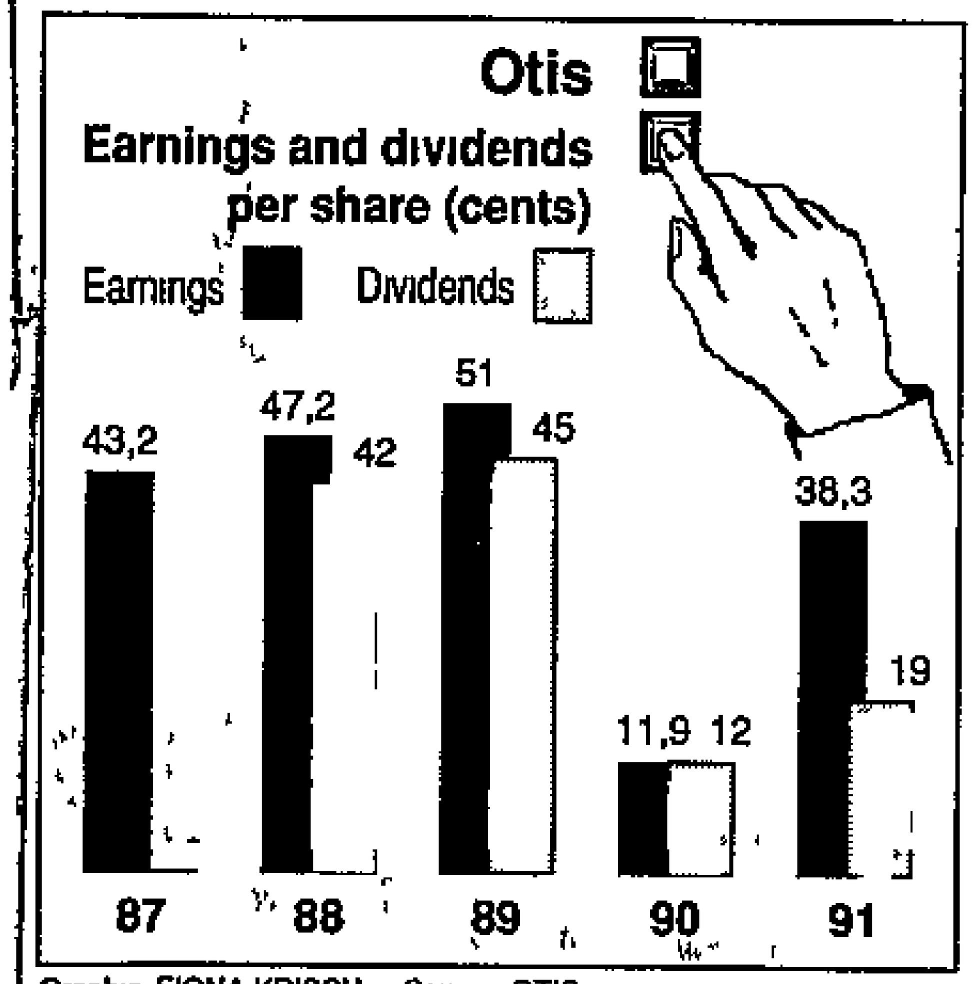
Other contributing factors to the sharp turnaround were the benefits flowing from the restructuring programme completed in financial 1990, the investments in the group's plant in Wadeville and investment in new computer support systems.

Otis also did well on the exports front with considerable success being achieved in neighbouring African countries, particularly Botswana, Malawi and Mozambique

The services division showed growth only slightly above inflation, while the new equipment division did better On a turnover increase of 16% to R116,96m (R98,16m), Otis achieved a 105% jump in operating profit to R13,07m from R6,37m This is reflected in improved operating margins which rose from 6,5% in financial 1990 to 11,2% in 1991 The group also returned to a net interest earning position, showing net positive interest of R653 000 from paying net interest of R502 000 in the previous year

The tax charge increased 88% to R7,2m (R3,84m) — translating to an effective tax rate of 52% from 65% The above normal tax rate is due to the fact that Otis is unable to claim full tax relief on its Corporate Social Responsibility donations to educational programmes

Despite the relatively high tax charge, group net income was 221% higher at R6,52m (R2,03m) which is equivalent to earnings of 38,3c



Graphic FIONA KRISCH • Source OTIS

No substance to rumours of Buffcor takeover, says GM

JABULANI SIKHAKHANE

ENGINEERING group Buffalo Corporation (Buffcor), the shares of which have attracted strong demand on the JSE recently, is expected to make an announcement soon (189)

Demand for Buffcor shares follows speculation that control of the group is about to change

However, Buffcor GM Sydney Derman yesterday denied that a takeover was imminent Bday 9/1/92

Derman said the announcement, expected within the next two weeks, related to Buffcor's cautionary notice published in October.

The takeover rumour could have been sparked by the recent death of Woolf Heller, a Buffcor founding shareholder, he said

Heller's shareholding in Buffcor was significant, but not enough to effect a change of control, he said According to McGregor's Quick Reference to the JSE, Heller owned 13,8% of the company

Buffcor's largest shareholders are BPSE Investments with a 34,8% stake and Lowenco Nominees, which owns 18% of Buffcor's equity

Buffcor is an investment management company with activities in the manufacturing and distribution of number plate blanks, safety signs and accessories, franchising and leasing of machinery, property ownership and letting

Samancor to meet Numsa on takeover

Bi Day 7/1/92

189

VERA VON LIERES

THE National Union of Metal Workers of SA (Numsa) will meet Samancor management next week to request more information on the group's takeover last September of Middelburg Steel & Alloys which Numsa says intends retrenching 400 workers

Numsa national secretary Bernie Fanaroff said yesterday the company had not yet provided information on the takeover. He confirmed Samancor had proposed to retrench about 400 workers in the restructuring of the enlarged group's operations from January 31.

Barlow Rand sold Middelburg Steel and Alloys (MS&A) to a consortium including Anglo American, De Beers and Gencor — which ownes Samancor — for R1bn. Samancor bought MS & A's ferro-alloy division for R487,5m

It was reported at the time that Samancor would retrench 400 workers from the Middelburg Ferrochrome plant bought from MS&A. The plant employs about 3 000 people

Samancor G M (chrome division) Wilrich Schroeder has said the rationalisation of its operations was due to market conditions He said discussions with employees and employee representative organisations regarding rationalisation were underway

A Samancor spokesman said yesterday he could not confirm that a meeting would take place next week

ADE ready to face Cummins return

S/Times (Buss) 5/1/92

(189)

By MAX BRAUN

CRUMBLING sanctions, some aspects of the local content programme for the motor industry and the "rebirth" of Cummins Diesel Engines pose the question "Can Atlantis Diesel Engines (ADE) ward off the Cummins challenge?"

In spite of low sales volumes in the 1980s, ADE sold more than 160 000 truck and tractor diesel engines

Unlike most other motor manufacturers, ADE is not subject to policy dictates from international source companies ADE has access to world-class technology from Mercedes-Benz and Perkins Engines of England

Cummins, the world's largest manufacturer of diesel engines above 150kW, makes superbly engineered, robust machines They are popular with carriers, especially when matched with Fuller transmission and Rockwell drive axles

About 7 000 Cummins engine are in use in SA

Parts

ADE engines have been adapted to SA conditions, especially their cooling systems and air intakes They are also suited to SA fuels and to working at differing altitude They are fitted to the latest Mercedes-Benz, MAN, ERF, Hino and Nissan models

It is doubtful if the Cummins N series engines could be fitted into most current truck models without modifications to cabs, mountings and possibly other aspects

Analysis of ADE's range of back-ups to serve the 160 000 units in the field provides some understanding about why truck owners had little hesitation in buying trucks powered by its engines

Replacement parts are available from more than 1 000 outlets ADE claims that its parts are between 30% and 80% cheaper than the equivalents for some imported engines

ADE engines and parts are warranted for 12 months regardless of kilometres covered There are also 45 Pronet ADE-approved engine rebuilders

After 10 years, ADE has achieved a high degree of standardisation, especially among the big-name fleets

Even if Ford Louisville were to return to SA, standardised on Cummins, and assuming Cummins could recapture a significant share of ERF and Foden sales, it would still be insufficient to convince fleets and vehicle manufacturers to surrender the benefits of standardisation

These include parts inventory, training of maintenance staff and availability of and access to services

According to independent research, about 35% of all heavy truck-tractors in SA were sold by manufacturers no longer in business here Users will not forget that in a hurry

To counter some of the poor reaction to its engine prices when compared with imports, ADE started taking action at the beginning of 1991 ADE managing director Fritz Korte says it will reduce the price premium paid for an ADE engine to about 20% by the end of 1992

A few have questioned Cummins' timing in making a renewed bid for a place in the South African sun New-truck and tractor sales are low and users are reluctant to rebuild vehicles and engines Perhaps the move was motivated by the need to find new markets

Future

The US and European truck markets are also in severe recession There is also the question of Cummins' financial results The company incurred a loss in four of the last five trading years (1986 to 1990) In 1987 there was a profit of only $5,8-million on sales of $2,767-billion Clearly there is a need for Cummins to find new markets

What then of the future? Neighbouring countries are showing interest in ADE engines

Mr Korte says ADE has direct representation in Namibia and Botswana and an indirect presence in Zimbabwe, Zambia, Mozambique and Malawi

Like other SA manufacturers, ADE has an expanding export business in components

Cummins will remain a leader in world markets No doubt its presence will be felt in SA and by ADE

BARLOW RAND FM 3/1/92 (189)

A baptism of fire for Clewlow

Activities: *Mining, manufacturing, distribution, food, pharmaceuticals and property*
Control: *Old Mutual (34,7%), Sanlam (7,1%)*
Chairman/CE: *W A M Clewlow*
Capital structure: *190,1m ords Market capitalisation R9,65bn*
Share market: *Price R50,75 Yields 3,3% on dividend, 8,5% on earnings, p/e ratio, 11,8, cover, 2,5 12-month high, R55,50, low, R32 Trading volume last quarter, 4,0m shares*

Year to Sept 30	'88	'89	'90	'91
ST debt (Rm)	1 090	1 376	1 494	2 004
LT debt (Rm)	1 886	2 044	2 669	2 567
Debt equity ratio	0,35	0,41	0,46	0,31
Shareholders interest	0,39	0,41	0,43	0,41
Int & leasing cover	10,9	9,8	6,7	5,7
Return on cap (%)	15,6	17,7	14,0	13,8
Turnover (Rbn)	21,2	26,4	29,1	32,0
Pre-int profit (Rm)	2 124	2 824	2 549	2 633
Pre-int margin (%)	9,6	10,2	8,5	8,0
Earnings (c)	408	544	462	431
Dividends (c)	130	170	170	170
Net worth (c)	1 504	1 848	2 089	2 161

By the time Barlow Rand wrapped up its financial year, Warren Clewlow must have been hoping fervently that events since his appointment as chairman last January would not prove typical of his tenure

Referring specifically to Rand Mines, which underwent drastic pruning, Clewlow describes the year as a watershed. The comment could, however, equally be applied to the group as a whole While the timing may have been coincidental, there appears to have been a fundamental shift in philosophy, with a much harder line being taken on assets that are underperforming or where growth/recovery potential is seen as limited

This is in marked contrast to the conventional view of conglomerates, rightly or wrongly, as hoarders of assets almost regardless of performance — explaining in part why conglomerates frequently have lower market ratings than their subsidiaries and, hence, the craze for unbundling

The effect on the balance sheet has been startling Assets worth more than R2bn were sold or written off, equivalent to 11% of the September 1990 asset base This led to the unusual (but not unheard of) phenomena of real declines in assets, permanent capital and turnover, all in one year The last time total asset growth failed to match inflation was in 1987, in the case of shareholders' funds one has to go back even further, to 1985

Barlow Rand's Clewlow *a watershed year*

The group has emerged much stronger Cash from disposals, including R1,1bn from Middelburg Steel & Alloys (MS&A) and related chrome interests, cut net gearing to only 0,31 Though the full impact has not yet been felt in the income statement, last year's interest cover of 5,7 (on net interest payments) is a good deal healthier than most

But in other respects, perceptions about the effects of the restructuring are likely to be more fixed If one considers profitability, for example, while the "new" mining division has become the second most profitable in terms of return on total permanent capital (see table), this has been achieved solely by shrinking the capital base which, since 1990, has fallen by more than R1,5bn — a massive loss to shareholders

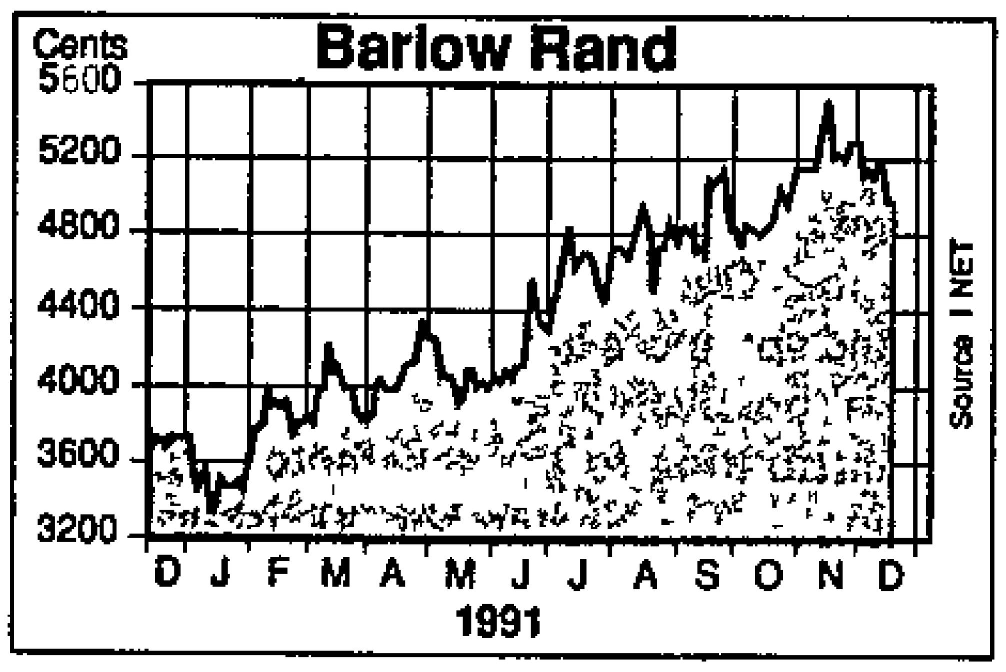
Actual profits have not, taking a long-term view, been enhanced Aggregate losses of discontinued operations last year attributable to equity amounted to only R2m, to which can be added income that will accrue from deployment of the R1,1bn from MS&A — probably another R100m or so

While this will be a useful boost to profits, attributable income from MS&A peaked at over R200m in 1989 There is little doubt that it could, at some future time, have re-achieved this in the right market conditions The same point can, of course, be used to support management's view that the group is better off without MS&A, because of the excessive cyclical effect this single company was having on results

As the *FM* pointed out when discussing the preliminary results (*Fox*, November 15) lower MS&A profits in the past two years fully account for the dip in group attributable income from 1989's R1bn to R806m

But this argument would be more convincing if the same concerns had been expressed during the years up to 1989, when the profit pendulum was swinging the other way

As noted above, income attributable to the funds from the MS&A sale should add at least R100m (53c a share) to this year's earnings, so Clewlow is probably on safe ground in forecasting "some growth" despite expectations that trading conditions will remain difficult for most of the year



If the rest of the group can show the same earnings stability as in the second half of last year, EPS of 500c (up 69c, or 16%) do not look unattainable

This would still be 8% below the 1989 peak but may not preclude at least some increase in distribution, particularly as a policy of giving shareholders a scrip alternative has been adopted

Investors wary

The present, historic, 3,3% dividend yield suggests that investors are still a bit wary after the events of the past year Realistically, though, there is little doubt that the quality of earnings has improved If the group can show that it is through the earnings trough this could result in an improved rating in due course *Brian Thompson*

CHANGING MIX

	Taxed Profit (Rm)		Perm Cap* (Rm)		Return (%)	
	1990	1991	1990	1991	1990	1991
Mining etc	441	416	3 559	2 122	12,4	19,6
Industry	348	363	1 524	1 728	22,8	21,0
Packaging/Textiles	242	249	1 295	1 436	18,7	17,3
Food/Pharmaceuticals	415	498	2 276	2 575	18,2	19,3
International	130	137	872	1 061	14,9	12,9
Other	(5)	(58)	(503)	229	—	—
	1 571	1 605	9 003	9 151	17,4	17,5

* Includes loan stock and deferred tax

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SALDRU

Steel loses its GNP support

BDay 11/3/92

189

LINDA ENSOR

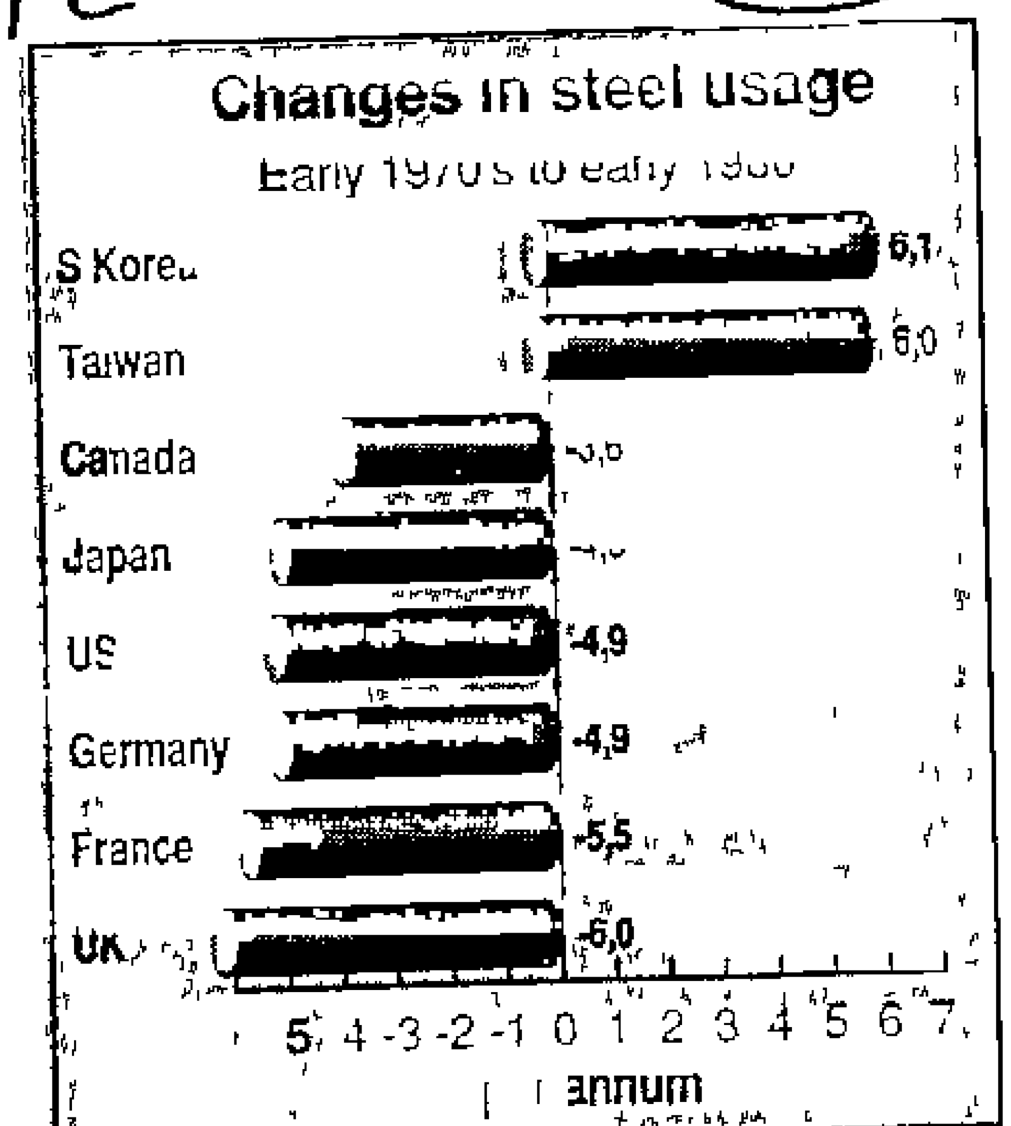
CAPE TOWN — Steel production in industrialised countries such as the US, Canada, Europe and Japan was declining as steel consumption was growing more slowly than GNP, Pittsburgh, US, steel producer Smith, Yuill & Co chairman Phillip Smith said yesterday

In an address to the Sixth International Ferroalloys Congress currently being held in Cape Town, Smith said there was a critical overcapacity in mature industrial countries due to poor planning Excess capacity in the US was running at about 25% to 30% while world excess capacity had been estimated at 20%

"In forecasting demand and capacity needs, planners generally used unit growth, that is tons plus an expected growth percentage, and overlooked the fact that the amount of steel required to support inflation-adjusted GNP was declining

"The planners projected steel growth to be lock-stepped with GNP growth, when in fact a subtle but slow decoupling was taking place For example, one study has shown that the finished steel required to support inflation-adjusted unit GNP in the period 1980-82 was only 70% of that needed in the base period 1970-1972"

Smith said a sounder way of measuring projected future demand for steel and other metals was to measure the relationship of intensity of use to economic activity rather than units produced



Graphic FIONA KRISCH Source SMITH YUILL & CO

"Strategic planning must also recognise that significant increases in capital investment will be required to sustain the more sophisticated market demand reflected in the intensity-of-use trends," Smith said

Subtle shifts in market demand had resulted from the downsizing of cars, materials substitution, slowdown in plant building, the more efficient use of steel, improved quality, and improved strength-to-mass ratios through alloying For example, it took about one-third less steel to produce a motor car in 1985 compared with 1977, with the result that 3- to 4-million tons less steel was used in one year's vehicle production of 10- to 12-million motor cars and light vehicles

Steel imported via foreign-made cars, trucks and parts had also had an impact

"Another trend of considerable significance has been the demands upon the steel industry by automobile and appliance manufacturers to have their shipments manufactured to within one-half to two-thirds of the published product tolerances — a move that also improves the yield and reduces the consumption of steel"

Smith said major reductions in the cost of steel production had been achieved over the last decade as a result of remuneration packages and technological advances This had made steel more competitive with substitute materials

"Nonetheless, steel demand will remain relatively flat down to the next decade, and steel pricing will continue to remain competitive Even with the mini-boom in steel demand in the USA during 1987-1989, discounts of 20% to 25% from posted list prices have been and continue to be common"

Smith suggested that this competitive pressure could force some producers out of the industry which would reduce the erosion in prices and restore an equilibrium to supply and demand

Another phenomenon in US steel manufacture over the past decade was the change in the structure of the industry from large integrated plants to small semi-integrated plants Large companies had lost \$10bn over the last decade, while small companies had about 30% of the market, a share which was growing, Smith said

R50-m rights issue for troubled Usko

(189)

By Sven Lunsche STAR 12/3/92

Troubled steel producer Usko has announced a R50 million rights issue to re-finance the group

This follows after engineering group Dorbyl today said it was withdrawing its offer for Usko Dorbyl offered Usko shareholders 35c a share or one Dorbyl share for 240 Usko shares

In an announcement Metkor and Iscor, which jointly control 55 percent of Usko, say they will underwrite the rights issue in proportion to their holdings

Metkor will also have a rights offer to follow its participation This issue will be underwritten by Iscor and the Rembrandt Group

Usko bankers are also lending support to the re-capitalisation by converting R105 million of Usko's debt into redeemable preference shares The banks have the option to convert 25 percent of the shares into Usko ordinary shares.

The announcement also states that Aberdare Cable's claim to the Securities Regulation Panel, alleging Usko had breached the takeover code by rejecting Aberdare's offer.

Highveld 'forced to tailor vanadium output'

B/Day 12/3/92 (189)

LINDA ENSOR

CAPE TOWN — Highveld Steel & Vanadium, which had the capacity to produce about 50% of the world's vanadium pentoxide , had regularly tailored its production to support prices, MD Trevor Jones said at an international steel and ferro-alloys conference yesterday

He said world supply of vanadium pentoxide was inflexible because a large proportion of production came from processing waste product and as a co-product in the manufacture of steel The bulk of vanadium production was dependent on conditions in other markets

Primary producers from vanadium ores ran at full production because they perceived themselves as small players — with only 5% to 10% of world production — and had no extra capacity to deal with surges in demand

Jones said the exception was Highveld's Vantra division which had about 15% of world capacity. Highveld had varied production dramatically, and held a significant stockpile of slag over the past few years, holding back material at times when prices were low

"There are limits, however, to how much can be done since such action can impact adversely on some of our slag conversion customers and there are limits also to its effectiveness in that there may be a long and rather indeterminate reaction time into the final ferrovanadium market There can also only be timing differences since eventually, over perhaps two to three years, the slag will be sold"

The world vanadium market had suffered from poor price stability in 1988/1989 when prices had risen dramatically, Jones said, adding that the collapse of the Soviet economy and the fragmentation of the union might cause short-term disruptions to the world vanadium market

In the past, the Soviet Unionwas the largest steel producer in the world and probably the largest user of vanadium in high-speed and tool steels, armaments, structural steels and heavy duty rails Vanadium is used in tiny amounts as a steel alloy to give the metal strength

Jones said the former Soviet Union's output of vanadium seemed to be declining in tandem with the drop in steel output

"This is evidenced by the present lack of slag, which has for years been sold to, or converted in, China, Europe or Czechoslovakia Instead, some quantities of ferrovanadium have been sold in Europe, but overall, less Russian vanadium units are finding their way into other markets

"Depending on the form of the Russian steel industry after the political and economic transition, there is great potential for the internal use of vanadium since well-developed techniques exist for its use, and it offers many advantages in their mills," Jones said

Imported

He said it appeared that China had become a net importer rather than exporter of vanadium and that this should continue, given its low per capita consumption of steel and its plans to increase steel output and improve infrastructure

Over the past three years the Chinese had imported an average of about 5- to 8-million pounds of slag a year from SA and New Zealand

Jones stressed the need for developing vanadium markets, particularly the cultivation of niche markets by specialist producers of final products who had close relationships to the end-users

He said during the past decade the use of micro-alloys in structural steels had decreased because of improved steelmaking practices and better rolling mills and the use of vanadium had likewise dropped

BDay 12/3/92

Inmins results qualified by auditing firm

189

MATTHEW CURTIN

AUDITOR Deloitte Pim Goldby has issued a qualified report for the 1991 financial statements of Inmins, formerly Dantech Mining Supplies

The report said the statements had been prepared on a going concern basis, assuming bankers' support would continue

Inmins is a subsidiary of Winbel — formerly Danglo Limited — the engineering group which, despite two years of restructuring, is struggling to shake off heavy debt and improve ratings

Inmins turned in an operating profit of R4,9m in 1991, against a loss of R1,8m in 1990, but failed to pull out of the red at the bottom line because of R6,6m in financing costs. At year-end the group had an accumulated loss of R44m, long-term liabilities of R8,2m and a net working capital deficit of R885 000

The auditors' report follows the announcement of a R730 000 error in reporting of extraordinary income in Inmins preliminary results

Ferrochrome price unchanged

(189)

MATTHEW CURTIN

SA's ferrochrome producers have kicked off price negotiations for the June quarter with a price of $0,52 a pound for their material, unchanged from the past two quarters BDay 12/3/92

The decision comes at a time when ferrochrome production in SA has come to a virtual standstill, with 90% of the industry's 1,7-million ton a year capacity lying idle

Consolidated Metallurgical Industries (CMI) chairman David Kovarsky said yesterday CMI had put an unchanged price into the market at the end of last week

It is understood Samancor and Chromecorp Technology (CCT) have followed suit

Kovarsky said the price reflected the continued depressed conditions facing the stainless steel industry, the main consumer of the ferroalloy He said although there had been speculation that SA producers would try to push prices up to $0,55/lb, the timing was wrong for a price increase

Kovarsky added that it was too early to gauge customers' reaction to the maintained SA price Price talks in the previous two quarters were protracted as stainless steel manufacturers did their best to avoid the price increase, by taking minumum amounts of SA material, and resorting to alternative supplies

Volumes in the current quarter were higher than the very low levels of the previous period, and signs that US stainless steel production had risen by as much as 15% in the past month might indicate the sector was on the verge of recovery He said customer destocking was almost complete

Samancor and CCT have shut down their ferrochrome furnaces and CMI is operating at no more than 60% capacity

Dorbyl, Usko drop takeover deal

B1Day 12/3/92

EDWARD WEST

DORBYL's proposed purchase of cable operation Usko has fallen through

A joint announcement from the companies published today said current owners of Usko, Metkor and Iscor, which together hold 55% of Usko, planned to recapitalise Usko with a R50m rights offer

Usko's bankers also planned to convert R105m of Usko's debt into redeemable preference shares with the option of converting 25% into ordinary shares The recapitalisation follows Dorbyl's offer for control of Usko of 35c a share or one Dorbyl share for every 240 Usko shares

A previous Usko announcement on February 21 said it would contest a claim by Aberdare Cables that it had breached the takeover code in relation to an Aberdare offer to acquire Usko

At the time minorities expressed concern at Usko's disclosure that management and controlling shareholders were contractually bound not to negotiate with any other party about the disposal of the group's shares to Dorbyl

Today's announcement briefly referred to the Aberdare allegations by saying they had been resolved by the Securities Regulation Panel

(189)

Usko was close to being acquired by Voltex late last year, but the company was deterred by the debt it would have taken on, reports said The recapitalisation reduces Usko's debt by R155m

Metkor planned a rights offer to be underwritten by Iscor and Rembrandt so it could fund its participation in the Usko rights offer

Details of the rights offers and the restructuring of Usko would be given in due course, the announcement said

AMIC FM 13/3/92 (189)

Fallible tea leaves

Traditionally, two groups, subsidiary Highveld and associate AECI, have provided a fair portent of what results can be expected from Amic This year, in spite of a halving of Highveld's earnings and 20% drop in AECI's contribution, Amic held its earnings fall to 11% and maintained a dividend of 350c for the third year in a row

It was bolstered by improved results from Mondi and Scaw Metals At 53%-held Mondi, higher production at the Richards Bay mill and improved operating conditions in its board division were the main contributors to an 18% increase in earnings

Mondi chairman Tony Trahar, recently appointed joint deputy chairman of Amic, is much younger than the other deputy chairman, Boart's Hilton Davies

Wholly owned Scaw Metals was the largest contributor to earnings, with an 8% improvement to R78m It increased exports of value-added steel products

The other main subsidiary, Boart International, was less fortunate Earnings fell 27% to R48,2m as prospecting and mining activity was low throughout the world — earnings in SA were higher than those in the rest of the world for the first time since 1983

Amic's income before tax and interest was

FOX FM 13/3/92 (189)

down by 18,5% to R718m, but interest paid fell by 8% to R112m and the effective tax rate from 20% to 8%, mainly because of increased exports and capital expenditure

Though the lion's share of Amic's income still derives from commodities such as steel, paper and bulk chemicals, as well as mining services, earnings have not slid as far as the fall in commodity prices would suggest, showing the quality and durability of assets

An example of diversification is the stake in electronics group Ventron, built up to

NICE SURPRISE

Year to Dec 31	1990	1991
Turnover (Rm)	6,12	6,46
Operating income (Rm)	571	434
Income from assoc (Rm)	222	206
Investment income (Rm)	88	78
Attributable (Rm)	451	401
Earnings (c)	836	731
Dividends (c)	350	350

29,2%, and likely to become increasingly important There must be a chance of Amic taking control when Bill Venter retires

But the investment thrust is still predominantly in heavy industry, where new chairman Les Boyd and his team clearly feel most comfortable Highveld's R150m aluminium can operation should produce returns within three years but the Columbus stainless steel operation is a longer-term investment — though the development period has been shortened considerably by the purchase of Middelburg Steel & Alloys

Retiring chairman Graham Boustred says the group will broaden its trading base into areas which were denied by sanctions He expects most customer sectors to improve towards year-end, though prospects for gold mining remain uncertain

The share price has fallen from a high of R92 in mid-1991 to R75,50, a slight improvement from R73 in early January Amic sits on a 10,3 p.e and dividend yield of 4,6% Its markets will be difficult short-term, and Columbus is not without risk in view of worldwide overcapacity, but the weak price makes this a good time to accumulate

Stephen Cranston

COMPANIES

M&R alters strategy on Genrec

B/Day 13/3/92

EDWARD WEST

MURRAY & Roberts (M & R) has dropped its plans to buy 100% of Genrec, and will now make an offer to Genrec minorities

M & R director Lionel Bird said yesterday the company dropped plans to acquire the entire shareholding in Genrec and delist as the scheme would prove expensive and M & R did not wish to be seen as wielding "the big stick" by forcing out minority shareholders

Instead, it will now offer to buy out Genrec minorities for R16,50 a share — against the current price of R14,25 Alternatively Genrec shareholders can opt for a share swap of one M & R ordinary share for every 3,5 Genrec shares

Genrec's share price has climbed from 820c a year ago M & R's cash offer reflects Genrec's peak share price of 1 650c a share recorded in September last year (189)

M & R traded at 5 700c a share yesterday so its share offer represented a R6,25 premium over the cash offer

The announcement said fractional entitlements to M & R ordinary shares would be aggregated and sold on the JSE for the benefit of minorities entitled to it.

Pourouls in challenge to Samancor

189

S/Times (BUSS)

15/3/92

By IAN ROBINSON

SAMANCOR may face a new South African competitor in world ferrochrome markets — mining entrepreneur Loucas Pouroulis

Mr Pouroulis is conducting a feasibility study and it is believed that foreign interests are involved

Samancor's takeover of Middelburg Steel & Alloys (MS&A) last year raised its share of SA and world production capacity to 60% and 40% respectively

In spite of the huge world oversupply of ferrochrome and Samancor's announcement in February that it would close its plant for at least three months, there is renewed international interest in ferrochrome ventures

Buyer resistance to Samancor's price increases and a low entry barrier to the industry have spawned many potential producers

The London-based Metal Bulletin reports that a group of European stainless-steel producers plan to build a ferrochrome smelter in SA

But it is impossible to substantiate this report

Western European interests are also trying to set up ferrochrome ventures in Russia

Informed sources at the sixth Infacon (ferroalloys) conference in Cape Town this week told Business Times that several potential SA ferrochrome smelter projects were being investigated by both domestic and foreign interests

Arc

Projects mentioned included a 120 000-ton-a-year plant to be developed by a Swiss-led consortium

Mr Pouroulis is looking at a possible smelter near Rustenburg New technology including plasma-arc is also being studied

The smelter would be based on chromite from the Goudini mine in the Zeerust district of the Western Transvaal and lower-grade reserves in the Rustenburg district

LOUCAS POUROULIS

Goudini produces high-quality ore with a chrome-iron ratio of more than 2 1 compared with an industry average of about 1,5 1

Production is low, having fallen from a maximum monthly output of about 12 000 tons in 1990 after cancellation of a major contract with Samancor's Middelburg division

Irish & Menell Rosenberg Inc analyst Dave Russell believes that Goudini's high-grade chromite could bring an advantage over competitors using lower grades

Access to both high- and low-grade ore (in both fine and lumpy form) will provide a range of feedstock for a flexible smelter operation

Highveld going for added value

S|Times [BUSS] 15/3/92 (189)

By IAN ROBINSON

HIGHVELD Steel & Vanadium is looking to a new strategy of increasing value of its products instead of volumes

Highveld managing director Trevor Jones says consideration could be given to the installation of cold-rolling facilities when markets improve

The process allows steel to be rolled to thinner gauges after it has been hot-rolled to sheet and adds much to its value

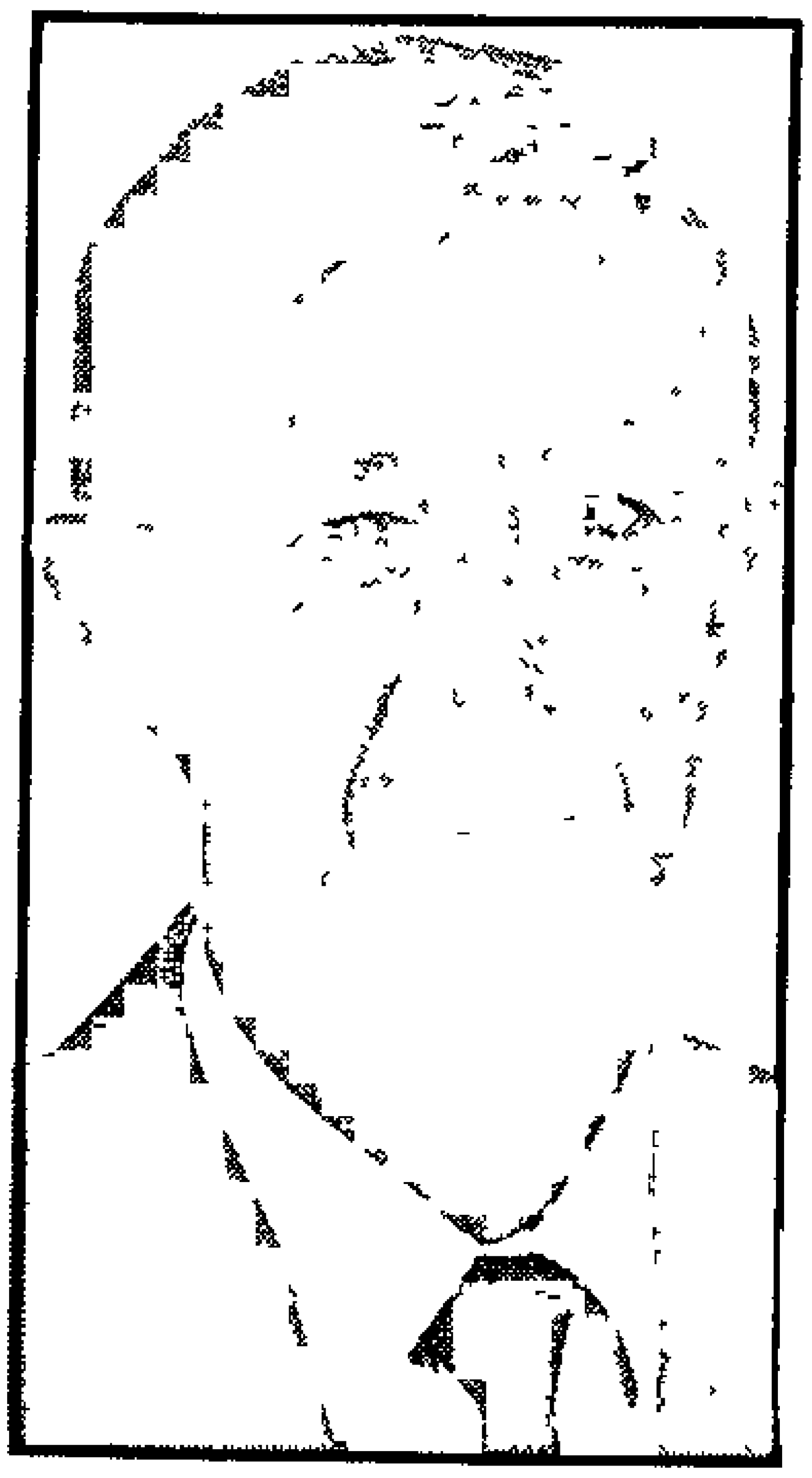
Facilities at Highveld could also be used to roll 3Cr12, the low-grade stainless steel developed by Middelburg Steel & Alloys

Highveld has an annual steel production of about a million tons and is South Africa's second-largest producer after Iscor (7-million)

Sanctions

The lifting of sanctions will provide more scope for added-value products because a wider spread of sales to diverse markets will result

Highveld has already moved to add increased value to vanadium The closure of the large Casa plant in Luxembourg for the conversion of vanadium slag (which contains about 25% vanadium pentoxide) to standard grade vanadium pentoxide has provided the opportunity for Highveld to convert part of its slag production to pentoxide at its Vantra plant



TREVOR JONES Waiting for improvement

Highveld has spent R10-million on facilities at Vantra to convert about 20% of its slag production to pentoxide

Pelletisation of ore fines will play a key role in reducing the costs of steel and vanadium production at Highveld Mr Jones says the installation of a second pelletising plant will be considered

Highveld brought an R82-million pelletising plant on stream in March last year The pellets will comprise more than a third (750 000 tons) of the total used in making iron ore (2-million tons)

The primary objective of pelletising is to provide a more consistent and higher grade feed than lumpy ore It is processed through pre-reduction kilns which reduce the oxygen content of the iron ore before it enters the electric arc furnaces where it is converted to liquid iron

Ore is produced at Highveld's Mapochs mine 140km from Highveld in the form of lumpy (more than six millimetres) or as fines (under 6mm) Fines are used as a feed for the production of vanadium pentoxide at the Vantra plant Lumpy ore is used for iron production

Stockpile

Fines cannot be used in furnaces because they can cause explosions through blocking the escape of gases

More than 3-million tons of fines have been stockpiled at the mine The pelletising plant can use all the fines, supplemented by the stockpile

Highveld's acquisition of Rheem South Africa in 1985 was motivated by the promise of good returns and partly to compensate for the cyclical pattern of steel and ferroalloy demand which affects Highveld and its Rand Carbide and Transalloys divisions They make ferrosilicon and silicomanganese respectively

Rheem produces metal containers and plans to make aluminium containers in South Africa

Minority stake in Usko is shrinking

S|Times [BUSS] 15/3/92 (189)

By JULIE WALKER

USKO minorities will be diluted almost of out sight in the proposed R50-million rights issue

Two groups, Berzack and Dorbyl, have both walked away from bids for control of Usko after certain conditions were not met

A third bidder, Aberdare, has withdrawn its offer The offer remained on the table even though Usko said it had accepted another and was precluded from considering others

The market value of Usko's ordinary share capital is R8,9-million The preference share capital is R5,9-million The ordinaries last traded at 20c and the prefs at 25c

On top of the R50-million equity capital to be raised, Usko's bankers will accept redeemable prefs instead of R105-million of debt A quarter of these shares may, at the banks' option, be converted into ordinaries

Usko, with its share price at only 20c, will have to issue 250-million shares to raise the money it seeks There are only 30-million ordinaries in issue and battered minorities are unlikely to pour more cash into Usko

If the banks convert a quarter of their prefs into ordinaries, the holding of the minority will be further diluted

Metkor and Iscor together hold 55% of Usko and will underwrite the offer in proportion to their holdings Metkor will also have a rights issue to enable it to follow its entitlement

Usko has told shareholders that the complaint by Aberdare to the Securities Regulation Panel has been dealt with

Eyebrows were raised about the proposed deal with Dorbyl because it, Metkor and Usko all have the same chairman, Floors Kotzee

The deal's arm's-length nature was brought into question

Dorbyl was to offer Usko's major shareholders one of its own shares for 240 Usko, but made the Usko minority a three-times as generous cash offer of 35c an ordinary or 59c a preference share

More space for filters

GUD Filters, the largest manufacturer of automotive filter products, has bought a 20 000m² property in Isando which will become its major distribution centre.

The centre will provide greater stockholding space, speed deliveries and be closer to main markets

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements.

MONDAY: Oakfields directors reject offer for shares Musica warns Oceana Investments moves to retail & wholesale sector

Gencor's rights offer 97,8% subscribed, Genbeheer's 99,8%, Tiger Oats' 98,9% Stocks & Stocks buys Datalogic for R4,2-million

TUESDAY: Inmins overstated extraordinary profit by R729 514

WEDNESDAY. Perskorgroep's rights offer 95,8% subscribed Lanchem delisted Gazgold rights offer opens 20/3, closes 10/4

Mediclinic cancels negotiations. Plate Glass rights offer opens 20/3, closes 10/4 Unihold buys Dimbaza Foundries for R15,8-million, to be settled by the issue of 8,4-million shares at 185c plus cash; warns of more negotiations

THURSDAY: Dorbyl will not acquire Usko Usko will raise R50-million in a rights offer and its bankers will convert R105-million of debt to redeemable prefs in Usko Major shareholder Metkor will also have a rights issue to

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COMPANIES

Haggie 'well placed' for upturn

EDWARD WEST

HAGGIE Rand's performance in 1992 will depend largely on local and international economies, but its factories and distribution networks can respond quickly to any improvement in business conditions, the steel wire and rope company's annual review says. (18 D BIDay 16/3/92

However, Haggie chairman Grant Thomas does not anticipate an economic upturn starting soon or strongly enough to be of any major benefit to the company in its financial year to December 1992

He says the recession is so entrenched that even if stimulatory measures were introduced, it would take six to nine months to percolate through the economy

MD Chris Murray said Haggie was well placed to take advantage of any upturn because the rationalisation of the copper products division was nearly complete and there were plans to improve competitiveness in the engineering consumables and wire industries businesses.

Any infrastructural expenditure would benefit Haggie, while major customers appeared to have stopped destocking Order patterns should return to normal, he said

Export margins were being squeezed by overseas competition and the stable rand. However, Haggie had budgeted for better results in 1992 based on expectations of improved economic activity starting to filter through towards the end of the year

The company planned to introduce aluminium tubes to replace copper tubes for some applications It was also planning to set up a steel tyre cord manufacturing plant which would replace imported tyre cord used for reinforcing vehicle tyres The project involved R82m capex over two years and would enable Haggie to supply the SA tyre industry in full

In the year to December 1991, Haggie's interest charge came to R20m with borrowings up from R114m in 1990 to R124,5m

Debt could run close to 40% of shareholders' equity if the tyre cord project reached fruition, Murray said The tax rate would rise from 25% in 1991 to about 36% in 1992 because of reduced tax incentives

Haggie's sales fell 5,8% to R1,2bn in 1991 while earnings a share fell by nearly a fifth to 296c a share from 363c in 1990

Hudaco spreads interests

B/Day 16/3/92 (189)

MICK ELLINGHAM

HUDACO's R75m acquisition of Valard will ensure an additional spread of markets and products for the group in 1992, says Hudaco CE Kevin Clarke.

"The acquisition of Valard will reduce the group's dependence on gold mining and agriculture," said Clarke in the Hudaco 1991 annual report.

If the pick-up in markets served by Valard continues, the company will be able to take advantage of its increasingly dominant position in the hydraulic and pneumatic markets.

Valard should continue with real growth in both sales and earnings in 1992, predicted Clarke.

The rationalisation of manufacturing and data processing divisions at the group's abrasives division is expected to improve operating profits in 1992

Hudaco has disclosed an increase in attributable earnings to R25,6m for the year ended November. Net borrowings declined to R920 000 from R24m.

Conditions in the depressed engineering sector resulted in the group reporting a 9% drop in trading to R366,7m for 1991. However, it strengthened its operating margin to 13,8% from 13,5%.

Hudaco disclosed earnings of 112,2c (1990: 110,4c) a share for the year, from which a total dividend of 51c (50c) a share was declared.

3/Day 18/3/92

NEWS IN BRIEF

Dorbyl retrenchments

DORBYL has decided to "size down" its operation and will lay off 150 workers after a bleak assessment of the industrial market.

The retrenchments will come from the dockyards at Dorbyl Marine and Dorbyl Shipbuilders, MD Jay Bullough said in Durban yesterday

(189)

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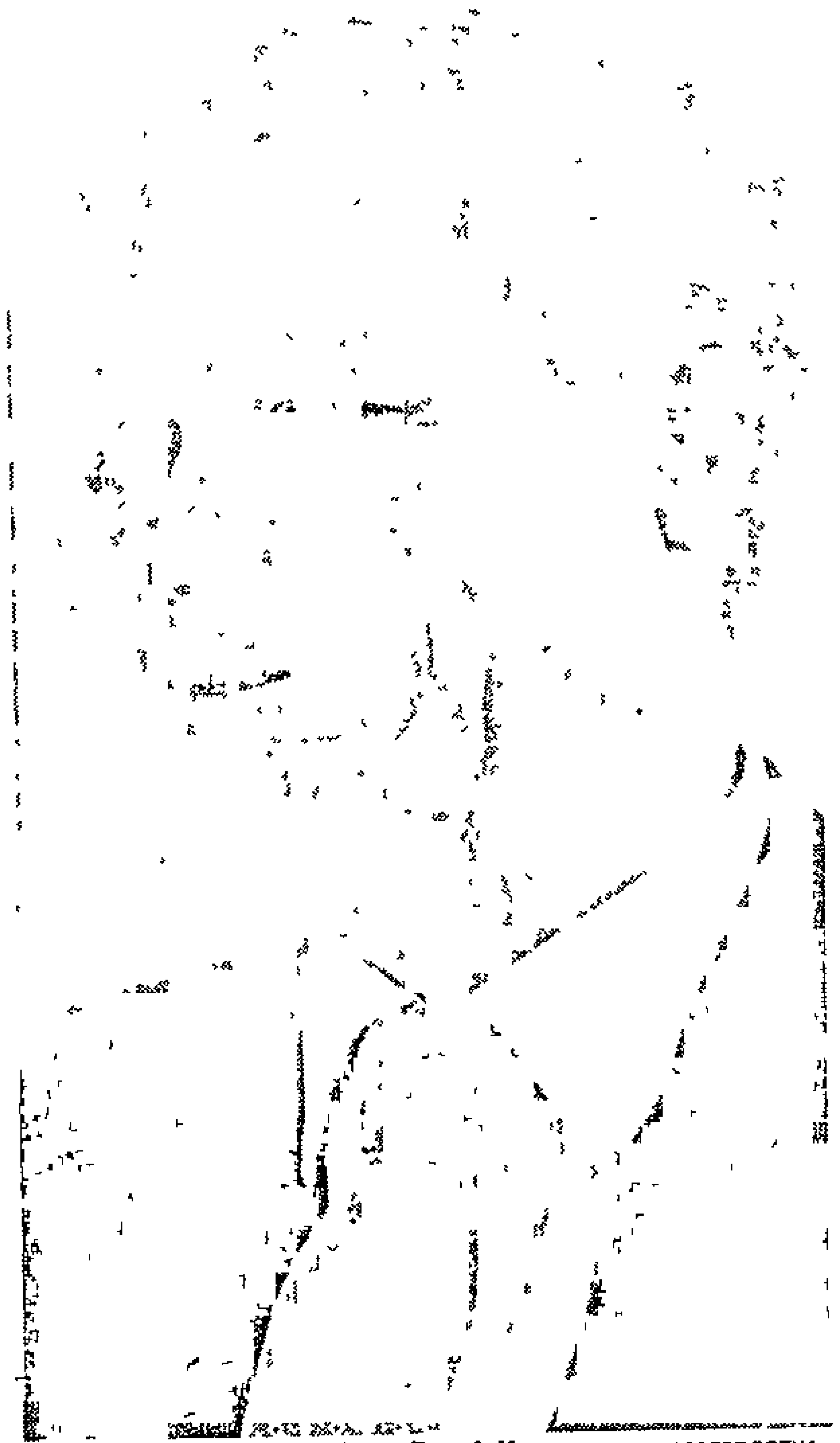


Trade and Industry Minister Derek Keys Picture ROBERT BOTHA

Boost in incentives for beneficiation projects

189

B/Day 19/3/92

MATTHEW CURTIN

ALUMINIUM producer Alusaf's multi-billion-rand expansion programme is likely to go ahead because of amendments to the Income Tax Act announced in the Budget yesterday

19/3/92

The R3bn to R4,5bn project, together with the R2,5bn Columbus Stainless Steel project, has excellent chances of qualifying for tax incentives designed to promote largescale capital projects involving the beneficiation of base metals in SA, industry sources say

Finance Minister Barend du Plessis said yesterday government decided to widen the parameters of the special accelerated deductions under section 37E of the Act The original amendment provided for the accelerated and enhanced depreciation of machinery, plant and buildings used in the beneficiation of local minerals, and immediate deduction of any preproduction interest, subject to certain criteria

Trade and Industry and Economic Coordination Minister Derek Keys said the Act's definition of beneficiation had been broadened to include imported raw materials and intermediate products

A second key amendment was the clarification of the value which projects had to add to these, he said

Alusaf — in which mining group Genmin has a 31% stake — plans to import alumina from abroad for conversion locally to aluminium, which it believes it can do more than competitively because of a favourable agreement with Eskom, which ties electricity costs to aluminium prices

Genmin minerals division MD Fred Roux said it was now "extremely likely" that Alusaf would give the project "the green light at the end of June

MD Rob Barbour said the government's move was "a very important step" in addressing the project's huge capital cost

Roux said in the longer term, SA, because of cheaper electricity, could look at beneficiating African mineral production in general

Anglo American senior economic consultant Jim Buys welcomed the ending of the narrow focus of the previous amendments Much of the economic success of newly industrialised countries in the Far East was owed to their ability to import raw materials add value to them and export them profitably, he added

Du Plessis also brought mining taxation more in line with company taxation He proposed the mining tax formula would be adjusted in line with the 2% cut in the company rate last year And, phase four of the phasing out of the surcharge on non-gold mines would proceed, with the proposed implementation of a 3% surcharge, against 6% last year, reducing the tax rate to 49,4%

Anglo American tax consultant Marius van Blerck and KPMG Aiken & Peat partner Alister MacKenzie said the move was welcome, but noted the effect would be negligible given the poor profitability of the industry at the moment

Trimmer Standard does well to maintain interim

STAR 20/3/92

By Derek Tommey (189)

Standard Engineering's operating income dropped 14 percent in the six months to February to R30,2 million

But earnings attributable to ordinary shareholders rose 7,8 percent to R17 million

Earnings a share increased only 6,1 percent from 46c to 48,8c owing to an increase in its issued share capital An unchanged interim dividend of 14c has been declared.

Interest paid rose 8,9 percent to R8,6 million, but tax paid dropped 63,8 percent to R2,78 million

Managing director Terry Davidson says this was a creditable performance in view of the low demand for capital goods.

The 12,5 percent rise in turnover to R333,1 million reflected increased efficiency, the sale or closure of under-performing operations and some acquisitions.

One was Protea Technology, which made its first full contribution in the six months to December

Another was a 74 percent stake in Autoflug last September

The drop in operating income was the result of lower margins on pipe exports and lower sales by the automotive and rolling stock divisions

Protea Technology has been integrated into the fluid handling division and this has substantially improved its contribution to group earnings.

But the fluid division's Mellor pump business is to be closed down Sanctions had resulted in the loss of its major franchise and it had also been affected by reduced demand from the mining industry

The closure will cause an extraordinary loss of R11 million, which will be brought into account this year

Although the contribution from the rolling stock division was reduced, it increased its turnover by 10 percent and remains committed to expanding its international markets

The rolling stock operation, Union Carriage, has submitted a number of substantial export tenders

Mr Davidson says the international recession will affect the company's exports and profits.

But this should be offset by the improvement in the local economy, which has been evident in recent months

He expects earnings for the full year to be in line with those of 1991

Standard Engineering's export turnover up 10%

BDay 20/3/92 (189)

MICK ELLINGHAM

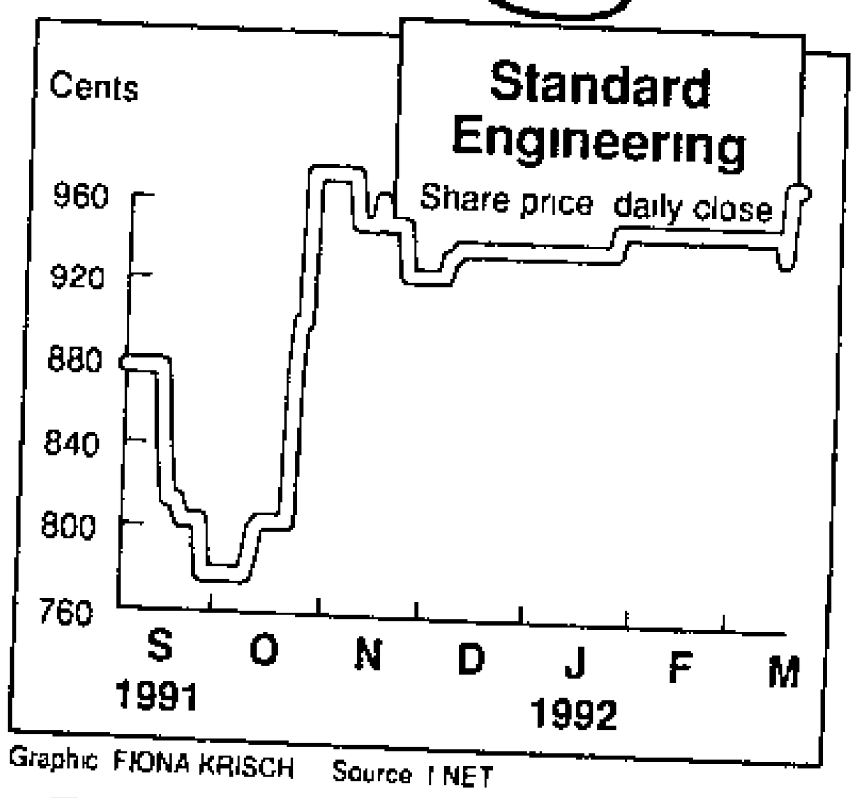
TUESDAY'S "yes" vote is good news for export-driven Standard Engineering, but recessionary conditions worldwide might have a negative effect on the volume and profitability of its export business

Standard Engineering MD Terry Davidson said the group was continuing to focus on export markets Export turnover, according to the group's interim report for the six months to February 29, was 10% higher than the previous year's despite significantly lower deliveries by the rolling stock division

Attributable earnings were increased 7,8% to R17m (1991 R15,7m), while earnings a share rose 6,1% to 48,8c (46c) because of an increase in share capital

In an interview, Davidson said he was happy with the group's results, considering the low demand for capital goods for infrastructural development He attributed the performance to improved efficiencies, acquisitions and a rationalisation exercise which included the sale or closure of underperforming operations

The acquisitions were 74% of Autoflug SA (with effect from September 1 last year) and Protea Technology, bought from Malbak in 1990 and making its first contribution in the review period



Graphic FIONA KRISCH Source I NET

These acquisitions boosted turnover 12,5% to R333,1m (R296m)

However, operating income was down 14% to R30,1m as a result of low international prices for the pipe division's products and lower volumes in the rolling stock and automotive divisions

The tax bill was cut 63,8% from R7,7m to R2,8m thanks to the export contribution The interim dividend was maintained at 14c

Davidson said the decline in SA's heavy vehicle market was putting pressure on the automotive division's Astas operation However, an increase in African trade would open up exciting opportunities in the long-distance road travel market, he said

The acquisition of Autoflug, a manufacturer of seatbelts and other products for the aftermarket, was designed to lessen the division's dependence on the heavy vehicle market and extend the automotive division's range

The 74% interest in Autoflug was bought for R10,7m, settled by the issue of new ordinary shares

The fluid-handling division improved its contribution to group earnings, aided by the integration of Protea Technology into the division

In November the company decided to dispose of the Mellor pumps business on a piecemeal basis

A major part of the business consisted of a franchise from Sweden, which was lost as a result of anti-SA sanctions It was expected that resulting extraordinary losses would amount to R11m These would be brought to account this year

The metal-pressing division improved its contribution substantially to 29% of group earnings The pipe division increased its turnover, but the US embargo on imported pipe was expected to make conditions difficult in the year ahead

The rolling stock division, Union Carriage, suffered from a reduced order book Volumes contracted sharply. However, Davidson said a number of substantial export tenders had been submitted If successful, these would have considerable effects in future

He said "Although local demand is sporadic, recent market improvements should ensure earnings per share for 1992 to approximate those of this year"

Bid to get details of 'secret' grants

B/Day 20/3/92 (189)

LINDEN BIRNS

LEADING members of SA's engineering fraternity are demanding that Trade and Industry Minister Derek Keys lift the veil of secrecy covering 84 projects paid for with taxpayers' money in the form of non-repayable grants to private companies.

Engineering News reports this week it has sent a 400-signature petition to Keys demanding details of 73 projects on which about R41,6m of taxpayer's funds have been spent so far, and for which another R200m has been earmarked over the next five years

The publication's editor Martin Creamer said in a statement yesterday that for more than two years Engineering News had requested the names of companies which had received, and would receive, non-repayable grants So far only sketchy details of the spending of R2m on 11 projects had been forthcoming

The petition, it was hoped, would elicit further information on the remaining 73 projects Creamer said the 11 recipients known so far had claimed only "puny amounts"

"Our objections centre on the refusal by government to allow a free flow of information relating to state expenditure, to the fact that the identity of recipients is revealed to taxpayers only when the 'final milestone payment' is claimed," he said If recipients did not claim the "final milestone payment", then their identities might never be known, he added

Department of Trade and Industry chief director for technology and industrial strategy Hennie Smith said last night the funding was part of the Innovation Support Scheme for Electronics, announced two years ago

Through the scheme, Trade and Industry undertakes to put up 50% of the development costs of a project, provided the project was for a new invention which would give a local company a competitive edge in domestic and foreign markets

"We cannot disclose project details as then competitors would hear about the projects, and the entire purpose of the support scheme would be defeated," Smith added

Because Trade and Industry was providing only 50% of the development funds (in fact, it has given up to only 37% in the past), it did not have the right to disclose project details That was the prerogative of the firm undertaking a specific project

Smith said funding was made in the form of non-rapayable grants instead of on a loan basis for two reasons

Firstly, a similar scheme in France, which operated on the basis of grants being repayable if projects were successful, and written off if they failed, encouraged some firms to declare their projects failures They would then enter the market with a derivative product, and thus avoid having to repay the grant

Secondly, SA's Treasury was able to recoup the grant outlay through company and other taxes on the profits of succesful projects, and was able to obviate spending on unnecessary red tape and project policing activities, said Smith

USKO FM 20/3/92

Trying again

(189)

Usko minorities who were worried last month that the group's controlling shareholders could be taking them for a ride by arranging to sell the business to Dorbyl might now be wishing the deal had gone ahead

Dorbyl last week followed the example of Berzack a few months earlier and walked away from the proposed purchase Details of why the talks fell through have not been disclosed, though Dorbyl is thought to have been deterred by the findings of its due diligence and the failure to reach agreement with Usko's creditor banks

With Aberdare — which protested strongly about being shut out of negotiations when the Dorbyl deal was on the table — no longer pressing its bid, Usko's major shareholders, Iscor and Metkor, have announced a rights offer to recapitalise the ailing engineering group

The offer, together with the agreement which Iscor and Metkor concluded with the group's banks, will considerably dilute the minorities' stake in Usko It will almost certainly be some time, if at all, before the

FM 20/3/92 (189) FOX

counter trades above the 35c Dorbyl was prepared to offer to minorities

Though details of the rights offer have yet to be finalised, an enormous number of shares will obviously need to be issued to raise the R50m required by Usko If, for example, the rights offer is pitched near the current price of about 20c, it would need an issue of 250m new shares — eight times the present issued capital

Most of the new shares are likely to be taken up by Iscor and Metkor, which already hold a combined 55% interest and are underwriting the offer. Metkor is to hold a rights offer of its own, underwritten by Iscor and Rembrandt, to follow the Usko issue Bearing in mind Usko's dismal performance in the last few years and the fall in its price from 180c in 1991 and above 500c a few years earlier, minorities are unlikely to be enthusiastic about following their rights Iscor and Metkor could end up with more than 90% of Usko's ords

Minority interests will be further reduced as a result of the agreement with creditor banks, that will see R105m of Usko's estimated R150m debt converted into redeemable prefs. Effective from April 1 the agreement enables banks, at their discretion, to convert 25% of these prefs into ords. Again, no details of the number of prefs Usko will issue, or their coupon rate, are available. The 20m 14% compulsorily convertible prefs issued by Usko in 1990 are quoted at 25c

Recapitalisation and debt conversion is expected to leave Usko with almost no borrowings and a positive net worth. Usko chairman Flores Kotzee says the underlying businesses, now the loss-making steel and vanadium operations have been shed, are sound and have good cash flow and profit histories. Annual pre-interest profit from these operations have been around R30m for several years, he says

But there must be doubts about the group's ability to provide shareholders with a satisfactory return on equity With such a large number of shares likely to be in issue, achieving even a modest EPS will be extremely difficult

And, as such a large proportion of Usko shares could be held by Iscor and Metkor, a move to take out minorities and delist the share must be a possibility Usko's assessed tax loss of around R120m remains a carrot for any potential buyer Whether minorities could then expect similar or better terms to those proposed a few weeks ago by Dorbyl (or Aberdare) is unclear

The collapse of the Dorbyl proposal and its controversial demand that Usko shareholders refrain from other negotiations, opens the way for other potential buyers to make a late bid But this would need the support of Usko's two main shareholders to be successful It seems unlikely, given their intention to pursue a rights issue Aberdare management says it has not been approached to rekindle its proposal

Shareholders must also be concerned by the apparent failure of Usko's remaining

FOX FM 20/3/92 (189)

businesses to satisfy due diligence investigations conducted by Dorbyl and Berzack Neither group will comment on these investigations

More clarity on Usko's future will emerge when details of the rights offer are announced With a full set of accounts for the year to September yet to be published, it is to be hoped that Usko will now move as quickly as possible to provide shareholders with an accurate picture of its financial situation

Meanwhile, minorities will have to wait and hope they are not going to get burnt again *Simon Cashmore*

continue →

Business Times Reporter

WHEN the 10 000-ton container ship, the Cape Bonavista, sailed out of Durban a fortnight ago, Dorbyl achieved nearly a quarter of its export target for the year

The ship, built in Durban to the standards of her German owner, Columbia Ship Management, brought in R100-million of the R450-million Dorbyl plans to export this year

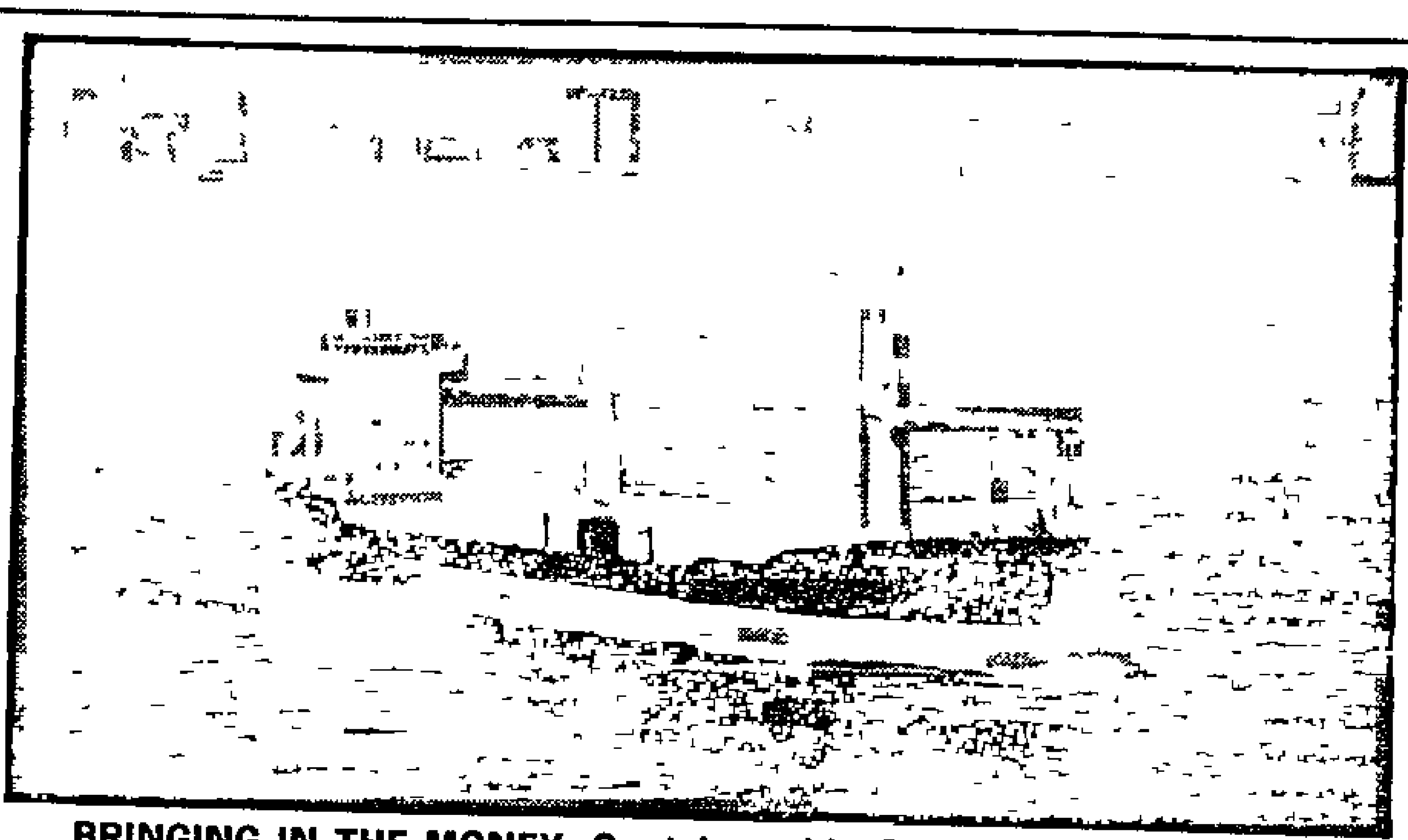
Another identical ship for the same owner will be handed over late in September, bringing Dorbyl Marine's contribution to exports to R200-million this financial year A third identical ship will be delivered next year

Dorbyl Marine hopes that, over and above repair work for foreign owners, it will pick up orders for another two ships

Dorbyl's tubemaker, Tosa, will soon load its first 3 000-ton shipment of steel pipes for the US since the lifting of sanctions late last year.

Last year, Tosa exported 70 000 tons of tube worth R90-million to 33 countries. When the new R130-million seamless tube plant opens in 1993, exports are expected to rise to 120 000 tons a year

Last year, Dorbyl Structural Engineering won a contract for the design and erection of a Boeing 747 hangar in Tel Aviv, Israel.



BRINGING IN THE MONEY: Container ship Cape Bonavista is a first

Dorbyl sails strongly to its export earnings target

S Times (Buss) 22/3/92

(189)

The company has tendered for a large bridge in Germany, a power station in Israel, a mining mill for Bolivia and numerous bridges in Angola and Mozambique

Dorbyl Heavy Engineering has exported mining mills, winders and rolls for the steel industry to Zimbabwe, Zambia, Mauritius, Zaire, Chile and the UK.

One Dorbyl Automotive Products subsidiary is tooling up to produce 350 000 jacks a year for Opel of Germany It is already exporting 100 000 aluminium jacks to Daimler Benz for the W124 car world-wide.

Several DAP companies are benefiting from Volkswagen of SA's order to supply 10 000 Jettas to mainland China. They hope the order will expand to 40 000 cars in three years.

The trading arms of Dorbyl, Stewarts & Lloyds and Baldwins Steel are exporting aggressively into neighbouring countries.

S&L, which sells the engineering products that Dorbyl makes, exports diesel engines, pumps, valves and windmills into Africa and South America, while Baldwins Steel is finding its way right across southern Africa

Afrox exports up by 75%

ST Times (Buss) 22/3/92 (189)

By DON ROBERTSON

AFROX has boosted its exports by 75% in three months to about R6-million after launching a drive on world markets

It has opened markets in Africa and elsewhere for the welding products division About 800 tons of welding electrodes have been exported, says managing director Peter Joubert.

The company has also negotiated a R1-million order for specialist wear-resistant products in a market which had previously been closed

Mr Joubert says "We have successfully targeted markets for products such as special-purpose welding electrodes for use in the sugar-processing industry Our Azucar 80 sugar mill roughening and resurfacing welding electrode is setting the standard in this industry"

The export breakthroughs have been achieved in spite of great distance from markets, international competition and the preference in some countries for "home-grown" products.

Troubled NEI can be turned, says Hyslop

S/Times [BUSS] 22/3/92 (189)

DIAGONAL STREET by Julie Walker

NEI AFRICA has declined from blue-chip status through a pale-blue phase to the current also-ran Shareholders would do well to scrutinise the annual report before deciding whether or not to stay aboard

Last year NEI wrote off R52 5-million after the 1990 accounts had been approved in general meeting The share price, which was R45 in 1987 crashed to R17 It has since dropped to R6, now R9

Last week I wrote about another company whose auditors said it failed to comply with generally accepted accounting principles regarding disclosure on the performance of subsidiaries

NEI's auditors do not mention it but the group gives not a single numerical indication on the sales or profits of its 11 companies Last year at least it gave divisional breakdowns on turnover

Chief executive Lawrence Hyslop says the group no longer has divisions, and that a breakdown could be to NEI s disadvantage.

He has cut out a tier of divisional management and the heads of the operating divisions report to him directly This has sliced 30% off the executive remuneration bill

Many faces have disappeared, including two executive directors. Non-executive chairman Len Abrahamse, well past retirement age, bows out to Afrox chief Peter Joubert.

Group sales in 1991 reached R797 million, operating income was R36-million and R29-million went in financing costs

Net operating income was just over R7-million almost all of which was wiped out by tax

The corporate structuring of companies and divisions had something to do with where tax write-offs could and could not be incurred. The parts that were not divisionalised made the losses which could not be offset elsewhere. This is something Mr Hyslop will be looking into this year

Surprisingly, NEI took to book certain claims after consulting various professional bodies

Any claim is at best a hopeful receivable. They are part of the contracting business It is not considered prudent to count the chickens before they hatch, particularly as a deferred tax liability is incurred

Mr Hyslop says only those claims which NEI is certain to receive have been included Claims against have been provided for

Propower made a mega-loss. I heard that it was R27-million off sales of R97-million, Mr Hyslop says I'm off the mark but won t let on.

'At Propower there was a a basic high price, with echelons of discounts depending on order size and so on. But it transpired that every customer was buying at the maximum discount. Now we have lowered the high price, and all customers pay it except the very largest," says Mr Hyslop

He says it was apparent early last year that Propower was a dog, but the magnitude of its losses were only ascertained in June, and they were still occurring then.

"The good news is that we have cracked Propower now We have new management and will claw our way back." Propower and several of its agencies have parted company, and Cummins is one of the favoured survivors.

Ical was the other problem child. One of its three Mossgas contracts turned bad. I heard it cost R10-million, again no comment.

'When you are in the contracting business one or two are bound to go wrong We were faced with either walking away from it, or delivering the goods in spite of the cost.

"It is a small country and we believe it was better to finish the job It is out of the way now but it was a bad year for it to have happened"

Ical still made money, but not as much as NEI is accustomed to It laid off 80 staff last year because of the falloff in business.

The amount attributable to outside shareholders jumped from next to nothing to R2-million. NEI owns 75% of the companies it does not wholly own This indicates that NEI's share of the profits was R6-million — almost the whole attributable amount.

NEI's loans and short-term borrowings are R177 million, while long term borrowings are only R3-million. It is hardly the optimal mix.

Mr Hyslop says the banks are happy that NEI is trading itself out of its difficulties. He says all the companies but engine rebuilder Probuilt are cash-positive This term seems to mean that they are liquid but says nothing about returns

Exports, principally to Africa made up about 5% of sales Mr Hyslop says the group lost no money in Zaire. Its assets were unscathed only the customers suffered He believes there are plenty of prospects in Africa.

Land was revalued adding R23-million to the non-distributable total of R39-million. Mr Hyslop says it was not done to furnish collateral but because market values were required ahead of proposed sales It made the balance sheet look a bit healthier

The employee share scheme was cancelled in 1990 and replaced with an option scheme Tax disadvantages are given as the reason but lately the dividend has not covered the interest and more importantly nothing demotivates staff as much as having near worthless shares

It is almost certain that they were issued shares at much higher prices than the current market value

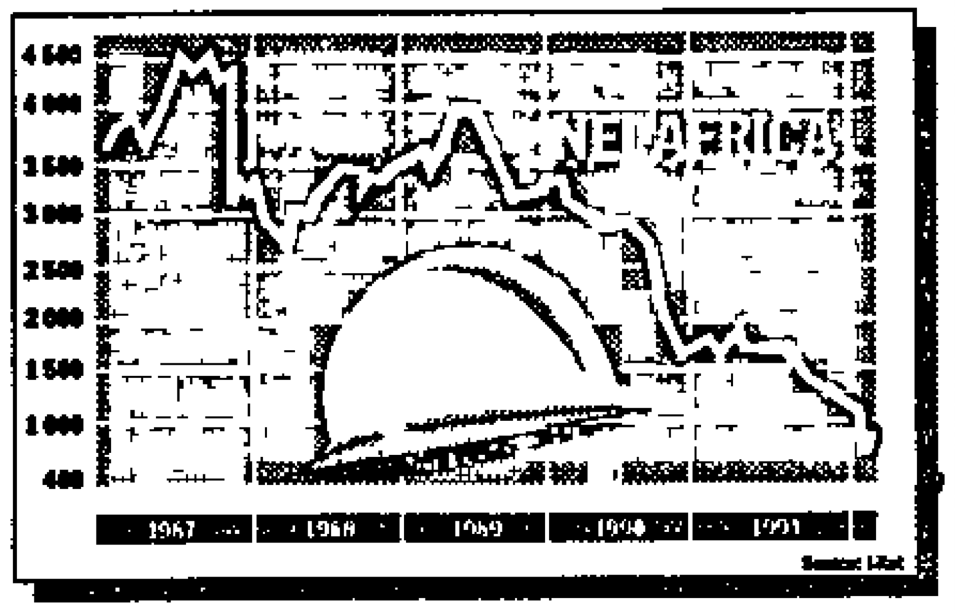
Sadly for mere mortal shareholders nothing can be done to restore their losses on NEI

The group undoubtedly has some good performers. Another year of losses is expected from Probuilt because of customer agreements.

The share price has rallied a little to R8 on results which compared poorly with last year's audited approved yet incorrect ones but better against the restated loss

Mr Hyslop is optimistic Peter Joubert could make a difference The market will need to be convinced before NEI's rating can even start to reflect a blue tinge

● Filcar the 25% held Ciskei filter company has been placed in provisional liquidation by NEI but other sources say it is trading profitably and is solvent.



The Holdains group's future rests on its flexibility

S/Times (BUSS) 22/3/92

IAN WILLIS Many people are eating less

FLEXIBILITY is the key to the future of diversified packaging group Holdains Chief executive Ian Willis says because his group is based on domestic consumables, it has fared better than many other industries

But there has been a distinct falloff in retail sales since November, a trend which shows no signs of bottoming

"There was no Christmas at all," says Mr Willis "The worrying part is that it implies many people are eating less"

Mr Willis believes the recession could herald a change in trends among consumers Faced with a financial squeeze they become more discerning and buy less in quantity but at higher quality Providing a company is flexible enough, it can capitalise on the change

"We have learned to be more efficient. Instead of taking a six month order in one go, our customers now call for daily stock deliveries. We have spent a lot in the last two years on finishing equipment to improve our operations in these circumstances"

The potential to rationalise is also evident in a group operating from more than 40 sites. It might be more cost effective to operate from one enlarged site instead of from two plants making the same products

Holdains was formed two years ago from the pulling together of all Malbak's packaging businesses plus a couple of acquisitions. It has holdings in Kohler Packaging, Graphtec Holdings Carlton Paper (50,1%) and Sun Packaging (66,6%) Kohler accounts for 57% of group sales Its divisions manufacture corrugated packaging, carton and print, flexible packaging, multiwall sacks, general packaging, pulp and styrene food trays and thin-wall injection moulding

Corrugated is the biggest part of Kohler Its prospects are good, especially from the expected growth in exports of its own products as well as those of its SA customer exporters Fruit has great potential, boxed by Kohler "The thrust for our business is increasingly international," says Mr Willis

That was one reason why Holdains bought control of Sunpak in January last year Not only does Sunpak's range complement that of Kohler's Bakke, but the group had made important inroads into developing foreign markets

Sunpak has a strong marketing and licencing agreement with Japanese plastics group Sekisui which sells its environmentally friendly products in Japan. Sunpak has also established a synthetic paper manufacturer in Cincinnatti, America It used to make the labels in SA and export them at considerable cost Relocation to America puts it closer to its markets and raises competitiveness

Yet Sunpak will not have a great year Biopolymers, a Venture Capital Market listing, was set up to supply Sunpak with basic styrene polymer

While the quality of its product meets specifications, it has not produced sufficient volume To compound matters, Sunpak secured supply but paid dearly for it when prices were high during last year's Gulf War It has still to work its way through.

Graphtec brought under one management three paper merchants, a printing machinery supplier and a film, plate and electronic supplier The divisions are Haddons, First Paper House, Star Paper, Graphtron and Photra-Allgraphics It chips in almost a third to Holdains' sales Mr Willis says it is going extremely well, and the benefits of a whole year of restructuring will be felt from the next financial year

Carlton's good run has slowed. It boomed while the pulp feed was cheap, but the decline in retail sales has had an effect. For example, parents are doing without disposable nappies at R1-plus a time for their infants That is the kind of habit change that concerns Mr Willis

"We are bringing a second nappy line into production to see if we can get the unit cost down It is a challenge we have to meet."

Holdains was the name adopted by the reshaped group formed on the original Kohler listing in 1989 Initial investor uncertainty has been overcome and the share price has trebled from R14 to R42 since July 1990

In line with other shares Holdains has retreated slightly, to R36,50 At that price, it rates a little over 10 times earnings, compared to Nampak's nearly 15 times PE and Consol's 17 times.

Mr Willis puts forward two possible reasons for the lower rating One is that the market prefers a longer track record of sustainable growth before going overboard about a company's shares even though the underlying companies have been quoted for years The other is that Holdains lacks a bottler or canner — no beverage interface, as he puts it.

The remedy is to set one up or buy one The drinks market in SA uses 2,5-billion cans a year, there are two principal customers and two suppliers Mr Willis is aware it would be ambitious to go the greenfields route, with the cost of capital what it is today, and hope to make a handsome return

There are one or two independent glass bottlers in the country that might be acquisition targets Mr Willis confirms nothing

He says potential for the packaging industry both domestically and abroad is good He expects the industry's growth rate to exceed that of the gross national product over time

Results for the half year to February are due shortly Sales are expected to be up, but not in real terms. Results for the year are forecast to be satisfactory

Dorbyl gearing up to treble its export revenue

STAR 23/3/92

(189)

Finance Staff

Engineering major Dorbyl is set to treble export revenues to R450 million this year

All subsidiaries are pushing exports hard to counter depressed trading conditions

Tubemaker Tosa is soon to load its first 3 000-ton shipment of steel pipes for the US When the new R170 million seamless tube plant opens in 1993, exports will rise by 15 000 tons initially, and then by 35 000 tons to 120 000 tons a year over a five-year period

Dorbyl Automotive Products (DAP) is budgeting to double exports from R30 million to R60 million It is already exporting 100 000 aluminium jacks to Daimler Benz for the W124 car

Guestro Wheels, a DAP company, exports 170 000 steel road wheels for cars and trucks to the UK, Austria and Taiwan

DAP subsidiary Automotive Seating Manufacturers has designed a seat with a special lumbar support, which is being examined by Volkswagen in Wolfsburg Not included in DAP's R60 million target are exports of millions of rands of tubing for vehicle brake and fuel lines and backwalls for refrigerators from Bundy Tubing of Kingwilliamstown

Dorbyl Heavy Engineering has exported mining mills, winders and rolls for the steel industry to Zimbabwe, Zambia, Mauritius, Zaire, Chile and the UK

Stewarts & Lloyds, a trading arm, is exporting diesel engines, pumps, valves and windmills to Africa and South America

Dorbyl is expecting exports to comprise 15 percent of group turnover of roughly R3 billion

Assore pushes up dividend 50%

(189)

STAR 25/3/92

Associated Ore and Metal Corporation has put in a sterling performance for the half year ended December 31, 1991 pushing its dividend up by 50 per cent to 300c a share compared with the corresponding period the previous year

The company managed to increase turnover by 6,7 percent, reversing the trend of the previous two accounting periods.

The company attributed the improved results to the greater dividend paid by Associated Manganese earlier this month. Assore received some R8 million in dividends from Assmang compared with R4 million previously.

Although there were changes to accounting policy earnings per share increased to 626c a share (387c).— Sapa.

Price of vanadium lowest in two years

B/Day 25/3/92

(189)

MATTHEW CURTIN

HIGHVELD Steel and Vanadium, the world's largest producer of vanadium pentoxide, has cut the June quarter price for the material by nearly 6% to its lowest level in two years

A company official said yesterday that Highveld had set a price of $2,45 a pound, compared with $2,60/lb in the current quarter

Free market spot prices are lower still, at $2,22/lb last week as the slump in world steel markets continues

Vanadium is an important strengthening ingredient in the manufacture of special steels The Highveld official said vanadium demand had fallen in line with the 5,5% drop in world carbon steel production, and current market conditions were not favourable

The prospect of reduced vanadium output worldwide would see a better balanced market in the future, perhaps in the second half of this year, he added

Highveld produces vanadium pentoxide in two ways by having vanadium-bearing slag, produced as waste in the manufacture of iron and steel, toll-refined in Europe, and by treating vanadium-bearing ore at its Vantra division

MD Trevor Jones said last month that Highveld continued to close and reopen Vantra according to prevailing market conditions, in a bid to support prices and limit the size of vanadium inventories

Highveld's steel division had also shut two furnaces because of sluggish local and overseas demand The group reported a 35% drop in attributable earnings in the year ended December 1991 to R96m from R150m

COMPANIES

Assore posts 58% higher profit

BASE metal and mineral producer Associated Ore and Metal Corporation (Assore) has posted a 58% jump in attributable profit in the six months ended December 1991 B/Day 25/3/92

Assore's results belied the slump in base metal and ferro-alloy markets thanks to a 100% increase in dividends it received from associate company Associated Manganese (Assmang) (189)

Assore's main business is chrome ore mining, and it supplies Assmang subsidiary Feralloys' plant in Fairview

Attributable earnings rose to R8,8m from R5,6m in 1990 Earnings rose to 626c from 397c a share

MATTHEW CURTIN

Assore declared a 50% higher interim dividend of 300c (200c) a share

Deputy chairman Desmond Sacco said yesterday Assore benefited from an increase of R4m in the final dividend received from Assmang

Sacco said both the turnover and net income other than Assmang's dividend were knocked by the results of Assore's chrome mines Ore mined was reduced "substantially in response to the continued weakness in the ferrochrome market" Turnover rose 6,7% — against a 43% drop in the interim period in 1990 — while other net income fell to R3,3m from R5m

STANDARD ENGINEERING

FM 27/3/92

Thanks to exports

(189)

The shift towards exports some time ago certainly helped Standard Engineering through a turbulent time in the local market But with prospects for foreign markets not too healthy, at least short-term, it cannot count on exports pulling it through again

First-half results to February 29 show a 10% rise in export turnover, accounting for about 20% of total sales of about R66,7m Biggest contributor was the pipe division, though its share of earnings fell by more than 20 percentage points over the year

Rolling stock, on the other hand, with big orders for Taiwan and Botswana completed, now depends mainly on local demand "Rolling stock needs big contracts, and we have submitted tenders for some biggish ones

Continue →

LOWER GEAR

Six months to	Feb 28 '91	Aug 31 '91	Feb 29 '92
Turnover (Rm)	296	343	333
Operating income (Rm)	35,1	38,5	30,2
Attributable (Rm)	15,8	25,7	17,0
Earnings (c)	46,0	74,9	48,8
Dividends (c)	14	26	14

worth about R400m. But we won't know about these for some time, and they might not show in results for the next few years," says MD Terry Davidson, who admits that exports saved the group from "terrible trouble" in the past 18 months.

The "Yes" vote helped export opportunities, he says, and Standard Engineering hopes to get the American Petroleum Institute mark for its pipes in the next few months That would qualify them for use in petroleum installations and fetch a premium.

But it looks like Standard Engineering will have to rely a little more on the local market That continues to languish but there may be a few faint signs of recovery One is local orders for Hall Longmore's spiral pipe, which, while nowhere near the 20 000 t supplied three years ago, is expected to rise by 2 000 t to about 8 000 t this year

While the heavy commercial vehicle market remains at the bottom of the hill, Davidson says unit sales could increase to more than 6 000 from 5 600, benefiting heavy gearbox manufacturer Astas "The offtake seems to indicate the industry is picking up a bit At least it appears destocking has ended "

Reduced stock at Astas, which Davidson says should be down by R20m-R30m by end-August, will strengthen cash flow

"I wouldn't say the local economy has turned, but it does seem to be coming off the bottom. Results for the rest of the year should be in line with the second half of last year," Davidson says

Export tax benefits, which helped the tax bill to drop 64% to R2,8m at the interim, should continue to smooth results The two latest acquisitions, Protea Technology and Autoflug, have been brought to account for the first time and they boosted earnings Standard Engineering has no specific acquisitions lined up though Davidson says it remains on the lookout.

Despite the difficult outlook for the industry, the share price has shown steady growth from under R6 a year ago to its present high of 975c With the group seemingly able to cope with tough trading conditions, the p:e of 7,9 and dividend yield of 4,1 appear to make the share worth following. *Shaun Harris*

Other manufacturers may follow

Samcor plant to cut back on working time

(189)

BDay 27/3/92

SAMCOR's huge plant at Rosslyn will close for two weeks next month and work a seven-hour day until end-June — sometimes on a four-day week, a Samcor spokesman says

This effectively means that in the next three months Samcor's 5 200 employees will have their income cut by more than a third

The 480 normal working hours will be cut back to about 310

It is also understood that Samcor, like most other motor manufacturers, regards itself as seriously overmanned Between 300 and 1 000 potential redundancies have been bandied about

Volkswagen and Mercedes-Benz have also knocked between eight and 12 hours off the normal 40-hour week

Last year the seven major motor manufacturers agreed to a moratorium on retrenchments in exchange for a halt to unprocedural industrial action The agreement was for the year to end-June

Locked into the agreement, and reeling under depressed trading conditions, employers like Samcor, VW and Mercedes have cut back radically on working time while maintaining jobs. Other motor manufacturers have said they will use this option if necessary

This year the motor workers' union Numsa again demanded a moratorium on retrenchments but did not link it to unprocedural action

Employers and the union say they are committed to protecting jobs Some employers would like Numsa to agree to voluntary retirement and retrenchment, but Numsa argues this will undercut its

DIRK HARTFORD

drive to defend jobs Although employers have the latitude to offer this option directly to workers, most are reluctant to do so without the union's consent

But when the agreement was struck last year, few imagined the recession would exact such a toll on the industry Short time was never part of the longer-term scenario for employers or the union

A source says that in 1986 Toyota workers on short time went out on strike against short time and accepted redundancy packages instead

This year's negotiations, which begin in two weeks' time, are set to be the toughest to date

Unions and employers must try to strike a balance between demands for job security and above-inflation wage increases, and the viability of the industry under current economic conditions

Numsa has demanded a R2 an hour across-the-board increase

Motor manufacturers are the highest paying industry in the country The lowest minimum monthly wage is Delta's R1 153 and the highest is VW's R1 499

New passenger vehicle sales dropped 2,1% in January to 14 766 units compared with the previous year

Although this was slightly up on December's figure, the National Association of Automobile Manufacturers of SA said trading conditions would remain tight for the foreseeable future

Samcor sold 2 849 units in January — the third highest — which accounted for 16,8% of the market

COMPANIES

☐ KLEIN

Boumat's CEO

SHERIDAN CONNOLLY

ADAM Klein has been appointed CEO of Boumat Ltd with effect from July 1, Boumat has announced Klein replaces David Gevisser who will remain as Boumat executive director until March 1994

Klein has just returned from the US where he lectured at Harvard University for 10 years

Assore shares jump by 40% in a single deal

27/3/92

MATTHEW CURTIN and PETER GALLI

SHARES in base metal and mineral producer Associated Ore and Metals (Assore) jumped 40% in a single deal worth R46,3m yesterday

Assore stock closed at R210, up from R150 on Wednesday, as 220 000 shares, equivalent to 15,7% of the company's issued share capital, changed hands in a bookover deal

Market sources were unsure yesterday who was involved in the deal, but some speculated that it was Anglovaal, which jointly owns Associated Manganese Mines (Assmang) with Assore or an offshore firm

Assore is owned by the Sacco family which is thought to have a 52% stake The Hersov and Menell families, who control Anglovaal, have a 12,4% stake

The second largest stakeholder is Southern Life, with a 14,5% stake almost the same size as yesterday's deal A Southern Life spokesman said he could not comment on the deal last night An Anglovaal spokesman would not comment, but an Assore official said the transaction was a private deal

(189)

Meanwhile, attributable profit for the year ended December 1991 by Assmang — in which Assore has a 45% stake — rose 33% to 2 930c from 2 207c a share Assmang's total dividend was unchanged at 750c

Assmang's strong bottom line result was underpinned by higher dollar manganese ore prices in 1991

TPN Investments improves performance

B/Day 27/3/92

MICK ELLINGHAM

NUTS and bolts manufacturer and distributor TPN Investments reported improved trading conditions for the half year ended December 1991

The group has disclosed a 20% increase in bottom line earnings of R1,5m (1990 R1,2m) for the period under review on the back of a 20% increase in turnover (figure not disclosed)

Earnings a share were 3c (2,5c) and no interim dividend was declared

The tax bill was reduced by 13% to R591 000 (R681 000)

(189)

Chairman Lino Cerrai said in the notes to the results there was concern over whether an outstanding export debt would be recovered in full

"Provision for non-recovery of a portion thereof has been made in the interim results," he said

COMPANIES

Booming T&N Holdings braces for tough year

B|Day 27/3/92 (189)

MICK ELLINGHAM

TRADING conditions in 1992 will remain tough for industrial holding company T & N Holdings, forecasts chairman Colin Hope in the 1991 annual report

T & N Holdings doubled its 1991 earnings to 70c a share (1990 35c) and its bottom line profit to R16,2m (R8,1m) These results were achieved on the back of a slightly increased turnover of R425,7m (R413,4m).

Hope said these results were achieved by management focus on improved factory throughput and tight expense control

The staff complement was reduced by 285 during the year to 3 683 at year end

T & N plc has decided to reorganise into worldwide product groupings and Hope expects T & N Holdings to benefit from participation in the group's global technology base and marketing network

Asseng became a wholly-owned subsidiary of T & N on 27 January 1992 However, the consolidated balance sheet of T & N Holdings as at 31 December 1991 was prepared on the basis that Asseng had been a wholly-owned subsidiary at that date

The company disposed of its investment in property owning associate company Distro Dee during the course of 1991, receiving a dividend of R2,2m prior to disposal

In the automotive components section, the directors expected a moderate recovery in exports of AE Bearings for 1992, with some orders already received But directors said there is little evidence of a market recovery for AE Engine Parts in the coming year

AE Liners should improve its performance significantly this year, said the directors, even at the expected low levels of offtake

The AE Pistons division operated significantly better in the second half of 1991 than it did in 1990 This was as a result of cost benefits derived from reduced staffing and costs, as well as refurbishment of major items of plant, said the directors

Growth was forecast for the AE Pistons and AE Valves divisions in the coming year as a result of exploitation of export potential

Notwithstanding difficult trading conditions in the motor industry, Ferodo — manufacturer and distributor of friction products — continued to improve market share in 1990

FHE, manufacturer of aluminium brazed and mechanically-assembled radiators and heater cores, had a successful year The company started a major product diversification and will be producing heater and blower assemblies later in 1992

Directors said indications are FHE will maintain its strong growth of the recent past

Payen Components, SA's largest manufacturer of automotive gaskets, recorded improved results in 1991 and export sales are being actively pursued

A marginal increase in turnover over 1990 was recorded by Silverton Engineering — manufacturer of copper-brass truck, bus and car radiators as well as industrial and mining heat exchangers

The fabricated products division was rationalised because of the depressed local truck market, which is not expected to improve in the short term

SA equipment for ex-Soviet mine

S Times (Buss) 29/3/92

(184)

Business Times Reporter

THE Johannesburg office of international trading company AIOC Corporation has secured a contract from Donskoy GOK in Kazakhstan, the world's largest chrome mine, for the supply of a R750 000 screening and stockpiling plant

Steven Blend, managing director of AIOC Africa (Pty) Ltd in Johannesburg, believes it is the beginning of a relationship between local manufacturers and a number of the mining companies that make up AIOC's supplier base in the Commonwealth of Independent States (CIS) — formerly the Soviet Union

Leading

The equipment has been designed and manufactured by Osborn MMD in Elandsfontein Osborn engineers travel to Khromtau, north of the Caspian Sea, in April to supervise the erection and commissioning of the equipment on site

AIOC is an international trading house, based in New York, with more than 20 years' experience in the marketing of metals and minerals It is the world's largest trader of chrome ore and a leading player in other ferrous and non-ferrous raw-material markets

The president of AIOC, Alan Clingman, is a former South African who bought the company in 1988 AIOC Corporation and Donskoy GOK are partners in a joint venture company called Kazamchrome

AIOC is one of the largest traders of metals and natural resources from the CIS to world markets The ability to finance its transactions has been crucial to its success

To overcome the problems resulting from the lack of adequate banking services, the company this month set up First Ukrainian International Bank, the country's first independent international bank

New boss plans more growth for Philips

S1 Times (Buss) 29/3/92 (189)

By DON ROBERTSON

THE R1-billion-a-year SA Philips group is looking at new investments and joint ventures in an effort to realise its full potential in a new South Africa

The staid, low-profile image of Philips will be changed, the company will become more product- and market-oriented and it will adopt a much higher profile through "intelligent" advertising

The new profile conceived for the multinational group follows closely on the appointment of new chairman and chief executive Bruce Mackenzie He told Business Times "I want to expand the company, either organically through existing businesses or through investments We are investigating a new business opportunity which will involve substantial sums

"We have underspent our competitors and this has to change I am more aggressive than the traditional Philips method and am much more involved in marketing and promotion

Fresh

"I feel more positive now after the results of the referendum, and SA could become 'the flavour of the month' for the rest of the world"

Mr Mackenzie, born in Maritzburg 49 years ago, moved into his present position after having been senior vice-president of Polygram International in the UK, a Philips subsidiary

He has also managed Polygram operations in Australia and New Zealand, and was head of the Teal-Trutone record company in SA after running the marketing division of CNA

Mr Mackenzie comes into the Philips operation with the fresh perspective of an outsider SA has experienced a growing reacceptance into the international mainstream, and trade relations between the Dutch and SA have improved

"We are in a fresh-start environment I am coming into the company at a stage where it has already gone through a traumatic period of reorganisation internationally and in SA," he said

This included trimming the staff in SA by about 250 to about 1 650

"I see head office as being basically an investor in businesses and the controller of corporate finances I want to establish a dedicated operations team which will actively examine new business opportunities The emphasis has to be on growth," Mr Mackenzie said

Money for any new investment would have to be financed internally, from the parent company or other external sources Being largely foreign-owned, SA Philips is restricted in the borrowings it can raise locally

Unihold bumps up its luminaire pot

(189)

S/Times (Buss) 29/3/92

By DON ROBERTSON

THE diversified Unihold group is to increase its stake in the luminaire industry with the acquisition of the lighting manufacturing and distribution business of Thorn in SA

The agreement includes Unihold, its pyramid U-Control, Zumtobel AG and Zumtobel Holdings of Austria, and the Unihold lighting subsidiary Zumtobel Barlite (ZB Lighting)

The outcome of the deal will involve the establishment of a new company, U-Lite, which will have a share of about 26% of the R270-million-a-year lighting and luminaire industry

When approved, Zumtobel and Thorn will each have a 25% interest in U-Lite, while Unihold will have 50% plus management control.

In terms of the deal, ZB Lighting will issue ordinary and redeemable preference shares in U-Lite to Thorn EMI Industries for the business worth R12,5-million

In addition, Unihold will issue 2-million new ordinary shares to Zumtobel at the price of 185c a share for the purchase from Zumtobel of a further 12,5% in the increased share capital of the new company

Drew Donald, managing director of ZB Lighting, says his company and Thorn have traditionally supplied different segments of the lighting market, but the merger should lead to economies of scale in production and distribution

Although the luminaire market has shrunk quite considerably, joint production should help lift utilisation levels at the three plants in Alberton, Durban and Cape Town

Mr Donald believes that, though the deal would have had little effect on Unihold's earnings in the year to December, rationalisation and a broader spread in the industry will show results very soon and into the medium-to-long term

The new company has concluded technology licence agreements with Zumtobel and Thorn EMI.

Unihold to lay out R12,9m for Buffcor

MICK ELLINGHAM (189)

ENGINEERING group Unihold is to buy Buffalo Corporation (Buffcor) for R12,9m

A joint announcement issued today by Buffcor and Unihold said Buffcor's purchase price is to be paid in cash after an issue of 6,4-million new Unihold ordinary shares at a price of of 185c a share

"The entire issue has been placed with institutional shareholders and the balance of the purchase price will be paid in cash from Unihold's resources"

The transaction's rationale is described as being the consistency between Buffcor's undertaking in "the manufacture and supply of reflective and non-reflective number plates and safety signs" and Unihold's focus on "industrial niche products where a dominant market position can be secured" B/Day 20/3/92

The financial effect of the transaction, if based on Unihold's results at 1991 year-end, is to increase Unihold's earnings a share from 22,4c to 26,2c and increase its net asset value from 162,6c to 167,8c

Rumours of Buffcor's imminent takeover were sparked off after the recent death of Woolf Heller, a Buffcor founding shareholder who had owned 14% of the company.

Reunert, Siemens in major cable deal

189

STAR 31/3/92

Reunert and Siemens have taken another step towards creating a major cable group

Agreement has been reached in terms of which African Cables will acquire, with effect from October 1 1991, the entire issued share capital of Rosslyn-based Siemens Cables, which is wholly owned by Siemens

This follows the acquisition six months ago by Afcab Holdings — a joint Reunert/Siemens venture — of control of African Cables.

The injection of Siemens Cables into African Cables creates a group with an annual turnover of R300 million, Tony Ellingford, MD of Reunert, said yesterday

He said the deal effectively raised Afcab Holdings' interest in African Cables from 67 percent to just under 80 percent

The acquisition will be paid for via the issue to Siemens of a fully paid renounceable letter of allocation giving it the right to acquire 15,217 million ordinary shares of 25c each in African Cables. Siemens will renounce the right to Afcab Holdings.

The African Cables shares issued for the purchase will rank equally with existing ordinary shares and will qualify for any interim dividend declared by African Cables this year — Sapa

Berzack companies hit by drop in demand

(189)

B/Day 31/3/92

MARCIA KLEIN

ALL companies in the newly constituted Berzack/Elcentre/Voltex group have reported varying degrees of reduced earnings in the six months to end-December

Last month Berzack announced it had acquired control of Elcentre and Voltex Although these companies were not merged at end-December, directors said it made sense to report all the companies as an entity

Both Berzack Brothers (Berzack) and Berzack-Illman Investment Corporation (Bivec) increased operating income, but the move to an interest-paying position resulted in reduced attributable profits for both groups Berzack reported a 27,6% drop in earnings from 73,5c to 53,2c a share, and declared an interim dividend of 15c (18c) a share

Bivec's earnings were reduced by 26,6% to 37,5c a share, and it declared a dividend of 11c (13c) a share

Voltex, whose electrical manufacturing and distribution operations accounted for about 87% of group operating profits, reported a 29,2% drop in attributable earnings from R41,5m to R29,4m

Turnover was reduced by 17,9% from R636,0m to R522,1m, and operating income from R69,4m to R45,2m Finance costs were significantly reduced

Directors said Voltex's major markets — southern Africa and the UK — were severely constricted by recessions, resulting in a sharp drop in demand Operating margins came under pressure in order to maintain market share An interim dividend of 2,75c (3,5c) a share was declared

An extraordinary loss of R2,4m reflects the disposal of the retail interests of UK arm Bennett and Fountain

Directors said the change of control had resulted in a restructured management, and further benefits of rationalisation would be seen in the coming year

Sanlic Hardware Holdings showed a small rise in turnover, to R25,4m, and in operating profit, to R1,4m

It reported a loss of R4,4m (loss of R14,8m) for the period, which largely reflected losses from its discontinued operation No dividend was declared

Directors said the company had not yet taken full advantage of the benefits of restructuring and downsizing which took place in the previous year Sanlic has provided an additional R3,6m as an extraordinary item as it has not been able to realise all assets at original estimates

Elcentre, whose results are dependent on associate companies Voltex and Sanlic, reported a R494 000 operating loss compared with a R9,1m operating profit the previous year

Directors said that in all the companies, medium- to long-term prospects were good

Metal unions reject wage increase offers

STAR 3/4/92 (189)

CAPE TOWN — Trade unions at metal industry pay talks yesterday rejected the 6,4 percent increase offered by the Steel and Engineering Industries Federation of SA, said Seifsa executive director Brian Angus

Unions countered with demands ranging from 42,6 percent for labourers and 20 percent for artisans, he said

Seifsa's across-the-board offer amounted to hourly increases of 30c for labourers and 67c for artisans This would raise wage rates in the industry to R5 and R11,11 for labourers and artisans

The 12 unions party to the national industrial council talks tabled more than 50 demands for improved conditions of service and wages.

Yesterday's meeting set the formal bargaining process in motion following the opening round on March 19, when the parties motivated their proposals

More than 328 500 industry employees were represented by the National Union of Metalworkers of SA, the SA Confederation of Labour, seven affiliates of the Confederation of Metal and Building Unions, one affiliate of the National Council of Trade Unions and one independent trade union

Negotiations will continue on April 24 — Sapa.

Scaw gets oxygen

5/4/92 (188) (189)

AFROX has commissioned a R40-million air separation plant in Germiston to meet the increased needs of Scaw Metals and other industries.

The 200-ton-a-day plant will provide Scaw with oxygen for new steel-making technology

The company will also draw nitrogen and argon for other industries. ST Times [BUSS]

81 suppliers close as mines cut back

S/Times [BUSS] 12/4/92 (189)

By DON ROBERTSON

AT least 81 companies in the Free State Goldfields area, members of the Steel and Engineering Industries Federation of SA (Seifsa), have closed in the past 18 months.

This is a 13% cut in the number of groups supplying the mines

About 3 000 jobs have been lost and other companies have placed workers on short time.

A tightening of the purse strings by mines in the face of a declining gold price has hurt suppliers, but some believe the worst is over

Sharp

Seifsa has been asked to tell trade unions negotiating wages with it that Goldfields companies will ask for a six-month "stand-off" on pay They say they will review the position before the end of the year

In the year to December 1990 — the latest available figures — gold mines spent R8-billion on stores and services, such as food, machinery, equipment, civil works and electricity

A spokesman for the Chamber of Mines says that although figures are no longer calculated, he believes 1991 expenditure will be lower than in 1990

Most major supply companies have suffered a sharp fall in orders in the past two years, some by as much as 30%. Others believe that the tight, cost control by the mines has left them with reduced stocks which will have to be topped up

Murray & Roberts managing director David Brink says the gold mines have been depressed for two years and some almost stopped buying supplies This was particularly noticeable in companies such as Broseal, which supplies ventilation tubing, and Premier Valves

"They have squeezed the lemon to such an extent that their inventories have been much reduced"

Mr Brink foresees an increase in buying which should "tide us over in the short to medium term" — provided there are no more shaft closures

Envirotech, largest suppliers of pumps to the mines, says business dropped by between 15% and 20% last year

Dennis McElwee, divisional director of the pump division, says sales in the first three months of this year have improved after stock replenishment

Haggie, supplier of wire ropes, says orders have fallen by about 30% in two years But managing director Chris Murray says orders have begun to pick up

LTA says activity in every business sector has been hit, not only building and civil engineering but allied trades and sub-contracting work

Managing director Colin Wood says "We anticipated the diminishing market and reduced operations in the Goldfields"

Salvage

AECI, largest supplier of explosives to the mines, does not believe sales will be affected unless there are unexpected major shaft closures

Major suppliers of mining timber, Sappi and HL&H, say sales have dropped by between 10% and 20% in the past two years

Louis Taljaard, group executive director of Dorbyl which provides capital equipment to the mines, says conditions have been depressed for some years Most mines are salvaging equipment from underground

COMPANIES

Unihold buys Dimbaza Foundries

B Day 11/3/92

EDWARD WEST

MINING supplies, steel alloys and castings group Unihold has acquired Dimbaza Foundries and its subsidiary company Leon Helfet for R15,8m

Today's announcement from Unihold said Tullis Laundry & Engineering Supplies, certain other vendors and Unihold reached agreement for Unihold to acquire the entire shareholders' interest in Dimbaza Foundries with effect from January 1 1992. The announcement follows a cautionary announcement from Unihold on January 17

The purchase price of R15,8m would be raised by the issue of 8 400 000 new Unihold ordinary shares of 50c each at a price of R1,85c a share while the balance would be funded from Unihold's cash resources The issue has been placed with institutional shareholders

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Ahead of the announcement, Unihold's share price rose 5c to a new high of 180c a share on the JSE yesterday

The announcement said Unihold, through its Unicast Steel Foundry division, operated in the international manganese steel wearparts market Its acquisition of Dimbaza Foundries would promote Unihold's strategy of becoming a major supplier into the global crushing and mining industries

About 90% of Dimbaza's output was exported and its acquisition would provide good export opportunities for Unihold, said MD John Butler

Unihold buys Dimbaza

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Finance Staff STAR 11/3/92

Mining supplies group Unihold has bought Dimbaza Foundries and its subsidiary Leon Helfet Manufacturing for R15,8 million.

The acquisition, which came into effect on January 1, will be financed through cash and the issue of 8,4 million new Unihold shares at 185c a share to institutional shareholders

In terms of the deal Unihold has bought the shares in Dimbaza, which it did not control, from Tillis Laundry and Engineering Supplies and other vendors

SA 'well placed' to take a lead in ferroalloy market

(189)

B/Day 10/3/92

CAPE TOWN — SA is strongly placed to extend its leading role as an international force in the ferroalloy market once sanctions disappear, says Samancor MD Hans Smith

Samancor is the Western world's biggest producer of manganese ore, chrome ore and ferrochrome

Smith said SA's high-quality mineral reserves, well established infrastructure, cost competitiveness and advanced technology were favourable to expansion of the ferroalloy industry

Smith was addressing an international conference on ferroalloys and chromium steel and alloys yesterday

"There is still tremendous potential for development and for strenghthening its (SA's) position as an international market force in a post-sanctions, post-apartheid era," he said

SA has 81% of world manganese ore reserves, containing 4,9-billion tons of manganese, and 75% of world chromium ore reserves estimated at 4,3-billion tons.

Smith said the local ferroalloy industry was highly integrated and the four major production cost components — raw materials, local transportation, labour and power — compared favourably with elsewhere

Electricity tariffs were still lower than in the major developed countries

However, the SA industry was investigating a strategy adopted successfully by one-quarter of the world's aluminium refining industry of pricing power as a function of alloy prices.

This could significantly assist the industry in managing the severe cyclical swings of the market, he said

Following political reforms SA's ties in Africa could be strengthened by the development of the region's natural resources through the integration of mineral resources and the exploitation of existing hydro-electric potential

Schemes such as Mozambique's Cahora Bassa in the catchment area of the Zambezi River are greatly underutilised and vast potential for electricity generation is still undeveloped

The Lesotho Highlands water scheme, due for completion in the next few years, would greatly strengthen SA's existing infrastructure, he added — Reuter

Vital role in 'recommercialisation' of SA

STAR 10/3/92

Stainless steel plants in SA, supplying a raw material used by many small manufacturers in, for instance Taiwan, could play an invaluable role in the "re-commercialisation" of many parts of Africa The suggestion comes from Mintek vice-president in charge of finance and business development Dr Nic Barcza

That would be a logical development, he says, from this country's possession of 80 percent of the world's chromium ore reserves Chromium is a vital ingredient of stainless steel

The reserves, came into their own when

- The argon-oxygen decarburisation process for the making of stainless steel, developed in the US, turned ferrochromium with a chromium content of up to 55 percent instead of 70 percent into an acceptable beneficiated raw material
- SA, with its coal-based thermal power stations, found itself with a cost advantage after the oil and energy crises of the '70s

(189)

Dr Barcza says that, apart from this country producing a third of the world's chrome ore, exports of the beneficiated material ferrochrome have grown nearly twentyfold since the early '70s and doubled since 1984 to 1,7 million tons This growth has coincided with a 20-year stagnation in world production of ordinary steel at some 800 million tons while production of stainless steel has doubled to more than 10 million

Samancor puts case for reducing pipeline

B/Day 10/3/92 (189)

FERROCHROME producers and customers needed to discuss ways of reducing stockpiles in the supply and distribution pipeline and so cut costs, Samancor MD Hans Smith said yesterday

"The ultimate objective must be to cut unnecessary costs," he told a conference of the International Ferroalloys Congress and the International Chromium Steel and Alloys Congress Samancor is the western world's biggest producer of manganese ore, chrome ore and ferrochrome

Smith said exceptional changes in volatile ferroalloy conditions from one year to another created enormous pressure on the performance of alloy producers in regard to servicing the market and financing business

For Samancor, total stocks and debtor costs currently represented nearly one-half of turnover. It was financing consumer services, mostly clients in First World countries, to the tune of R1bn a year With local prime overdraft rates at 20%, the situation was untenable

Smith said efforts by the ore and alloy suppliers to maintain high quality service had resulted in higher stocks for the whole production chain from the producer's mine to the warehouse in the customer's country by the ferroalloy industry

"The producers of alloys and ore have to get their act together and, wherever possible, reduce working capital to keep the costs down and prices competitive

"However, this is not sufficient and a close co-operation has to be achieved with customers so that stocks move faster and do not get stacked in warehouses for several months," he said

A commitment was needed for the ore and alloy business similar to the so-called just-in-time (JIT) delivery principle which had worked for manufacturers

Producers would ensure delivery in time with certain guarantees in regard to stock levels

But, said Smith, the customer had to fulfil his obligation and maintain a regular offtake to keep costs to a minimum.

He expressed concern at the result of a recent Samancor exercise which broke down the flow of materials from mining up to final delivery to the customer, including receipt of payment.

"For Samancor the total pipeline is close to one year, which seems to be an eternity, particularly when it comes to financing the working capital involved" — Reuter

Demand improving as orders pick up

STAR 10/3/92. (189)

Orders for ferrochrome have been slightly better in the first quarter of this year than in the final quarter of last year says Consolidated Metallurgical Industries (CMI) chairman David Kovarsky. Slowing orders took a further plunge last year after local producers increased their price by 6 percent to $0,52 a pound

The slight improvement was corroborated by chairman John Vorster of Chromecorp Technology, which stopped operation of its three furnaces in Rustenburg from January. Phased re-starting over three months has now begun and in May or June the company will commission a 20 000 ton-capacity plant to recover ferrochrome from furnace slag

Ferralloy in the Anglovaal Group said no improvement in demand had been experienced SA's largest producer, Samancor, declined to comment

Samancor followed CCT in closing all its furnaces for some months from February 20, saying its takeover of Middelburg Steel & Alloys had boosted inventory

It has SA's largest capacity at 1 million tons, followed by CMI with roughly a third of that, CCT with 180 000 tons and Ferralloy with 100 000.

"CMI's stocks are not as high as those of other producers in this quarter," says Mr Kovarsky, "as a three-week strike in September and refurbishment of a furnace reduced output in the previous quarter Our three-furnace plant at Lydenburg is operating at two thirds of its 220 000 ton capacity, and our two-furnace plant at Rustenburg at half its 110 000 ton capacity"

In the long-term, he's optimistic "Although makers of stainless steel have, for the time being been able to make greater use of scrap — whose price had fallen markedly — they'll be back"

CRUCIAL CHROMIUM

A Star feature

Chromium can deliver a sheen to SA's future, Ron Schurink found during discussions with ferrochrome industry leaders ahead of the 6th International Congress on Ferroalloys taking place in Cape Town.

SA – land of ferroalloys

STAR 10/3/92 (189)

The 6th — and largest — International Ferroalloys Congress running in Cape Town from yesterday to tomorrow stakes SA's claim to be the world's premier "land of ferroalloys".

It incorporates the world's 1st Chromium Steel and Alloys Congress, accounting for a fifth of delegates

More than 300 ferroalloy and steelmaking experts from 34 countries, together with an equal number of local delegates, will today be addressed by President de Klerk The congress is in effect "returning to base" after the first was held here in 1974 and intervening ones in Switzerland, Japan, Brazil and the US

Having the two congresses together unites experts along the entire chain from ores to manufactured steels

A primary objective is "to show the ferroalloy variety, quality and technology we have," in the words of Mintek vice-president Nic Barcza The minerals research organisation has organised the congresses in co-operation with the Ferroalloys Producers Association and the SA Institute of Mining & Metallurgy

SA producer aiming for top

STAR 10/3/92 (189)

Will Africa's pioneer producer of stainless steel, descended from Middelburg's Southern Cross Steel founded in the '60s, become "one of the world's greatest producers of quality stainless steels"?

The wording comes from an announcement last week of its change of name from MS&A Stainless to Columbus Stainless (CS) after the establishment of parent the Anglo-Genmin Columbus Joint Venture.

Managing director Keith Luyt backs it by saying the company "now has the backing, support and direction to put it on course" towards that ambitious goal "The whole project is being evaluated with Thyssen Edelstahlwerke of Germany as know-how consultants and it is planned that details will be announced towards the middle of July"

Talking to The Star, he said that, through the setting up of the joint venture, "the factory has not missed a beat" It is the continent's only producer of "flat" stainless, an USKO plant producing "rounds"

Current production is 110 000 tons a year, of which only 40 000 is used locally "Half of local sales go into consumer products and the economic downturn has had its effect there as well as in postponement of capital projects"

Planned expansion in the chemical industry "is particularly exciting when one considers the number of projects on the drawing board"

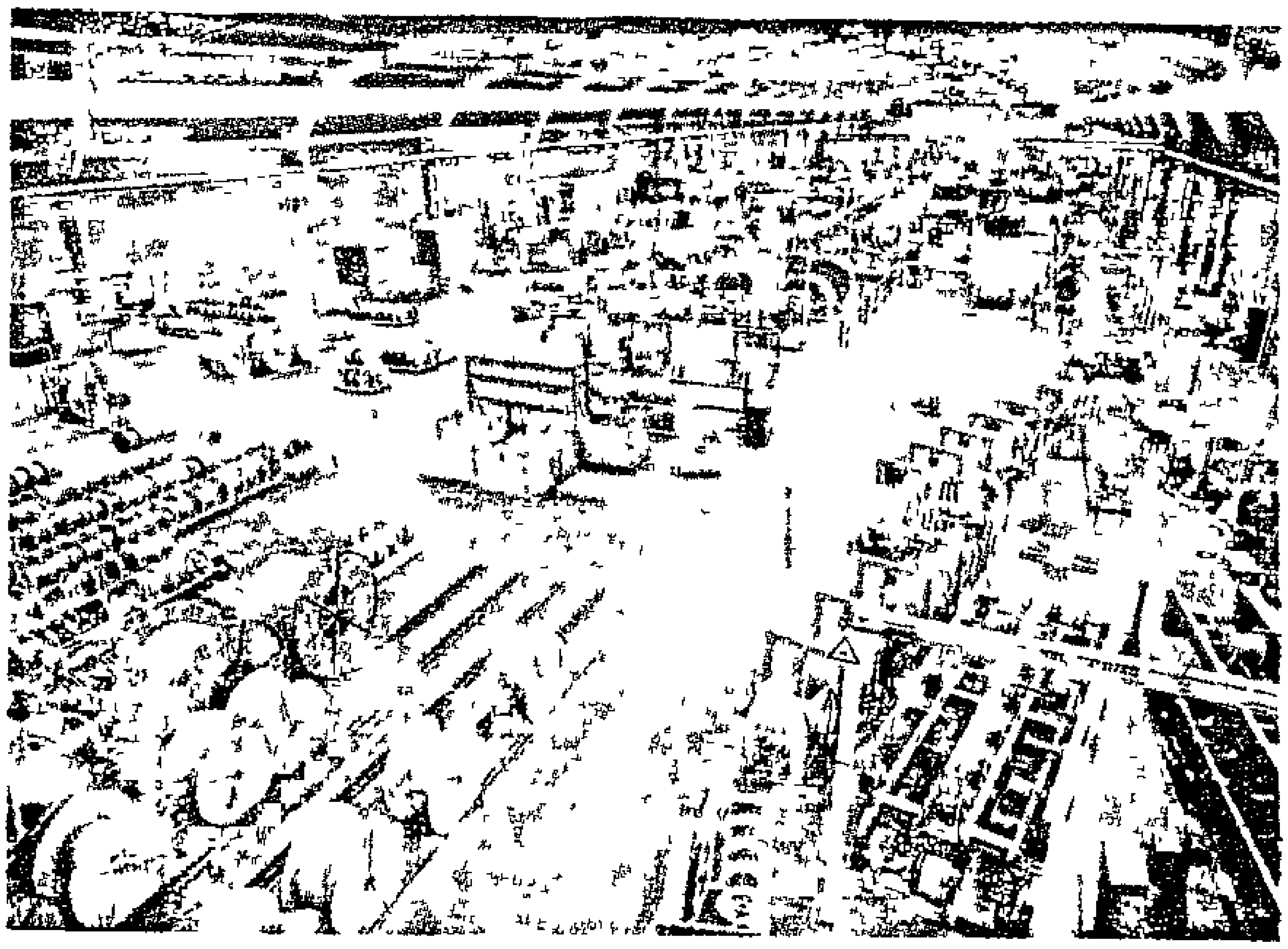
He said "Local market needs are being carefully analysed and submitted to the project team Bright anneal finishes will be very much part of the future and other key products being looked at are duplex steels, wide plate and heavy-guage cold rolled products"

There will be "continued emphasis on the development of conversion industries, value-added products and fabricated exports"

Mr Luyt is more cautious than some others in expectations of stainless steel, though concurring that it could be used more in construction and especially architectural applications

Business Day SURVEY

There is substantial foreign interest in this year's Southern Africa Industry & Technology Fair and Electrex '92 which opens in Johannesburg tomorrow There are also conferences, workshops and seminars running alongside the exhibitions and a symposium on the management and auditing of electrical energy ***MELANIE SERGEANT*** *reports.*



Interior view of one of Aberdare Cables' large manufacturing plants.

Powertech adapts fast to technology trends

B Day 9/3/92 (189)

NEW product development and the adaptation of overseas technology play a major role at the Power Technologies Group, which has an annual turnover of more than R1,2bn

Powertech executive chairman Peter Watt says the Electrex show provides an ideal venue to show potential buyers the group's capabilities in the power electrical field in terms of local manufacture, engineering and development

Style

"Our strategy is not only to profitably develop new products and technologies, but to achieve a style which enables us to adapt quickly to developing technology trends," he says

In the space of a decade, the group has grown to employ almost 7 000 people at its manufacturing facilities and branches in most parts of SA

The group comprises companies which fall into four main business sectors

- Power and communications cables is handled by Aberdare Cables,
- Brown Boveri Technologies, Yelland, and Whiteleys are involved in power generation, transmission and distribution,
- Energy management and control is the focus of Willard Batteries, Electrical Protection Company and Delta Controls, and
- Lascon Lighting Industries, Litemaster and Crabtree are involved in the lighting and electrical accessories markets

Products range from minute optical fibres to massive power transformers

Technology agreements with overseas principals enable the group to offer technically advanced equipment and a number of new products will be on show at Electrex

These include a new range of cost effective luminaires from Lascon Lighting and EPC's earth leakage unit designed for application in high voltage and DC power

Delta Controls is showing the latest Yokogawa YS 100 series panel instrumentation, while Brown Boveri will display pole-mounted compensation systems for use on rural distribution lines

Aberdare's economical cabling systems for affordable housing, new data communication cables for deep-level mining, telecommunication cables and hi-tech optical fibre will also be on view

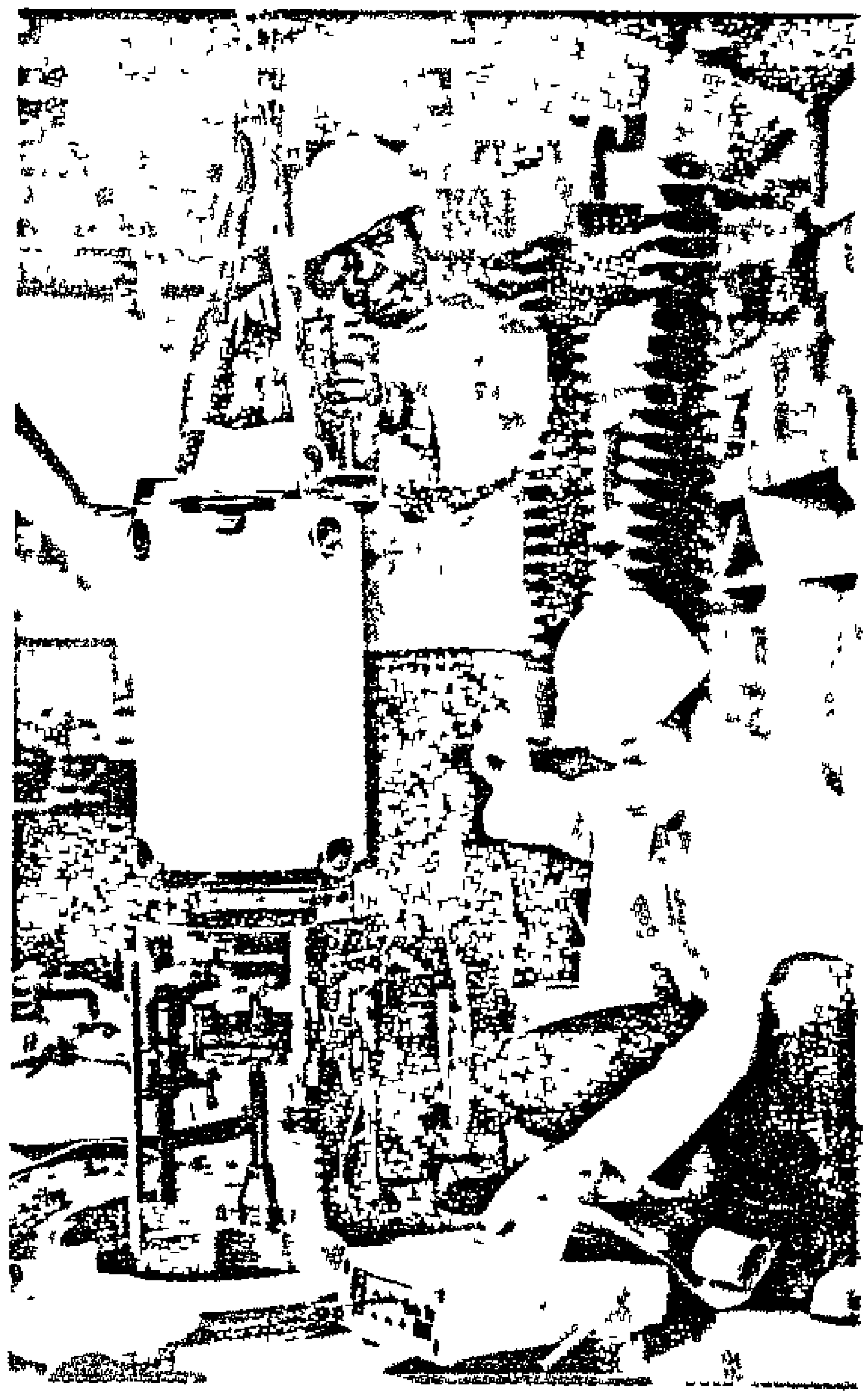
From Litemaster there's a designer range of sockets and switches and the plaster-depth wiring system aimed at the affordable housing market

Research

A range of sealed lead acid, maintenance-free batteries will be shown by Willard Batteries

Watt says investment in research and development and the adaptation of designs from overseas partners will continue

"We are not only committed to ensuring a high rate of product innovation, but also to raising the technology level in products and systems in the long term, which will maximise productivity, efficiency and profitability for our clients,' he says



Timing tests being carried out on a tap changer of a power transformer at Brown Boveri in Pretoria.

NAME OF RECIPIENT

OUR PRODUCTS ARE

TEL

Services have become a focus of attention

BDay 9/3/92 (189)

A FEATURE of this year's Southern Africa Industry and Trade Fair (SAITF) is services, as opposed to products, will be the focus of attention on a number of stands.

One such exhibitor is Armatron Systems, a multidisciplinary technical consulting and engineering enterprise which provides contract research, design, development, engineering and program management services

Among the services offered by Armatron are design engineering, project management, product improvement, software development, maintenance and support and technical consulting

Strategic information services are provided by Associated Information Technologies (AIT), an industrial and business-to-business research company which has positioned itself between the conventional industries of market research and management consultancy

Information provided by AIT to its client base of some 100 companies forms the foundation of their decision making and planning structures.

A service of a different kind is offered by Gerotek, which aims to introduce exporters, manufacturers and designers of high technology, electronic, electrical and mechanical products to EN45001 accreditation during the fair.

Restrictions

The European Community (EC) has announced that from January 1 1993 mandatory trade restrictions will be imposed against the import of a wide range of products unless they carry the EC mark of approval, which includes the EN 45000 Series.

These are general criteria for the operation of test and calibration laboratories and are equivalent to SABS 0159.

Europe's planned EC-wide product testing and certification programme presents a range of challenges and options to SA manufacturers and exporters, who will have to become familiar with the new legal requirements in order to determine the levels of compatibility between these requirements and their approach to certifying products for export to individual EC member countries

SA producers may also face logistical problems trying to obtain this mark as a result of the distances involved, to say nothing of language problems and unfamiliarity with prevailing customs and excise regulations

Gerotek's environmental test facility was recently granted EN45001 accreditation and status, empowering the local company to test products and confirm compliance with the EC's requirements and specifications.

This should help to minimise delays and foreign exchange.

Naschem's stand will include a display of its laboratory services, including its practical laboratory and environmental testing laboratories services

Practical laboratory services cover such items as electron microscopy; particle size analysis; thermal analysis and ion chromatography

With laboratories becoming information intensive and the fact that environmental pressures and statutory bodies are adding to workloads, automation could be an answer, says Symmetry Software Services

Symmetry, an independent software house specialising in computer applications in the scientific, technical and engineering fields, is exhibiting with Olivetti Information Systems to demonstrate a wide range of systems.

Needs

These are said to meet the needs of every type and size of laboratory

The range stretches from SQL*LIMS, using any size of DEC hardware, though Symmetry's own SLIMS package written for DEC/-VAX, down to pcSLIMS, which runs on a PC network.

Symmetry's areas of expertise include process control, laboratory management information systems, telemetry and expert systems.

Cullinan reckons the worst is over

S/Times (BUSS) 8/3/92 (189)

By ROBIN PEGLER

ALTHOUGH Cullinan's results for the six months to December 1991 were a disaster, investors should not write the company off

With a new chief executive, heavy retrenchments out of the way and considerable scope to reduce debt and thus interest charges there is reason to hope that the second half of the year to June 1992 will be much better

Debt stands at R108 million, but financial director Dale Hillary sees no reason why it should not be halved by June

This could be done by destocking, pressure on debtors to pay faster and the sale of smaller, peripheral businesses and certain properties

Chief executive Ed Harbuz is willing to sell some less profitable divisions, saying that concentration on the core businesses will make the group as a whole leaner and more efficient

Management will place its full attention on the electrical contracting and trading, refractories and building-brick divisions

Reasonable prices should be obtained from selling some divisions There will be no fire sales

The full benefit of lower debt will come only in the 1993 year

Mr Harbuz says retrenchments and early retirements reduced operating profit by about R2-million

Scope

Costs will continue to be trimmed, but there is now less scope for greater efficiencies

Normally, the brick division has an advantage in the high quality of its clay The bricks sell at a premium price and a high profit margin But teething troubles at the automated plant resulted in losses

Mr Harbuz hopes that production will be normal by June, but regrets that a year has been lost.

Good profits will have to await a recovery in the building industry

Refractory customers are destocking, but this process may be near its end The fortunes of companies, such as Iscor and Samancor, will give a clue here

The electrical trading division acts as agent for equipment and makes ceramic insulators It is the group's most consistent division

Cullinan is not the only company which has had to adapt to tight conditions

Companies will have to reform and restructure in the 1990s Cullinan may be one of the first to do so

He is confident of success

An advantage for Cullinan is that its net asset value of R12 is more than three times the share price

Shops for Kyalami

A SHOPPING centre is planned for the Kyalami Business Park.

The application for rezoning is expected to be approved within a month and construction will begin later this year The centre will be on a 2,3ha block at the entrance to the park.

Developer Forthe Financial says the centre is needed because of high growth in the park and Kyalami Estate.

Steel trade inquiry is renewed

S/Times (BUSS) 8/3/92

189

By DON ROBERTSON

THE Competition Board could get tough with the R5-billion-a-year steel distribution business

It is investigating whether distributors are guilty of restrictive practices

The inquiry will cover iron, steel, stainless steel, non-ferrous metals and ferrous and non-ferrous scrap

Wouter Meyer, director of investigations at the board, says many complaints have been made The board made an informal investigation last year

Anyone wishing to help the investigation has until the end of this month to submit representations The inquiry is likely to take between six months and a year

None of the many small steel merchants approached by Business Times will agree to being identified But all welcome the investigation.

They say they could be threatened or supplies could be withdrawn if they disclosed that they wished to help the inquiry

They also fear that their operations will be taken over by big merchants

The three main suppliers are Macsteel, Trident and Baldwins

Michael Hoffman, deputy chairman of domestic sales at Macsteel and chairman of the Steel Merchants Association (SMA), says there is no proof of price or supply collusion The investigation concerns all suppliers industry and not only steel merchants

Mr Hoffman says "It is difficult to imagine that any steel buyers would complain of price collusion Any one of them can buy directly from Iscor or one of the other producers, provided they supply financial guarantees"

Andrew Embleton, managing director of Baldwins Steel, says the steel merchant industry is one of the most competitive in SA, requiring huge investment

Tooth

"We have contracts with major consumers and it is sometimes difficult for our own managers to know what we charge. There are, for instance, different prices for steel for a car-maker in Rosslyn and one in Durban

"We operate on low margins and often fight tooth and nail with competitors Sometimes we have to drop deals because of low margins"

He concedes that through the SMA, members visit steel producers together, offer credit management advice and discuss industrial relations

Small merchants insist that the large suppliers also discuss prices and that they dictate discounts

Barlows in R70m Angola mine deal

S Times (BUSS) 8/3/92.

(189)

By CURT VON KEYSERLINGK

SOUTHERN African Caterpillar dealer Barlows Equipment Co this week concluded a $25-million (about R70-million) agreement to supply mining equipment to Angola.

The machinery will go to State-owned diamond-mining company Endiama (Empresa Nacional de Diamantes de Angola)

It is thought to be the biggest deal yet for equipment exports from SA to Africa

Alluvial

Endiama chairman Noé Balthazar says the company and its mining partners used to buy their requirements from South America, North America and Europe

"This was not always satisfactory because of long lines of communication"

Political change has made SA a suitable partner

The order is for the total equipment requirements of the Luzamba project — a major alluvial diamond venture It is operated by Brazilian multinational Odebrecht in the Cuango River basin in North Lunda province on the Zaire border

The mine is expected to recover 6,25-million carats of gems worth about $1,5-billion in seven years Part of the scheme is to provide 1 750 jobs and to improve health and education services in the area

It is planned to establish a self-supporting community with its own water distribution and sewage disposal systems An agricultural project will produce food and provide jobs Electric power will come from Caterpillar diesel generators supplied by Barlows

Initially the project will be supplied entirely by air

A former military base is being converted for use as the mine's headquarters

Mining in the area ceased eight years ago in the civil war

Endiama Odebrecht Mining Services International (Odebrecht Servicos no Exterior) has the rights to mine the area on its behalf

Mr Balthazar considers the 88-month duration of the project to be its most important feature Historically, mining contracts between Endiama and foreign firms have been short term

Cranes

"For the first time we are establishing a partnership with an outside supplier for an extended period It will allow the country to increase diamond production while training Angolan professionals in several fields," he says

The project is the largest of proposed trade deals between Angola and Brazil

Barlows Equipment Co and Barlows Engine Co will supply more than 60 Cat earthmoving machines and generator sets New subsidiary Barlows Trading & Finance (BT&F) will supply concentrators, cranes, transformers, sub-stations, lighting towers, compressors and pump sets

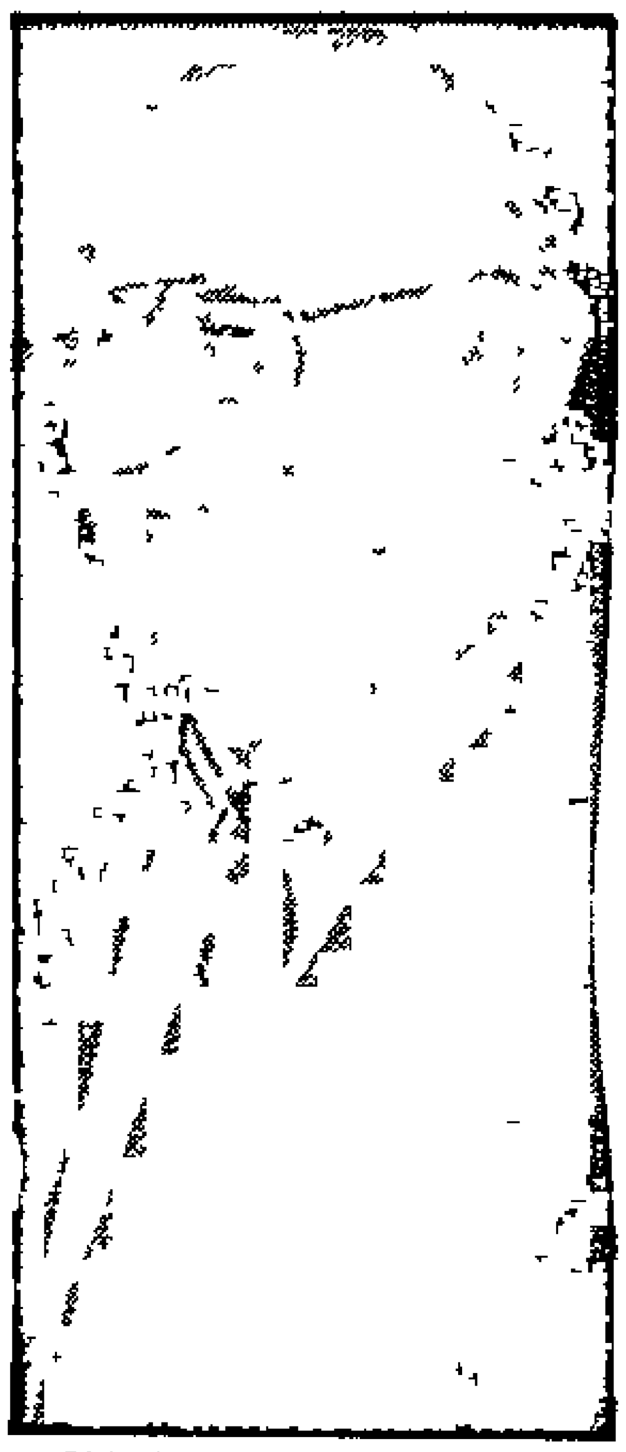
Technical back-up, on site and from SA, is part of the deal Barlows will have technicians on site for the duration of the mining contract, with additional expertise available from the company's Southern African operations

It has helped geologists in determining which deposits to mine first, provided preliminary production costing schedules and made equipment recommendations

The vice-president of Odebrecht Mining Services Inc, Delmar Siqueira, says his company has been involved in Angola since 1984, including the Capanda hydro-electric power plant — one of southern Africa's largest construction projects

Barlows Equipment Co is associated with Caterpillar dealerships in Botswana, Bulgaria, Lesotho, Namibia, Swaziland and Zimbabwe

Clive Parker, chairman of Barlow Rand Industries, says "This is a major opportunity for our group which can lead to even greater involvement"



CLIVE PARKER Big chance

Recession slows NEI's recovery

BIDay 6/3/92 (189)

EDWARD WEST

THE recovery of troubled engineering conglomerate NEI Africa in 1991 was slowed by the depressed economy and problems experienced by subsidiary Ical on a Mossgas contract, NEI chairman Len Abrahamse said yesterday

NEI's sales in the financial year to December 1991 increased from R712m to R797m compared with the previous year while operating income improved 17% from R31m to R36m Finance costs almost doubled from R15,6m to R29m

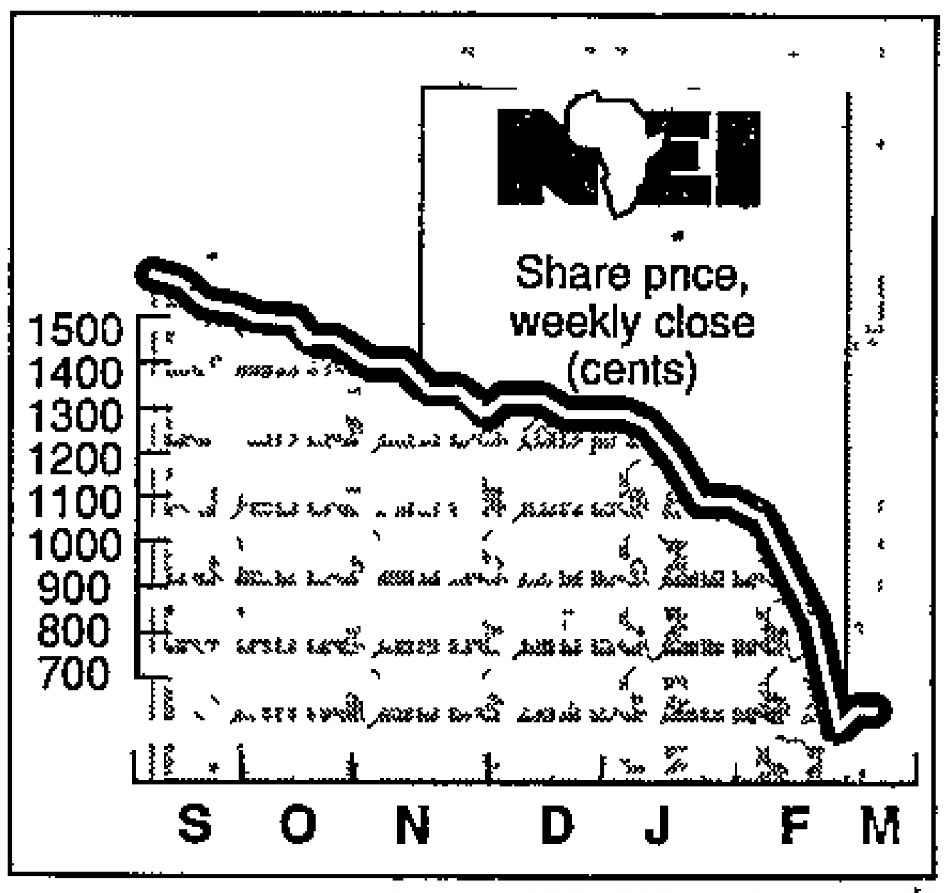
Pre-tax income fell from R15,4m to R7,3m while a tax provision of R7,2m and R2m paid to outside shareholders left the group with taxed losses of R1,9m

CE Lawrence Hyslop said in a statement while results were disappointing, the restructuring of some companies would impact positively on 1992 results

Abrahamse said all NEI's companies, except the diesel engine remanufacturing division Pro-built, were cash positive. At the interim stage all divisions would be cash positive and this would reduce the high level of finance charges experienced over the past two years

He attributed high finance charges to borrowings from write-offs on Propower, its diesel division, and borrowings incurred to keep work in progress at Ical's Mossgas operations where there were expenditure overruns Borrowings amounted to R174m at year end, he said

The problems at boiler and pump maker Ical resulted in claims in its favour, of which less than half had been brought to account in 1991, Abrahamse said



Graphic LEE EMERTON Source I NET

The 1990 comparitive figures were restated in the results to take into account a R52,5m adjustment to net assets at Propower announced at the interim stage last year

Abrahamse said NEI would continue to penetrate new export markets, particularly in sub-Saharan Africa At year-end export sales amounted to about 5% of turnover Abrahamse said links with NEI plc's international marketing arm would be established now that foreign relations with SA were improving

NEI Africa Holdings, which has as its sole investment a 53,3% stake in NEI Africa, declared a taxed loss of 14,9c a share and a final dividend of 3,5c a share bringing total dividends to 7c for the year

NEI Africa reduced its restated loss of 68,2c a share in 1990 to 29,9c a share in 1991 Dividends fell substantially from 165c last year to 14c Abrahamse said dividend policy in 1992 would probably be conservative

NEI Africa takes another bad knock

STAR 6/3/92

By Sven Lunsche (189)

After taking a bad knock for two years engineering group NEI Africa is confident that 1992 will be the year in which it returns to strong profit growth

NEI yesterday reported a loss of 29,9c a share in financial 1991 and substantially cut its total dividend from 165c to 14c a share

Setbacks

The comparitive 1990 figures have been restated after a R52,5 million write-off after financial reporting problems in NEI's wholly owned subsidiary Propower between 1988 and 1990.

Chairman Len Abrahamse says last year's results were worse than expected following on three adverse developments

- The depressed state of the economy slowed the pace of recovery at Propower although the group has turned the corner since December
- The ICAL subsidiary experienced problems with its Mossgas contract and has taken the total costs of the contract as a charge against last year's income However, a portion (less than half) of the outstanding claims have also been brought to account
- The two factors pushed up finance charges from R15,6 million to R29,1 million and lifted total borrowings to R174 million at the end of the year

Mr Abrahamse says the gearing ratio was now at an unacceptably high 1,2 and as a first target this should be halved as soon as possible

He adds, however, that during the first two months of the current financial year NEI's cash book has already been boosted by R13 million and with the exception of Probuild, all operating companies were in a cash positive situation

CE Lawrence Hyslop says that most operating companies performed well last year and were in a position this year to take advantage of any upturn in the economy

He is optimistic that NEI will return to profitability at the 1992 interim stage

Turnover

During 1991 NEI's, turnover increased by 12 percent to R797,3 million (R712,2 million) while operating income was up by 17 percent to R36,5 million (R31 million)

The group continued to expand its exports operations lifting the percentage of exports to turnover to about five percent

NEI Africa Holdings, which derives its income from its 53 percent stake in NEI Africa, showed a loss of 14,9c a share and reduced the dividend from 82,5c to 7c a share

Exports help Bateman weather tough conditions

BDay 5/3/92 (189)

JABULANI SIKHAKHANE

INCREASED exports and the related sharp drop in the tax rate helped engineering group Edward L Bateman (ELB) weather tough trading conditions in the six months to December.

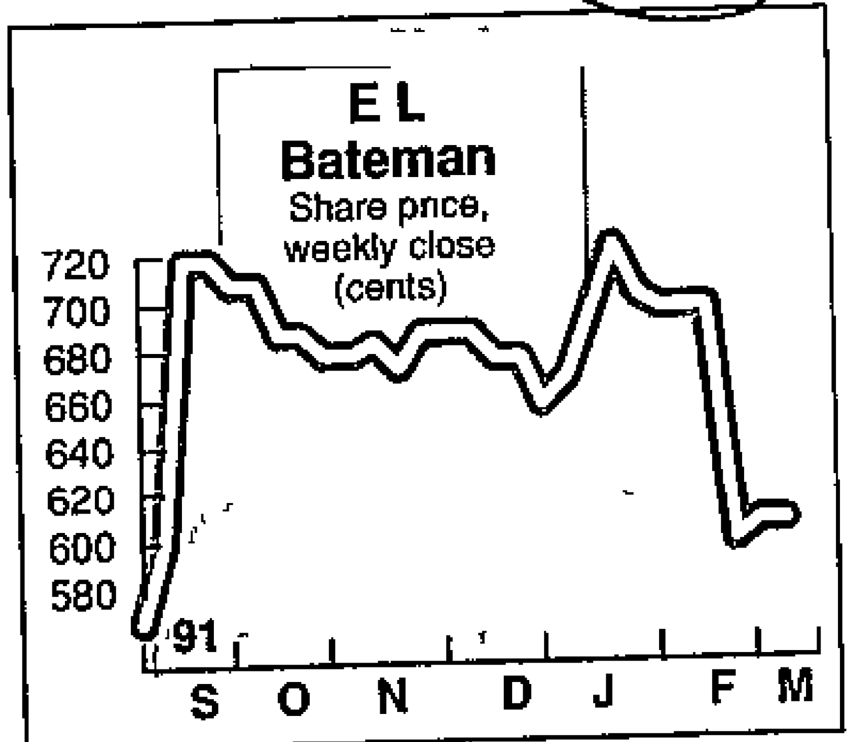
Earnings rose 11% to 35,2c (31,7c) and the dividend was increased by 14,6% to 8,25c (7,2c) a share

For the full year the group is targeting to maintain real earnings growth and financial director John Hooper says that this will necessitate a better second half

Hooper expects the export momentum to increase during the second six months, which should also help maintain the effective tax rate at 12% for the full year compared with 19% in financial 1991 The group traditionally earns about 60% of income during the second half.

ELB's operating subsidiaries are equipment supplier Bateman Industrial Holdings (BIH) and project management division Bateman Projects (Batepro).

Star performer during the review period was BIH which, despite suffering from the global recession, showed a substantial increase in exports and in local activities



Graphic LEE EMERTON Source I NET

Exports and income from offshore operations form a major portion of BIH's taxed earnings, contributing about half of the total

Batepro suffered a slower six months with fewer new capital projects Hooper says that new capital projects, including Columbus, are also due to start later than originally expected

On the positive side there has been a marked improvement in offshore opportunities with projects in neighbouring states, the US, the East and Australia

However, Hooper notes that these will not affect Batepro in the short term and it would be difficult, but not impossible for Batepro to match financial 1991's performance

Group turnover (including notional) was down 6% to R387,84m (R423,33m) Operating profit was 12,4% higher at R16,4m (R14,5m), but due to the long-term nature of the projects the directors stress that there is no correlation between turnover and profits

The interest bill jumped 191% to R3,1m (R1,1m) as certain subsidiaries turned to external funding As a result pre-tax profit reduced marginally to R13,27m (R13,46m)

But this was offset by a fall in the tax charge from R3,6m to R1,6m, boosting net income by 19% to R11,69m (R9,86m)

After outside shareholders interest and preference dividends, attributable income rose 11% to R9,62m (R8,66m)

Hooper said an acquisition announcement could be expected soon

COMPANIES

Cullinan expects better second half

Bl Day 3/3/92

EDWARD WEST

INDUSTRIAL conglomerate Cullinan Holdings' bottom line was hammered by falling profit margins and high interest payments in the six months to December 1991, but directors forecast improved earnings in the second half

(189)

Sales of industrial and electrical products and services improved marginally to R233m (R222m) Operating profit fell from R11,5m to R700 000 Interest payments of R10,8m pushed this firmly into the red with taxed losses at R10,1m compared with R10,7m profit last year The cost of retrenchments and early retirements reduced operating profit by about R2m

Cullinan MD Ed Harbuz said the recession's effect on infrastructural spending significantly reduced production volumes and profit margins, although market share was maintained Market conditions were not expected to improve, but strong remedial action would improve performance In the period under review the refractory division was affected by customers' stock rationalisation and by reduced international steel and ferro-alloy production, he said

Cullinan's share price was down to 525c on the JSE yesterday from 800c in April

Earnings a share fell from 53,9c a share in 1990 to losses of 69,7c a share for the period to December 1991 No interim dividend was declared.

Cullinan rationalises in wake of bad losses

189

Finance Staff STAR 3/3/92

Cullinan Holdings, which showed a sharp loss in earnings in the first half of the current financial year, has implemented rationalisation measures to return the group to profitability.

Although group turnover firmed to R232,5 million (R221,7 million) in the six months to December, operating profit fell sharply to R693 000 (R11,5 million) after margins came under pressure

Interest charges climbed to R10,84 million, resulting in a net loss of R10,24 million.

Recession

No interim dividend is being paid

Managing director Ed Harbuz says the declaration of a final dividend will depend on the level of improvement in the second half

The deepening recession had a severe impact on the group's core divisions, but vigorous remedial action has been taken, which should see an improved second-half performance

The market for building bricks has deteriorated badly and delays in the commissioning of a new brick plant required extensive modifications at substantial extra cost

Priorities

"The group's electrical operations made a positive contribution at reduced levels over the period," he says

"The immediate priorities of management are the satisfactory commissioning of the brick plant and the reduction of the interest burden by the disposal of under-performing and non-core assets

"Market conditions are not expected to improve, but the action taken will result in a better performance in the second half-year," Mr Harbuz says

Voltex old boy Myron tidies up in new office

S/Times (BUSS) 1/3/92 (189)

AFTER 22 years at the Berzack Illman factory in Belgravia, Johannesburg, Myron Berzack feels like a new boy at the Bruma office suite of Voltex

But he knows the ropes

Mr Berzack has been on the Voltex board and in joint control since its formation three years ago Berzack Brothers sold its cable manufacturing interests and Elcentre its cable distribution networks into Voltex

All were listed through H&J Cables

In a deal announced a week ago, Berzack offered to exchange most of its Voltex shares for Elgro shares The ratio offer is 1,806 Voltex for one Elgro

Elgro has 54% of Elcentre, which has 51,5% of Voltex

In other words, Berzack sought sole control of Voltex, even though it could end with a smaller percentage holding in the company It had 39,7% before the deal and could end with 38,2%, depending on the acceptance of minorities

Elgro's controlling shareholders were principally the Mowszowski brothers Nathan, Reuben and Chananiah The terms of the deal, says Mr Berzack, were arrived at "to suit the aspirations of both parties to the deal"

MYRON BERZACK A deal to satisfy all the parties

Once the ratio is arrived at, the arithmetic follows Obviously, the deal has been structured in such a way that the scrip alternative is the most attractive

Elgro members have also been offered 205c a share as a cash alternative, but it is much better value to take the shares

The Voltex share price fell fairly sharply to 110c from about 140c on the deal Perhaps initial confusion was that new shares were to be issued, not existing ones exchanged

Maybe the departure of the Mowszowskis — synonymous with Elcentre — was enough to rattle shareholders

Voltex has recovered to 130c and is looking to go better Multiply the Voltex price by the 1,806 ratio and the Elgro paper is worth 235c against the cash offer at 205c

It is likely the Mowszowskis will follow other interests Why they sold is not clear — perhaps the tribulations of joint control were too much for them

A Voltex bid for Usko was aborted last year

Restraints of trade entered into at the time of Voltex's formation will prevent the brothers from engaging in any cabling interests for several years

Berzack and the existing team carry on at Voltex where they stepped out

Mr Berzack says "Nothing has changed at Voltex other than the departure of the Mowszowskis I have always been on the national management board for the distribution division

"The manufacturing portfolios will remain as defined in the balance sheet The Illmans and I will continue with our responsibilities"

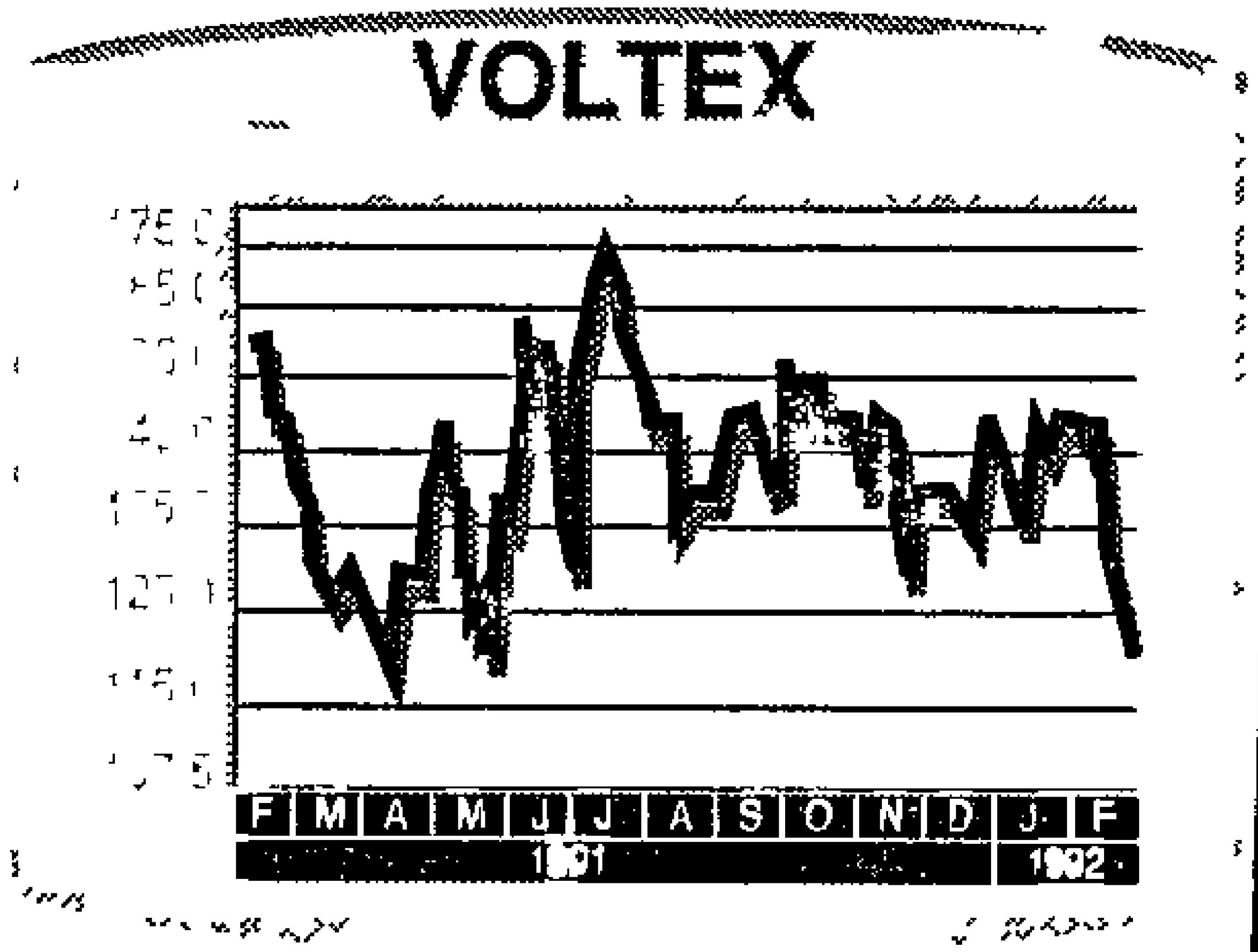
Mr Berzack will be able to consolidate the number of hats worn, especially in costing exercises He says there is scope for improvement on the computer side in particular

Berzack now has control of the wholesale distribution arm it coveted Although it is difficult to be accurate, it probably won control cheaply

Three years ago the business was not for sale Voltex shares have fallen in value since the 1989 high of 220c

The corporate structure now involves more indirect holdings Elgro will be delisted now that it is not required as a controlling pyramid More than likely, either Bivec (Berzack-Illman Investments, the pyramid of Berzack), Berzack itself or Elcentre will also disappear from the lists

● The Mowszowskis are believed to have placed some of their Voltex shares received in the deal More than a million Voltex shares changed hands last Friday at prices between 110c and 115c after the announcement was made



Tax greases

SASOL managing director Paul Kruger is grateful his group lifted earnings a share by 15% in these tough times

The biggest contributor to the improvement was a reduced tax bill in the half-year to December — R209-million compared with R299-million in the first half of the previous year

Sasol says that in 1991 a prudent over-provision was made in case the development costs at Syferfontein coal mine could not be ring-fenced — offset against the taxable income of the other mining operations

A favourable ruling has been reached and the interim tax bill for this year is back in line

S/Times (BUSS) 1/3/92

The net effect of lower tax was to raise taxed profit from R470-million to R540-million. Turnover edged down 1% to under R4-billion and operating income fell 11% to R869-million

Mr Kruger blames lower refining margins and depressed international prices for petrochemicals on the slump in the world economy Several foreign petrochemical plants have been closed

Sasol's Natref refinery recovers about 86% of the crude oil feed as white products whereas a conventional operation yields below 70%

Synfuels made an excellent contribution to countering cost increases as a result of a "substantial" volur change rate o prices for petr

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Mr Kruger price at the j justed to refl ternational p

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Ferrochrome plant plan

S Times (Buss) 1/3/92 (189)

Europe in bid to ditch Samancor

By IAN ROBINSON

A GROUP of European stainless-steel producers plan to build a ferrochrome smelter in South Africa, says the Metal Bulletin in London

But Samancor managing director Hans Smith tells Business Times that such a venture "doesn't make commercial sense"

The Metal Bulletin says the 145 000-ton-a-year plant, costing about R160-million, could be operating as soon as mid-1993

The report attributes the information to a well-placed source in South Africa and says there is growing speculation that the consortium includes Ugine Aciers of France, Krupp of Germany and possibly Thyssen of Germany and Scandinavian stainless-steel producers

Ugine officials deny involvement, but express their "discouragement" at current ferrochrome prices

The European move is attributed to dissatisfaction with SA ferrochrome suppliers, particularly Samancor

It raised its price to 52 US cents a pound delivered Europe in the first quarter

Closed

Samancor is also said to be planning to raise the price to 55c/lb in the second quarter

Samancor recently announced that it would close its ferrochrome production facilities for at least three months because of the huge world oversupply

The other SA producers — Consolidated Metallurgical Industries, Chromecorp Technology and Ferralloys — are operating at well below capacity

Samancor is the world's largest ferrochrome producer with an annual capacity of about a million tons That is 60% of SA capacity of 1,7-million tons and 40% of the world's 2,5-million

However, because of a sharp decline in world stainless-steel production towards the end of last year and large stocks of scrap which can be used as an alternative source of chrome, demand for ferrochrome is weak

In addition to scrap, which is now available "for as little as 37c/lb", the Metal Bulletin reports that a growing tonnage of high ferrochrome slags from Yugoslavia, Albania and Greece represents another source of chrome supply

Metal bosses, unions looking at key issues

(18911)

S/Times (Buss) 1/3/92

By ADRIAN HERSCH

STRIKES, stayaways and sanctions are some of the controversial issues to be investigated by employers and trade unions in the metal industry

The parties set out their proposals for growth and job creation at a meeting this week

The beleaguered metal industry shed 35 000 jobs in 1991

Latest figures show that the high lay-off rate has continued this year — 3 103 jobs were lost in January

The National Union of Metalworkers of SA (Numsa) proposes the establishment of a framework organisation as the basis for the negotiations about job creation

Overlap

It wants the organisation to deal with labour stability, training and affirmative action, sanctions, strengthening the metal industrial council, and workers' rights

A comprehensive information base, to be shared by both parties, should be established

Numsa proposes that researchers begin compiling reports on trade, investment patterns and productivity

Employer organisation Seifsa says that because of the establishment of the National Economic Forum most macro-economic issues will have to be dealt with in it

But macro- and micro-issues overlap in several areas

Seifsa holds that because of this the parties in the metal industry will have a look at issues such as stayaways, illegal strikes and sanctions

Numsa, a Cosatu union, says it is committed to developing "a healthy, internationally competitive industry which increases employment opportunities"

Although the partners have this ideal in common, there are widely divergent views on how to achieve it

The "critical question", says Numsa, is whether sufficient common ground on key questions of industrial policy can be found

The joint management-union growth and job creation committee will meet again on March 31

Unihold posts 5% increase in earnings to R8,7m

BD 28/2/92 SEAN VAN ZYL (189)

ENGINEERING-listed Unihold has posted a modest 5% increase in attributable earnings to R8,7m for the year ended December

However, following the issue of additional ordinary shares during the year, the industrial manufacturing group's earnings a share declined by 5% to 22,4c (1990 23,6c)

The share base increase was attributed to conversion of debentures and the issue of employee incentive shares

A final dividend of 9c (9c) was declared, bringing the year's total dividend payout to 13,5c (13,5c) a share The lower earnings resulted in the group's dividend cover dropping back to 1,7 times from last year's 1,8 times.

Unihold's parent company U-Control posted earnings of 6,82c (6,78c) a share of which a final dividend of 4,5c (4,5c) was declared

In spite of a 10% rise in sales to R216m (R196,8m), Unihold's operating income declined 16% to R19,3m (R23m). This resulted in the group's operating margin falling to 8,9% compared with 1990's 11,6%.

However, a lower tax bill of R3,2m (R6,2m) helped boost the group's earnings to R8,9m (R9,2m). A drop in attributable income to outside shareholders to R106 000 (R828 000) resulted in the group disclosing a modest 5% increase in attributable income to R8,7m (R8,3m)

CE John Butler said Unihold's poorer performance was due to tight trading conditions and increased expenditure on export promotions

Unihold's operating subsidiaries manufacture industrial equipment and lighting parts for the mining and automotive sectors which Butler said had been severely depressed in recent years

AVI on track for a record year

(189) (810) (986)
B Day 28/2/92

MARCIA KLEIN

ANGLOVAAL Industries' (AVI) record earnings for the six months to end-December place the group on target for its seventh consecutive year of increased earnings.

Today AVI announced an 18% earnings growth from R103,0m to R121,5m, or by 17% from 363c to 425c a share — on more shares in issue

This was achieved on the back of improved results from frozen foods manufacturer and distributor Irvin & Johnson (I & J), consumable goods division National Brands and the engineering division of AVI Diversified Holdings

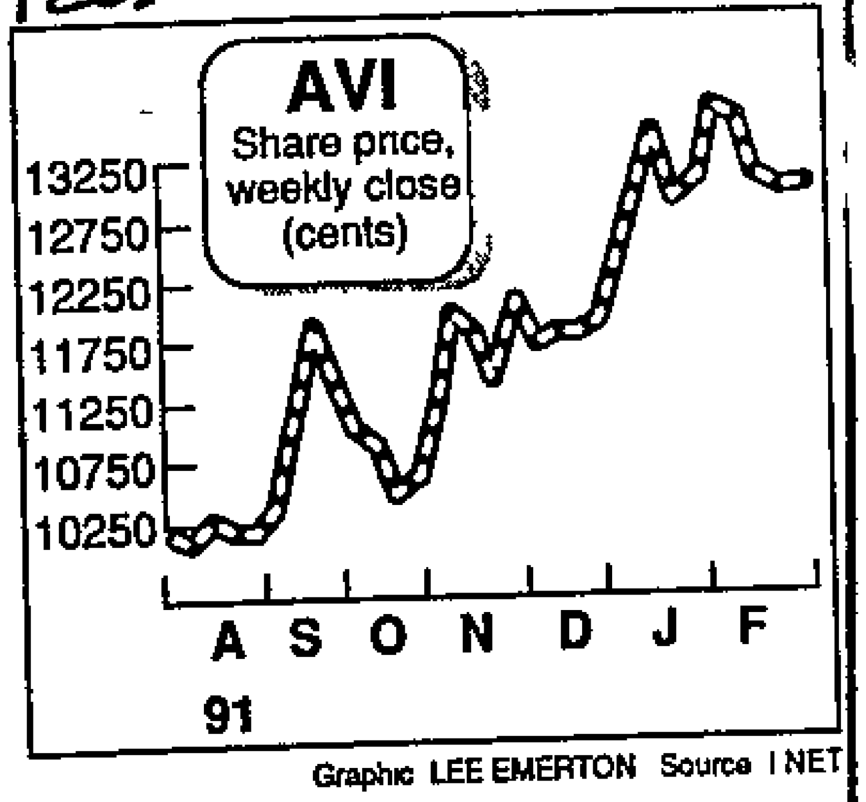
Increased

Group turnover rose by 8% from R3,6bn to R4,0bn, but pressure on margins saw profit before interest and tax rise by only 3% to R368,1m (R358,3m) The interest bill remained unchanged at R43m

Directors said that pre-tax profit gains by I & J, National Brands and AVI Diversified Holdings' engineering division were offset by "a substantially reduced contribution from Grinaker Holdings and, to a lesser degree, Avtex Holdings' textile businesses" Packaging and rubber company Consol's contribution to pre-tax profit was unchanged

Taxation of R145,5m (R146,5m) resulted in a 6% rise in profit after tax from R168,8m to R179,6m

AVI Diversified Holdings, I & J and National Brands increased their contributions to group earnings to 21%, 20% and 28% respectively but Consol's contribution dropped from 29% to 27% and Grinaker's from 7% to 3%



Graphic LEE EMERTON Source I NET

Directors said earnings for the 1992 financial year would exceed those of the previous year, but the growth rate for the full year would be below that achieved in the first six months.

The group's R388m rights issue saw it repay borrowings and reduce gearing from 29% to 17% Cash resources exceeded total borrowings by R173m at end-December

The group has been involved in a number of acquisitions and disposals, which included AVI Diversified Holdings' sale of its 65,4% holding in Claude Neon, and its increased interest in Tristel — from 90,6% to 94,1%

AVI subsidiary Aveng acquired a 51% holding Bearing Man following the merger of the bearings businesses of wholly owned subsidiary Steelmetals with those of Bearing Man

National Brands sold its 16,2% interest in Cadschweppes for a profit of R153,7m, of which R150,2m accrued to the group This week it announced that it would acquire the 27,6% of minority shareholders' interest in Pleasure Foods for R16m to make it a wholly owned subsidiary

USKO FM 28/2/92 (189)

Waiting for a ruling

The Securities Regulation Panel is expected to respond this week to Aberdare's allegation that Usko's controlling shareholders contravened the Takeover Code in provisionally accepting an offer for the ailing engineering group from Dorbyl

Aberdare claims Metkor and Iscor, which jointly control Usko, did not give its offer proper consideration It wants all bids for Usko made public and an explanation why Dorbyl's was accepted. Metkor, Iscor and Usko contest the allegations and insist all offers were considered

FM 28/2/92 (189)

Usko, after announcing last week that it was negotiating to sell to an undisclosed party and had agreed not to consider any other offers, has published details of the Dorbyl proposal As expected the heavy engineering group is offering a share swap (one Dorbyl for 240 Usko ords or prefs) that values Usko ords and prefs at about 12c, with an alternative cash offer to minorities of 35c per ord and 59c per pref

This compares with current prices of 20c for the ords and 10c for the prefs

Iscor and Dorbyl parent Metkor, which together hold 55% of Usko's ords and 59% of the prefs, will elect for the share swap Dorbyl intends to delist Usko and absorb its remaining nonferrous operations (mainly its cable business and estimated to have generated R25m-R30m trading profit last year) into its manufacturing division alongside its automotive, transport and tubing businesses

Presumably this would enable Dorbyl to make best use of Usko's assessed tax loss of around R120m — a facility also attractive to Aberdare However, there must be doubts about the wisdom of Dorbyl entering a market that is considerably overtraded and offers little growth potential

Though Aberdare's bid has not been disclosed, it is understood that the Powertech subsidiary proposed reversing itself into Usko in return for a large number of new shares, giving it control An offer to minorities is thought to have been considered

Depending on its valuation of Usko's businesses and the results of negotiations with creditor banks it is understood that Aberdare, if it took control, could offer minorities up to 50c a share Such an offer, however, is by no means certain.

Aberdare won't confirm details but stresses that its offer is still open

Dorbyl's offer understandably depends on several conditions precedent Not only does it need the support of the majority of Usko shareholders (which with Iscor and Metkor backing appears inevitable) and approval of the JSE and Securities Regulation Panel, but, most important, it requires successful completion of a due diligence by month-end and an arrangement with Usko's bankers.

Usko, which at the end of financial 1991 had a R91m negative NAV after disposing of its steel and vanadium businesses, is estimated to owe banks more than R150m

Settlement with these is likely to be crucial to both the Dorbyl and Aberdare proposals As Usko is technically insolvent it must be hoped that its fate will be settled soon

Simon Cashmore

BERZACK/ELCENTRE FM 28/2/92

Deceptively simple

(189)

Berzack's acquisition of the Elcentre group has turned out to be deceptively simple, despite the fracas with the JSE that delayed announcement of the terms

In essence, all that is happening is that Berzack is exchanging a major portion of its holding in Voltex for a controlling stake in Elcentre's pyramid, Elgro It will thereby acquire undivided control of Voltex which, up to now, has been shared by the two groups

This, in reality, is what the whole deal is about For both groups, Voltex has been their major asset and earnings source ever since Berzack and Elcentre agreed to pool their respective electrical cable and wholesaling interests In the case of Elcentre, its holding in Voltex represented all but 0,5% of its total investments at market value For Berzack the electrical group accounted for some 91% of tangible net worth and 86% of attributable earnings based on the last financial statements

Terms of the deal are that Berzack will exchange 180,6 Voltex shares for every 100 Elgros It has so far acquired 86,4% of the Elgro equity from the controlling shareholders (mainly the Mowszowski family, who have already placed some of the 107,2m Voltex shares so acquired) A similar offer, backed by a 205c per Elgro share cash alternative, will be extended to Elgro minorities with the intention of making Elgro a wholly owned subsidiary of Berzack

One slight twist is that if all Elgro shareholders take the Voltex shares (as has been assumed in the diagram depicting the new group structure contained in the announcement), Berzack's effective holding in Voltex will decline slightly, despite resolution of the joint-control situation.

Up to now, Berzack had a direct 39,7% interest in Voltex (treating all shares and convertible debentures as "equity"). This could drop to an effective 38,2% if it has to part with the full 124m Voltex shares that would be necessary to acquire all Elgro's 68,7m shares purely on a share exchange basis Even if all Elgro minorities opted for the cash alternative, the effective holding would rise only marginally, to just over 42%

As to the effect on individual companies, the deal is said to be basically neutral all round in terms of earnings and NAV That, however, is based on historical results The more relevant question is whether elimination of the joint control situation in Voltex will have any positive effect on future earnings Berzack joint-MD Myron Berzack seems cautiously optimistic on this score, and

continue

FM 28/2/92 (189)

it can be assumed that the new controlling shareholders will be having a hard look at Elcentre's other investment, Sanlic Hardware Holdings, which has been a thorn in the flesh for some years.

Here again, it is not inconceivable that fresh thinking could bring about an improved performance, particularly as Greatrex, the major loss area within Sanlic, was closed last year

Looking at the new Berzack group, the last major hurdle to be overcome is elimination of one of the remaining intermediate holding companies (either Berzack or Elcentre) to comply with JSE requirements This, the company says, will be done "within a reasonable time" but either way it is probable that it will involve another asset shuffle which will not, as with the present deal, materially affect shareholders *Brian Thompson*

Steel slump batters Iscor

(189A)

CT 27/2/92

From MATTHEW CURTIN

JOHANNESBURG. — Iscor emerged battered and bruised from the six-months ended December, as high interest charges from financing its R4bn expansion programme worsened the effect of the slump in local and overseas steel markets.

The iron and steel producer posted a 43% drop in attributable earnings to R171m, compared with R301m in the same period in 1990.

Earnings a share dropped to 9,2c from 16,1c as Iscor's results continued to fall behind the predictions at the time of its listing in 1989 The group declared a 3c interim dividend, down from 4,5c in 1990, to keep its dividend cover at three times.

Market concern at the group's short-term position has pushed its shares down below the listing price of 200c

Iscor stock has fallen 15% in the past month, although shares rose 1c to close at 162c yesterday.

MD Willem van Wyk said yesterday Iscor was striving to protect earnings until market conditions improved.

He said the depressed iron and steel markets had led to Iscor borrowing more money than it originally planned to finance its spending programme

Finance charges were at their peak and would fall as the group's capital spending programme was now winding down

Sasol buys R40m acrylic fibre plant from France

B/Day 27/2/92

EDWARD WEST

SASOL's first step into synthetic fibre production, the purchase of a R40m acrylic fibre plant from France, has brought it into conflict with the National Clothing Federation.

The plant is to be erected near Durban.

Sasol intends to export the fibre as well as replacing imports of about 30 000 tons a year

National Clothing Federation chairman Hennie van Zyl greeted news of the plant with scepticism

He said there was a glut of acrylic internationally and, because its manufacture was capital intensive, there was very little chance SA could compete as effectively as European manufacturers with their higher export volumes

Van Zyl said traditionally capital intensive investment in SA tended to follow industrial policy geared towards import replacement and foreign exchange savings.

Such investments were usually followed by protection measures from so-called "dumped" import prices, said Van Zyl

However, Sasol's Fourie said the plant would not operate under industrial protection measures and would contribute towards foreign exchange savings and earnings from import replacement as well as exports

Acrylic fibre, often known as "poor man's wool", is a cheaper substitute for wool

Sasol's plant will polymerise then extrude and spin an imported compound called acrylo-nitrile manufactured from ammonia and propylene

Textile Federation director Brian Brink said the plant's capacity represented about 0,5% of world production capacity SA consumed about 30 000 tons a year, he said

Sasol GM Jan Fourie said Sasol Fibres had awarded a R40m contract for the dismantling, transport and re-erection of a French acrylic fibre plant last week to a consortium consisting of Genrec subsidiary MEI Construction and Spie Batignolles of France

MEI Construction MD Chris Biden said plant, pipework, electrical control gear and instrumentation would be dismantled, labelled, packaged and shipped from Calais

Once in SA it would be re-erected, tested and commissioned for full production in 1993 on a site near Durban

Iscor cuts interim dividend

ARG 27/2/92

DEREK TOMMEY (189)

JOHANNESBURG — Despite collapsing export prices and a drop in local sales, Iscor managed to limit the decline in operating profits in the six months to December to 9,6 percent

A major factor behind the small drop in operating profits has been Iscor's R4 billion investment over the past three years in modernising and upgrading existing plant and in new products

The investment enabled it to remain competitive and to increase sales at reduced operating costs, despite difficult trading conditions at home and abroad, chairman Marius de Waal said yesterday

The investment should enable Iscor to take full advantage of any improvement in market conditions and charge considerably higher prices for its products, he added

However, part of the R4 billion investment was financed by borrowings and the interest on this money had made deep inroads into Iscor's earnings

Financing costs absorbed R218 million (R108 million a year ago)

After payment of a small amount of tax, attributable income dropped 43 percent to R171 million — 43 percent down on the R301 million earned in the same period of 1990

This has resulted in the interim dividend being cut by a third from 4,5c last year to 3c

However, finance costs should not bear so heavily on earnings in the six months to June, as R800 million in short-term debt is being converted into lower-cost medium-term loans

Mr De Waal said there were no signs of a recovery in the domestic market and excess capacity overseas would depress steel prices for most of 1992

Therefore no short-term improvement in earnings was expected

MD Willem van Wyk said Iscor was taking steps to protect its earnings until market conditions improved

One of these steps included restricting capital expenditure to existing products

But Iscor would look immediately at new investments, should market conditions warrant

ADE price freeze may benefit farmers

(189) Business Day Reporter

ATLANTIS Diesel Engines (ADE) will freeze the prices of all its tractor engines until year end, which may help the depressed farming sector, says MD Fritz Korte BDay 24/2/92

Korte said the move was equivalent to a price cut of 32% on ADE models since July 1990 He said ADE was confident tractor manufacturers would pass the benefits of this price freeze onto farmers

The reduction would result in the engine representing only 15% of the expected retail price of tractors by the end of the year This compares favourably to the 17% figure of June 1990, Korte said

He said ADE was able to implement the engine price freeze because of the success of its current cost-cutting programmes

While 1992 retail tractor sales forecasts were currently set at 2 800 units, compared with 2 860 units sold in 1991, ADE was confident the market would show a gradual long-term improvement

Higher tax bill offsets Picapli's improvement

BDay 24/2/92 (189)

LINDA ENSOR

CAPE TOWN — Improved operating efficiencies and significantly lower finance charges saw Picardi Appliances (Picapli) achieve a 14,7% increase in pre-tax income in the six months to end-December

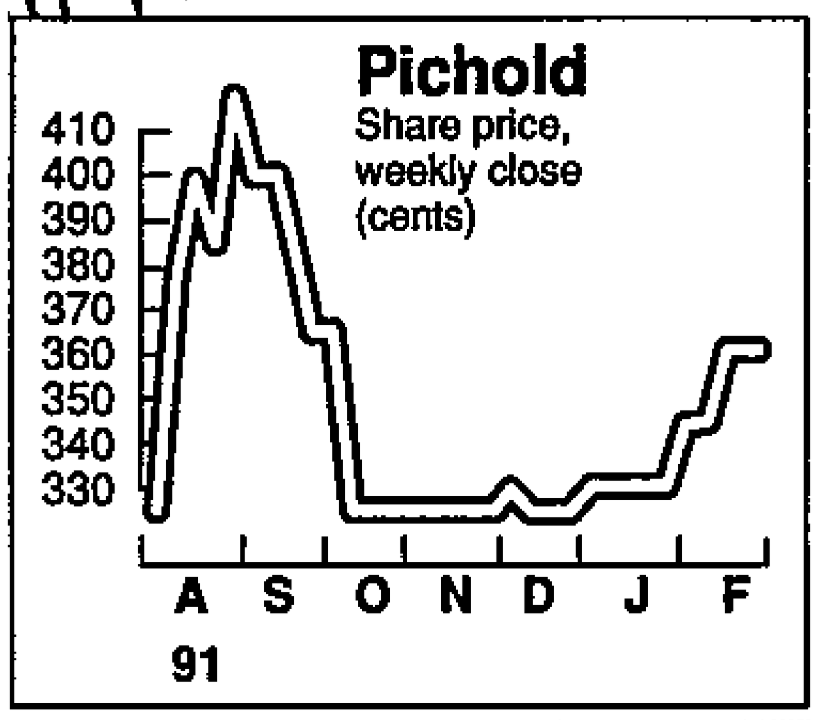
However, a substantial hike in its tax bill resulted in bottom-line earnings being merely maintained.

The group expects to resume paying dividends by year-end

Earnings a share of 27,5c (27,1c previously) were notched up on a 13% reduction in turnover, which suffered under the weight of product rationalisation and depressed consumer spending Last year Picapli withdrew from the portable audio products market, concentrating instead on the higher-margin white goods sector

Pre-interest income fell 12,8% to R14,6m (R16,8m) This, director Jan Pickard junior said, reflected operating efficiencies achieved Branch and staff numbers had been cut

A 15% decline in interest bearing debt during December 1990 meant Picapli paid only R6,5m in interest — 33% down on the previous R9,6m Gearing at year end, a peak period, stood at 133% or 95% if the R21m loan from parent company Picardi Holdings was excluded Pickard expected this to fall to 65% by year end



Graphic LEE EMERTON Source I-NET

The tax rate rose from 1,2% to 12,6% but should rise sharply in the next six months as Picapli has exhausted its tax losses After-tax income was almost unchanged at R7m

Chairman Jan Pickard senior said profits in the next six months would remain under pressure because of depressed consumer expenditure and intense competition in the white goods market, where there was significant overcapacity This would affect margins, but the group would continue to position itself for an upswing in 1993 by maintaining market share and improving efficiencies

In spite of a higher tax bill, strong growth was displayed by Picardi Holdings (Pichold), the assets of which consist of a 93% stake in Picapli, about R21m cash loaned to Picapli and other investments Attributable earnings and earnings a share rose 50% to R7,3m (R4,8m) and 120c (80c), respectively

The percentage of interest bearing debt to equity declined to 78% from 118% Finance charges almost halved to R5,2m (R10,2m) to produce a 61% rise in pre-tax income of R9,3m (R5,8m) on a 10% decline in pre-interest income to R14,5m (R16m) The bottom-line improvement was somewhat constrained by a rise in the tax rate to 16,6% (8%)

The growth was attributed mainly to an asset management programme embarked upon two years ago

Picardi Investments (Picbel), which holds 69% of Pichold, produced earnings a share of 122c — 44% up from its previous 85c

None of the companies declared an interim dividend In the last Picapli annual report Pickard said payment of dividends would be waived until such time as interest bearing debt relative to shareholders' funds reached acceptable levels

Dollar still defying all the odds

STAR 24/2/92

By Carole Mason, International Economist, Standard Bank

CAROLE on CURRENCIES

For the second week running and, in the face of what in more normal circumstances would have represented considerable adversity, the dollar displayed substantial strength last week.

Whereas central bank intervention against the unit, official statements that German interest rates were not likely to fall anytime soon and a poor showing by President George Bush in the first primary of the election campaign ought to have been sufficient justification for a weaker dollar last week, this simply did not happen.

The lack of a dollar reversal in fact underscored what has now become a familiar phenomenon on international forex markets — the re-establishment of long dollar positions on the premise that, by most standards, the dollar is under-valued.

For weeks, the Bank of Japan has indicated its belief that dollar strength against the yen is not reflective of underlying fundamentals

It also indicated that the sustained dollar strength would force it to intervene on the yen's behalf

It therefore came as no great surprise to market participants when the Bank of Japan and the US Federal Reserve intervened to prop up the yen.

However, while early intervention efforts succeeded in pushing the dollar back to Y126 from Y128, yen gains could not be sustained and the dollar quickly moved back towards Y129.

Whereas previous central bank intervention efforts have sought to capitalise on the element of surprise usually afforded by their clandestine, almost surreptitious, intervention activities, recent Bank of Japan intent has been so well signalled in advance that the desired result has simply not been achieved.

In effect, all that the Bank of Japan has accomplished through recent intervention activity is a substantial running down of its domestic foreign currency reserves.

The perception that last week's central bank intervention was largely defensive in nature thus prevented the dollar from weakening to the degree normally associated with market awareness of potential central bank dollar sales.

Likewise, statements from Germany indicating that there was no scope for lower German interest rates also failed to depress the dollar, in large part because these were issued at much the same time as economic data showing that Germany had just experienced its third consecutive quarter of negative growth.

Growing market appreciation of the fact that the German economy has entered a period of contraction (the underlying severity of which is not yet clear) suggests that German interest rates have peaked, just as US rates have troughed, thereby affording the dollar the prospect of reduced adverse interest rate differentials in the months ahead

Finally, although the results of the New Hampshire primary underscored the potential problems faced by the administration in seeking re-election (President Bush only captured 58 percent of the Republican vote, against 49 percent for alternative candicate Pat Buchanan), forex markets chose to dismiss the worse-than-expected outcome as symptomatic of desire on the part of the electorate to register a protest vote.

Since current voter discontent stems in large part from uncertainty regarding medium-term economic prospects, the overriding market belief that US recovery will soon become apparent largely explains why the dollar gave such short shrift to last week's negative political news.

Market focus thus remains squarely on the dollar and the expectation that favourable dollar sentiment will be sustained.

Having broken through strong resistance at Dm1,6350 with relative ease last week, the dollar's technical position now suggests continuing progress towards Dm1,70-1,73

Although the possibility of concerted central bank intervention to depress the dollar remains, little indication that intervention from any source other than the Bank of Japan and the US Federal Reserve is likely over the near-term suggests that intervention will likely be frustrated by what remains strong underlying demand for the US currency

Usko shareholders should take the cash

STAR 24/2/92

By Derek Tommey (189)

Dorbyl is offering Usko shareholders a choice of cash or Dorbyl shares for their Usko shareholdings They should have no difficulty deciding to take the cash.

Dorbyl is offering 35c in cash for each Usko share, or one Dorbyl share for every 240 Usko shares

Dorbyl shares closed on Friday at R29 On this figure the share offer is worth 12c for each Usko share, which is only a third of the cash offer

Dorbyl is offering holders of Usko preference shares 59c in cash for each share, or one Dorbyl share for every 240 Usko preference shares.

Here again, the cash offer is the one to be preferred. The greater cash payment for the preference shares arises from the existence of arrear preference dividends

Dorbyl intends acquiring all Usko shares and delisting the company

The offer to Usko shareholders is dependent on a number of factors, including the successful completion of a due diligence exercise, the successful completion of arrrangements with Usko's bankers and the ratification by shareholders of the sale of Usko's steel and vanadium divisions

Dorbyl peps up Usko offer

(BUSS) S Times 23/2/92.

By JULIE WALKER (189)

DORBYL came out of the closet on Friday with an offer for Usko

Minorities of the embattled former steel producer — its largest remaining asset is a good cabling operation — are to be offered 35c a share or one Dorbyl share for 240 Usko ordinaries Preference shareholders are offered 59c, or the same share swop terms because their dividend is in arrears

Iscor and Metkor, controlling shareholders of Usko, have accepted the share offer for 55% of the ordinaries and 59% of the prefs The intention is to delist Usko

Usko minorities should take the cash. A Dorbyl share is currently R29,50, valuing Usko at a little more than 12c Usko minorities will not suffer in this deal, but on the basis that somebody pays for everything, Iscor and Metkor members are footing the bill

Talk is that the offer to Usko's minority was window-dressed after criticism of the secrecy surrounding the bid

Major cabling group Aberdare — in the Powertech fold — announced two weeks ago that it was bidding for Usko But Usko replied that it had already accepted an offer, the conditions of which said it could not entertain others

This gave rise to unfavourable comment because Dorbyl, Usko and Metkor have a common chairman in Floors Kotzee as well as several mutual directors Mr Kotzee ran Iscor until 1987

Aberdare's bid has reportedly not yet expired If Dorbyl's conditions are not met, there could be a better deal for Usko's minority

Small Bellville firm wire their way into Zimbabwe

S|Times (CM) 23/2/92 (189)

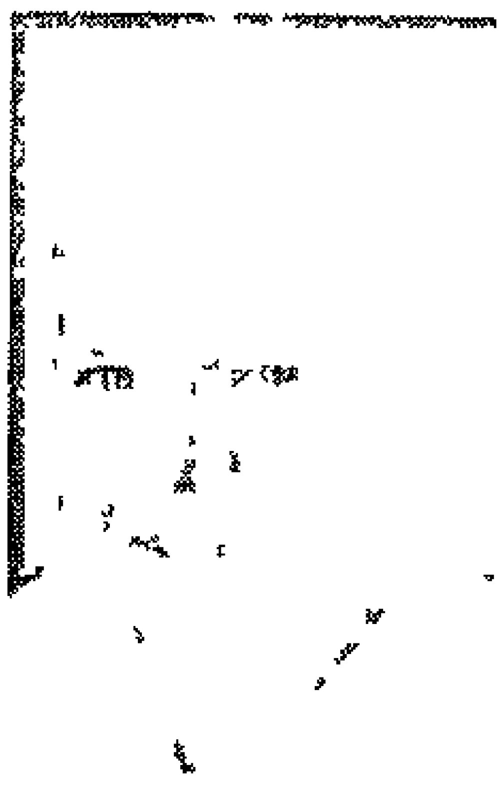
A SMALL Western Cape electrical firm, HME Electrical of Bellville, has pointed the way to penetrating lucrative African markets by successfully installing an intricate network of electrical wiring and piping at a new multimillion-rand factory in Zimbabwe

The main contractor, Paris-based Bouygues with a R33-billion annual turnover and operating in 64 countries, was so pleased with the work undertaken that it has asked the firm to tender for modifications and additions to the milk and butter factory operating at Chitungwiza near Harari

Hannes Baard, owner of HME Electrical, said the original contract was negotiated with the French company Alfa-Laval by phone and fax from Bellville.

The project was brought to the attention of Mr Baard by Machine Moving International of Bellville He submitted a tender and won against stiff competition from many countries

Alfa-Laval specialises in heat exchangers, pumps, valves and other equipment as well as computers for the food industry, and its equipment was used for the Chitungwiza factory



HANNES BAARD French were pleased with his firm's work

HME Electrical installed all the inter-connecting wiring and cabling for the milk processing section of the factory, and the work involved amounted to about R100 000, mainly for manpower and tools as the materials were supplied

"The size of the project can be gauged from the fact that 5,5 kilometres of electrical cabling and 2,5 kilometres of pneumatic piping were used," said Mr Baard

"This was in addition to a wide range of control panels, sensors, instrumentation and solenoids, plus electrical and pneumatic testing equipment "

Mr Baard went to Zimbabwe with his chief assistant Pierre le Roux

With the help of four workers, they did the bulk of the work in November — and were so far ahead they were asked to take a break

So they came back to the Western Cape for two weeks in December and returned to the site for final commissioning of the factory between January 20 and 25

"There were no hitches at the commissioning and we were complimented on the high standard of our work," said Mr Baard

"We were told by the French that our work was on par with most European firms

"On our side, we were impressed with the sheer professionalism, hard work and ability to keep to daily schedules that we witnessed at the site

"This is something we should strive for constantly in South Africa We must really wake up our ideas if we want to compete internationally, specially now that political and trading barriers are falling fast "

ADE freezes price

(189)

ATLANTIS Diesel Engines (ADE) will freeze the price of all its tractor engines until the end of this year

Managing director Fritz Korte says that since July 1990, prices of these engines have been reduced by 32 percentage points before inflation.

S/Times (Buss) 23/2/92.

The reduction will result in the price of the engine representing only 15% of the retail cost of a tractor by the end of the year compared with 17% in June 1990

Mr Korte hopes the benefit will be passed on to farmers.

COMPANIES

Usko to contest claim by Aberdare

(189)

EDWARD WEST

ENGINEERING group Union Steel Corp of SA (Usko) said it would contest claims made by Aberdare Cables Africa that it had breached the takeover code in relation to Aberdare's offer to buy Usko

Usko, which sold its vanadium and steel divisions last year, is negotiating to dispose of its remaining non-ferrous operations

B/Day 21/2/92

In a notice published today it says that after Aberdare had made an offer to Usko on February 12, it had submitted allegations to the Securities Regulation Panel (SRP) on possible contraventions by Usko of the code on takeovers and mergers in relation to its offer

Usko referred shareholders to an announcement on February 18 that said matters relating to offers made to Usko and its controlling shareholders had been fully canvassed with the SRP, and that the issue had been conducted within the framework of the code

"Usko will, on that basis, contest the allegations made by Aberdare by way of a submission to the SRP," it said

Meanwhile, Dorbyl has confirmed its intention to acquire Usko and announced plans to delist the company from the JSE, the London Stock Exchange and the Irish stock exchange in Dublin

In a joint announcement published today the companies said Dorbyl would offer Usko shareholders 35c a share or one Dorbyl share for every 240 Usko shares held Usko's share price fell 37,5% to 20c a share yesterday

Preference shareholders would be offered 59c a share or one Dorbyl share for every 240 Usko shares

The offer to Usko's preference shareholders was inclusive of the waiver by such shareholders to receive dividends in arrears

Dorbyl's offer is subject to a number of conditions including a diligence exercise by the end of the month and sufficient votes to make Usko a subsidiary of Dorbyl

Berzack to take over Elgro in R145m swap

(1420) MARCIA KLEIN (189)

BERZACK Brothers is to acquire control of Elcentre Group (Elgro) in a share swap valued at around R145m between the Mowszowski family and the Berzack group. B/Day 21/2/92

An announcement issued today said Berzack has acquired 59,3-million shares in Elgro, constituting 86,4% of Elgro's issued share capital, in exchange for 107,2-million shares held by Berzack in Voltex The deal would see the Mowszowski family lose control of Elgro subsidiary Elcentre and Elgro disappear.

The JSE had said that the multiple pyramid structure resulting from the Elgro acquisition conflicted with its requirements In this light, Berzack will make an offer to Elgro minorities, and will make a proposal which will result in the elimination or declassification of one of the remaining pyramid companies in addition to the elimination of Elgro.

Elgro minorities will exchange their shares in Elgro for shares in Voltex or for cash

Elgro currently holds 54% of Elcentre, which holds 51,6% of Voltex and 82% of Sanlic Hardware Holdings Berzack currently holds 39,7% of Voltex

Conclusion of all transactions will see Berzack with a 54% holding in Elcentre, which in turn will hold 51,6% of Voltex and 82,0% of Sanlic. Berzack will also have a 10,3% direct holding in Voltex, and its holding in Voltex also will be reduced by 4%

Berzack joint MD Myron Berzack said last night joint control between Elgro and Berzack in terms of Voltex had its pros and cons, and this deal would see Voltex fall under Berzack control through Elcentre.

He said there could also have been family considerations on the part of the Mowszowskis which could have prompted the deal

One of the results of the deal was that Berzack would take control of the non-performing Sanlic Berzack said his group would look at the company and would try to do something with it

HAGGIE FM 21|2|92

Volumes flattened

189

This is yet another large industrial group that faced further deterioration in trading conditions during the second six months of 1991

For a group with Haggie's solid record, the first half was bad enough — turnover fell 2,8%, operating income 14,9% and EPS 12,1% In the second half, the figures worsened all round turnover dropped 19%, operating income 33,7% and EPS 25,5%. Full-year earnings slumped by nearly a fifth

Wilting demand in domestic markets was the main factor affecting profitability. MD Chris Murray contends demand fell roughly 20% during the year and the turnover decline was in line with this

Though exports have been built up over the years and Haggie has had a policy of allocating a significant proportion of its capacity for offshore customers, the bulk of its output still goes to domestic markets Local sales also carry much higher margins than exports

Exports climbed last year by 14%, rising to 15% of total sales It was not enough to compensate for the poor demand at home, particularly in sectors such as gold mining Volume throughput — rather than sales prices — has become the key problem, with capacity utilisation as low as 65%

Benefits have been seen from capital spending and rationalisation in several divisions, which helped to cushion the decline at trading level. Murray says margins in the non-ferrous metal company, Copalcor, improved by 43%, for example. Gains have also been seen in the engineering consumables companies.

Rationalisation is now planned for Consolidated Wire Industries (CWI), in the steel rod conversion division This will involve relocation costs and accelerated capital spend-

ing of about R30m Murray says the costs will dampen profit over the next 12 months, but benefits will be felt in about two years

Another development which Murray views as positive for longer-term prospects is the intention to build a R150m steelcord

TAUT LINES

Year to December 31	1990	1991
Turnover (Rm)	1 254	1 182
Operating income (Rm)	137,7	105
Attributable inc (Rm)	70,7	57,5
Earnings (c)	363,2	295,5
Dividends (c)	157	157

factory, which will more than meet the needs of local tyre makers who rely on imports The R38m first phase will start later this year, with commissioning due in mid-1993

Capex rose last year to R61,8m (1990 R49,3m) With other projects having been completed, a large increase in spending is not expected this year An overseas partner is involved in the steelcord plant and the planned spending is to be funded from borrowings At December 31, gearing was only 26% It's forecast that gearing will peak at about 40%, though the increase will not be as steep if markets recover this year

Improved profits are budgeted for this year, but there is no obvious reason to expect a sharp rebound yet. With the share standing at a 12-month high of R30, well up from R23 last March and on an earnings multiple of 10,2, the price is discounting much of the immediate recovery prospects. *Andrew McNulty*

FM 21/2/92

189

USKO/DORBYL

Unfair play?

When two companies are locked in takeover talks, is it possible for directors who sit on the boards of both organisations to work in the best interests of two separate sets of shareholders?

This question is at the heart of the furore surrounding the possible disposal of the remaining businesses of ailing engineering group Usko Management at Usko told shareholders last week that a restructuring proposal, which had the backing of the Usko board, had been accepted subject to conditions precedent Though details are only expected at the end of the week, the proposal apparently came from Dorbyl Usko's major shareholders are Iscor, and Dorbyl parent, Metkor Between them, they hold about 58% of Usko Five Dorbyl directors are on the Usko board, including Flores Kotzee, who is chairman of both groups as well as Metkor

Usko minorities are concerned that a deal between the two could favour Dorbyl shareholders Though there is no evidence that Usko minorities will be disadvantaged, their apprehension is understandable It is rumoured that if the deal goes ahead, then Usko minorities will be offered about 12c a share by way of a share swap The quoted price is 32c and the share traded at above 180c less than a year ago

A few years back, the counter was trading at more than 500c Since then the group has slid into technical insolvency — shareholders' funds are estimated at a negative R90m — and has sold its steel and vanadium operations at well below book value Remaining non-ferrous operations, that mainly comprise four cabling plants, are thought to be operating profitably but are saddled with bank borrowings exceeding R150m

Minorities are particularly concerned by Usko's disclosure that management and controlling shareholders are contractually bound not to negotiate with any other party about the disposal of the group's shares or parts of its businesses Though this unusual condition presumably falls away if these negotiations are unsuccessful, Dorbyl (which has no cable interests) is not the only group interested in Usko's remaining assets Kotzee confirms that two other organisations put in offers Management considered all three proposals

Shareholders' Association chairman Issy Goldberg describes the apparent exclusion of other bidders as abhorrent and unacceptable He suggests Usko suspend negotiations with Dorbyl, and allow other potential buyers to examine the accounts and possibly present more favourable offers He says his association will, if necessary, consider legal action to protect Usko minorities

Kotzee declines to say why it was necessary for Usko management and directors to agree with one party to refrain from further negotiations with other potential buyers He sees no conflict in representing more than one set of shareholders "I think I could represent nine (different groups of shareholders) if necessary When I go into a meeting I represent the interests of one company," says Kotzee

Usko was close to being acquired by cable maker Voltex late last year Voltex withdrew in November Voltex's Myron Berzack says his group was, among other reasons, deterred by the amount of debt it would have to take on if it took control of Usko Voltex may make another bid if current negotiations fall through

On February 12, the day before Usko management announced it had provisionally accepted a proposal, cable manufacturer Aberdare announced it intended to bid for Usko Aberdare executive chairman Peter Watt won't comment However, it's clear that Aberdare — a subsidiary of Altron's Powertech — was none too pleased at the way it has been shut out

Though details of the three bids for Usko, including that provisionally accepted by management, have not been made public, the Securities Regulation Panel (SRP) says it is satisfied, based on information provided by Usko's board, that Takeover Code requirements have been met SRP officials met with Usko management and its merchant bankers, Absa Merchant Bank, early this week

SRP deputy executive director Hermie Engelbrecht says interests of Usko minorities will not be forgotten Minorities will be able to assess the situation at the end of this week when details are expected to be revealed Meanwhile, Usko shareholders deserve an explanation of why the Usko board would consider a provisional offer which excludes any higher bids *Simon Cashmore*

Scheme to promote SA industrial design

BDay 20/2/92 (189)

WITH the serious decline in the gold mining industry as a forex earner, SA's manufacturing sector must provide the growth necessary to ensure future prosperity and quality of life for South Africans With this in mind, the SA Institution of Mechanical Engineers' design division has launched study for a design promotion policy for SA

Some representatives at a meeting organised in Johannesburg by the institution were unsure that a separate body was necessary to promote design, and a viability study is being undertaken to establish costs and the support necessary to get such a scheme under way

Adviser Michael Hunt says SA has no database on design information and lags behind other countries where local design has become central to brand name product development and export success

"In Taiwan for example, there's a $170m five-year programme under way to promote industrial design, because that country has realised the pitfalls of simply manufacturing under licence"

Manufacturing goods under licence does not give companies a strong position in world markets, nor do these products give them the added value earned by the companies which own the designs Hunt says design ownership and brand names are important if companies wish to maintain a competitive position in the market

"The subject of design gets scant attention in SA This is especially unfortunate at a time when it is so urgently needed for industrial expansion, and also when the latest technological developments have made it affordable for small companies," he says

Safto marketing services executive Vivienne Finnemore says Safto supports the beneficiation of any raw materials to promote exports

"SA needs to have a broader base of products for international markets, having traditionally concentrated on raw materials

"Design is central to any beneficiated product, so a design body could benefit manufacturers throughout SA Also, the body could play a pivotal role in assisting manufacturers in conforming to international standards such as the EC's ISO 9000."

Multimillion-rand Elgro deal expected

B/Day 20/2/92 MARCIA KLEIN (189)

MARKET analysts are expecting the announcement of a multimillion-rand deal involving the Elcentre Group (Elgro), in which the Berzack group would play a central role

Speculation is that the Mowszowski family could sell its interests in Elgro, holding company of Elcentre, to Berzack Brothers Both groups control cable group Voltex, so a deal would make Berzack the sole controlling shareholder of Voltex.

Last month Elgro, Elcentre, Berzack and Voltex issued a cautionary announcement saying negotiations were under way

Analysts said if speculation that the Mowszowski family would want to dispose of its holding was true, it was likely that Berzack would take up the interest in Elgro, obtaining full control over Voltex and its recently acquired UK electrical wholesaler Bennet & Fountain. However, they did not discount the possibility of other companies or institutions taking up some of the family's Elgro shares.

If the deal went through, a restructuring of Berzack's interests would probably follow. This would see the Berzack group consolidate its interest in Voltex, possibly under Elcentre

Elgro could disappear after its shareholders received shares in Berzack or Elcentre, and Berzack would become the major shareholder in Elcentre

It is understood that technical difficulties with some of the finer points of the deal are holding up the announcement

MANUFACTURING — IRON, Steel, ~~&~~ ENGINEERING etc

1992

MAY — DEC

Numsa, Seifsa in pay dispute

Sowetan 29/5/92

189

METAL industry negotiators agreed to resume pay talks on June 9 following a dispute between employer and union representatives in Johannesburg on Wednesday

The National Union of Metalworkers of South Africa (Numsa) said all unions involved in the negotiations, except the SA Yster- en Staalunie, declared a dispute on May 14

Employers represented by the Steel and Engineering Industries Federation of SA had subsequently also declared a dispute A further round of talks could be held on June 18 and 19

Seifsa spokesman Mr Hendrik van der Heever confirmed the decision taken at a special executive committee meeting of the National Industrial Council for the Iron, Steel and Metallurgical Industry

Numsa official Mr Les Kettledas said his union would have no alternative but to ballot its members for industrial action if no progress was made in national negotiations across four sectors

Numsa negotiators in the metal, tyre and motor industries on Sunday expressed concern at the apparent lack of progress in these negotiations

However, the union remained committed to finding an acceptable outcome to the negotiations and expected employers to do the same - *Sapa*

Make or break week for metal pay talks

W/Mail 19/6-25/6/92.

(189)

Negotiations in the embattled metal, auto, motor and tyre industries have reached a crucial stage, reports

FERIAL HAFFAJEE

DISPUTES and retrenchments are the order of the day at wage talks in the metal and tyre industries as the recession continues to batter these key sectors

The National Union of Metalworkers of South Africa also threatened to declare disputes in the automobile and motor industries Numsa called this week the "make or break phase of negotiations' and threatened to go on strike if no progress is made

Most negotiations have to be concluded by the end of June when agreements in three industries expire

Negotiations hinge on the union's principal and controversial demand for a moratorium on retrenchments, but employers in all sectors are hard-pressed to accede to this demand

Last week employers and unions in the metal industry conceded some ground in the search for a settlement Employers increased their wage offer from 6,4 percent to eight percent while Numsa decreased its demand from 42,6 percent to 20 percent or R1,50 an hour, whichever is the greater.

The National Council of Trade Unions affiliate, the Metal, Electrical and Allied Workers' Union of South Africa is also demanding a 20 percent increase (down from 27,7 percent)

While wage moves are crucial, other developments stole the day at last week's meeting The employer body, the Steel and Engineering Industries Federation of South Africa (Seifsa) agreed to consider job saving alternatives like wage reduction, job sharing and unpaid leave

The employers also tabled a code of conduct to prevent unfair discrimination in the industry, conceding in part to a long-standing Numsa demand

The sophisticated negotiations network in the metal industry bodes well for a settlement but agreement in the motor industry will be harder to come by

Motor employers are more hard nosed because Numsa is not well-organised in this sector which employs about 200 000 workers at petrol stations, panel-beaters, motor component manufacturers and reconditioning workshops

Employers have proposed a wage freeze for petrol pump attendants and chars, the lowest paid workers in the sector, and increases of only between three and five percent for other workers Numsa branded these increases "handouts" and said it would not even refer the offer to its members for consideration

Vic Fourie, a representative of the SA Motor Industries Employers Association (Samiea) however, says substantive negotiations are impossible until the union addresses key productivity issues challenging the "distressed" industry

These include an agreement on flexible trading hours in an attempt to boost business "like keeping repair shops open until six on Saturdays", says Fourie

Numsa is also in dispute with the New Tyre Manufacturers Association where employers face the removal of import control regulations in December and are adamant that they will not renew the moratorium on retrenchments beyond December

Tyre manufacturers hold out little hope for inflation-busting increases this year, but employers agreed to a five percent increase in maternity pay

Numsa proposed that all parties in the new tyre industry come to an indaba to hammer out a business plan for the industry, but the idea has met with cold refusal by the employers

In an industry where productivity needs a complete overhaul — imported tyres cost 30 percent less than locally produced tyres — Numsa is adamant that "job security is fundamental to the productivity and viability of the industry" The negotiations are being played out against a backdrop of spiralling retrenchments 13 000 jobs have been lost in the metal industry since the beginning of the year, 7 000 of these since the start of negotiations in March The union has also been notified of 2 000 retrenchments in the engineering sector at the end of June

Numsa representative Gavin Hartford says "Employers are generally resisting any notion of long or short-term job security because they see themselves undertaking restructuring exercises"

The union said the retrenchments were "provocative when job security is a central issue in negotiations"

Little reward for five-star service

Weekly Mail Reporter

SERVICE with a smile — just like it is in the TV ad — is the name of the game for petrol pump attendants Lucas Mokone and Daniel Pule. They both work at a busy Caltex garage in the heart of Johannesburg.

Both Pule and Mokone think it's very important to keep customers happy, but their conditions of employment make smiling difficult sometimes.

They earn R448 a month for a seven day week (and tipping is rare), working each day from 7am to 6pm or 1pm to 8.30pm. Lunch breaks are a luxury they don't enjoy and pension funds a benefit they have not heard of.

Mokone has been working at the same garage for nine years. As a senior he gets the same wage as a new recruit with five day's training.

Petrol pump attendants are the National Union of Metalworkers' lowest-paid workers, falling under the motor industry sector of the union's membership.

"We spoke with our manager a few times. We told him the salary was not enough to live," said Pule, opening his large hands. "He said it's the law of the motor industry."

Daniel Pule

Siefsa moves to block unions' wage demands

189

Own Correspondent CT 25/6/92

JOHANNESBURG — Seifsa is balloting its 3 400 members on a lock-out in the metal and engineering industry to compel trade unions to accept its latest wage offer

The industry covers about 9 000 firms, which employ about 310 000 workers Seifsa's members employ more than 70% of the industry's workforce, which comprises about one-third of the total manpower in manufacturing in SA

Seifsa director Brian Angus said the results of the ballot would be known in 10 days time He said this was the third time Seifsa had balloted for a lock-out.

Meanwhile, the industry's biggest union, Numsa — with 170 000 members — is gearing for a strike ballot.

If Numsa's national executive committee agrees this weekend to recommendations to ballot for strike action, balloting will begin on July 6 in preparation for a strike in late July

Seifsa is holding workshops for its members on lock-outs and their implications as part of its campaign It is offering an 8% wage increase, while Numsa is demanding 20%

Strike wave set to engulf SA

WMail 10/7-16/7/92.

(189)

Tension between employers and workers in the giant metal, auto and tyre industries could spill over into strikes over pay and retrenchments. By
Weekly Mail Reporters

MORE than 400 000 workers in three industries organised by the National Union of Metalworkers (Numsa) are teetering on the edge of strike action over wages and job security

Numsa strike ballots are currently being conducted in the giant metal and engineering industries, and are due to be finalised by next Thursday At the same time, the metal employer body, the Steel and Engineering Industries Federation (Seifsa), is conducting a lockout ballot

Balloting is also in progress in the tyre industry, while in the auto assembly sector, a conciliation board is due to sit next week. If this fails to settle the dispute — and Numsa's Les Kettledas said the two sides were so widely separated settlement was "highly unlikely" — a strike ballot will begin at once

In all three sectors, the disputes revolve around Numsa demands for a R1,50-an-hour or 20 percent increase, whichever is higher, and for a moratorium on retrenchments. The union's opening demand was for R2

Nearest to accommodating the demand are tyre employers, who in their final offer in the industrial council offered 12 percent and the 12-month extension of the watershed retrenchments moratorium agreed last year — but with conditions the union rejects These include employers' right to rescind the retrenchments agreement if unprocedural industrial action undermines productivity

Seifsa has offered an eight percent rise and has told unions party to the metal industrial council that proposals for a retrenchments moratorium are impracticable.

Auto assembly employers are among the highest-paying in South African industry, but their tough stance in this year's talks — their final wage offer is 6,4 percent — bears out depressed conditions in the sector.

Geting restive ... Numsa workers may soon go on strike

On retrenchments, the flashpoint is an employer proposal of voluntary retrenchment packages Numsa argues that as employers will select suitable candidates for redundancy, it cannot be voluntary

Also in dispute are union demands for worker rights such as immunity from dismissal during procedural strikes, picketing facilities and paid time-off for general meetings on company premises

Auto employers have told Numsa that poor market conditions have forced them to revise projected vehicle sales this year from 220 000 to 190 000

Denying that Numsa's demands were unrealistic in the light of the sector's current woes, Kettledas said employers continued to "duck and dive" on union proposals, tabled last year, for industry restructuring to promote growth and create jobs

"We understand that Naamsa (the Nation Association of Automobile Manufacturers) are unilaterally devising a strategy for the industry's future, and are to invite overseas experts We are not involved," he said

The union was also pressing for full disclosure of information, but no details of companies' financial positions had been provided

Seifsa members vote for lockout

189

DIRK HARTFORD

MOST of Seifsa's 3 000 member companies in the metal and engineering industry have voted in favour of lockout action

Seifsa has described the outcome of the balloting among its 35 member associations as "a significant show of employer solidarity" BDAY 16/7/92

Employers and unions, including metal workers' union Numsa, are deadlocked in wage negotiations Employers are offering 8% against Numsa's demand of 20%

The ballot means employers can legally lock their workers out Seifsa says this does not necessarily mean a mass lockout as individual employers can act at their own discretion

It is believed many Seifsa members will wait for the outcome of Numsa's strike ballot — expected on July 20 — before deciding whether to lock out workers and whether to do it selectively or collectively

Up to 220 000 Numsa members could be affected by a lockout

The union has already begun balloting its members and is planning — if the vote is positive — to strike from July 22.

The lockout could be used to compel workers to accept Seifsa's final offer, as a pre-emptive measure against possible strike action or to counteract strike action

This is the second time Seifsa has conducted a lockout ballot Last year employers also voted in favour of a lockout, but agreement was reached with the unions before any action was taken

Numsa calls national strike

NUMSA will strike nationally in the metal, engineering, auto manufacturing, tyre and rubber industries on Monday in support of wage and job security demands

The 270 000-strong union expects the strike to be the biggest yet in SA if many non-members in the affected industries join the strike

The strike is an industrial dispute, separate from and likely to continue after the planned general strike BIDAY

Employer organisation Seifsa said it was seeking a court interdict to declare Numsa's ballot invalid The application will be heard early next week — after the strike has already begun. 31/7/92

Seifsa said it had already lodged a complaint with the industrial registrar, asking for an inquiry into ballot irregularities.

DIRK HARTFORD

Seifsa claimed Numsa had not yet provided it with the outcome of the strike ballot in the metal and engineering industry, despite requests It said 856 irregularities — including voting by non-members and unsealed ballot boxes — were reported by 272 of its member companies 189

Numsa accused Seifsa of failing to provide it with the outcome of its lock-out ballot and said Seifsa had not responded its allegations of irregularities in that ballot

The union yesterday said it suspected Seifsa had either "bugged or made use of other dishonest means" to obtain information from its strike committee meetings after Seifsa's announcement of Numsa's strike action before the union had done so

New legislation on intimidation

249 3/8/92 JIM COHEN 329

PRETORIA — Tough legislation aimed at curbing intimidation, banning private armies and providing harsh sentences for the illegal use of certain weapons came into effect at the weekend.

A notice in the Government Gazette published on Friday brought into effect the Criminal Law Second Amendment Act and a separate schedule defined the classes of weaponry prescribed under the Act.

The schedule effectively includes AK-47s, hand grenades, rocket launchers, mortars and mines. A minimum five-year prison term will be imposed if a person is convicted of committing an offence with a weapon possessed unlawfully

BDAY 3/8/92

A magistrate may also authorise the detention of people withholding information from the police about such weapons, subject to certain regulations

The Act criminalises the training or equipping of military or quasi-military organisations which could usurp the functions of the SAP or SADF.

The Intimidation Act is also extended to criminalise indirect forms of intimidation.

Previously it was an offence if someone had been persuaded, with threats, to do something Now it is an offence if the intimidator fills someone with fear.

Numsa workers jump strike gun

189

BDAY 3/8/92

DIRK HARTFORD

NUMSA members at several factories in Benoni jumped the gun on the union's national strike — officially due to begin today — and started striking on Friday.

Several Seifsa members have already given notice to the union they intend to lock out workers next week. Numsa is striking in the motor, tyre and rubber, and metal and engineering industries

It will be impossible to gauge the support for the strike before Wednesday, because of the general strike. Even after that it could be difficult — depending on the extent of the mass action programme

In the motor manufacturing sector, for example, Samcor has closed for the entire week by arrangement with Numsa shop stewards. So it is not actually clear if the workers are on strike or not

If all Numsa's 250 000 members in the affected sectors come out, it will be the biggest industrial strike in SA's history

Meanwhile, Seifsa denied last week that it had "bugged or made use of dishonest means" to get information on Numsa's strike

Seifsa spokesman Hendrik van der Heever said the suggestion was laughable

He said Seifsa had learnt of the strike plans through its members, who had received written notice that the strike would start today

Seifsa also said Numsa was "lying" in alleging that Seifsa had not responded to its inquiries on irregularities in the Seifsa ballot. Seifsa is going ahead with an interdict against Numsa for ballot irregularities

Sources in the motor manufacturing, and tyre and rubber, industries said they expected to meet Numsa this week to continue negotiation

Sapa reports from East London that more than 2 000 workers at Mercedes-Benz in East London will strike from today, Numsa said on Friday

A further 1 300 Numsa members in the region involved in the engineering sector would also go on strike over an industrial dispute concerning wages and working conditions, said Numsa's Border secretary Enoch Godongwana. Godongwana said the strike was separate from the two-day stayaway beginning today and would continue beyond that.

A Mercedes spokesman said the company could not comment on the situation as the dispute had developed in the national bargaining forum representing the seven motor manufacturers.

Closure opens way for Hiveld

S Times (Buss)

By IAN ROBINSON

10/5/92

THE closure of a vanadium plant in Germany provides increased scope for Highveld Steel & Vanadium to beneficiate its own slag (189)

German ferrovanadium producer GfE announced last month that it would cease producing commercial-grade vanadium pentoxide from slag at the Nurnberg plant from the end of September It will buy pentoxide in future

Highveld said in February last year that it would undertake a R10-million upgrade of the Vantra plant. Modifications of facilities will allow the corporation to beneficiate about 20% of slag production to vanadium pentoxide and trioxide.

However, the closure of GfE's conversion capacity from slag to pentoxide will have no effect on the continuing world oversupply The glut has been caused by excess production capacity of vanadium by primary producers who extract it from the ore in the form of slag, pentoxide or other products

Wage negotiations end in a deadlock

189

Sowetan 15/5/92

THE fourth round of wage negotiations in the metal industry ended in deadlock yesterday, employer and union representatives said

The talks were briefly interrupted by demonstrating trade union representatives, according Mr Les Kettledas of the National Union of Metalworkers of South Africa.

In a statement, he said no real progress had been made in the negotiations affecting more than 320 000 workers - *Sapa*

Macsteel dispute appeal dismissed

BLOEMFONTEIN — An appeal by the National Union of Metalworkers of SA and 17 of its members against a judgment of the Labour Appeal Court was dismissed by the Appellate Division yesterday

The case arose from a wage dispute and disruptions at plants belonging to Macsteel (Pty) Ltd, of Germiston, in August and September 1988 B/Day 22/5/92

An industrial court found that the collective overtime ban by Macsteel employees, with the knowledge and concurrence of the union, was neither unlawful nor an unfair labour practice but a legitimate industrial relations pressure tactic

On July 24 1990 Judge W J Hartzenburg and assessors, in the Labour Appeal Court set aside the industrial court's decision, substituting an order that the union's conduct to introduce, instigate and persist in an overtime ban in the circumstances was an unfair labour practice Union members' failure to work normal overtime, furthering a collective intention to persuade Macsteel to accede to their wage demands, constituted a collective overtime ban

Yesterday Judge Richard Goldstone said there were ample grounds for the lower court to hold that the overtime ban was an unfair labour practice It followed that there was no reason to interfere with the order made by the Labour Appeal Court — Sapa

Bop pension fund moves into city property

B/Day 22/5/92

ADRIAN HADLAND

BOPHUTHATSWANA's state pension and unemployment fund had embarked on "a major thrust into the Johannesburg property market," the company said yesterday

The Sefalana Employee Benefits Organisation (Sebo), which has been involved in a commission of inquiry into alleged financial irregularities, has also begun an advertising campaign aimed at boosting its corporate image

Senior GM of customer services Rohan Laird said yesterday the campaign was not aimed at addressing issues raised by the inquiry but "to let people know we exist"

Among recent Sebo acquisitions are two buildings in Johannesburg's CBD, for R18m, and three office blocks in Sandton

Save jobs or save an industry

STAR 25/5/92 189

THE POOR state of the South African economy is forcing South African employers and trade unions to confront the highly emotive question of how to contain the human cost of workers losing their jobs by the thousands

Efforts by unions and managements to cushion the impact of retrenchments have met with only limited success, making job security a central issue in labour relations

The issue has emerged as a major stumbling block in the current wage talks between the National Union of Metalworkers (Numsa) and car manufacturers BMW, Volkswagen, Toyota, Mercedes Benz, Nissan, Samcor and Delta

The bone of contention is Numsa's demand that the current moratorium on retrenchments, which expires next month, be extended Employers have dug in their heels, arguing that a resolution of the other issues up for discussion, relating to pay and conditions, depends on how the moratorium issue is dealt with

BMW's Dave Kirby, chairman of the employer caucus in the talks, said employers felt that in the circumstances, layoffs were essential to controlling costs in a situation of declining output

"Our view is that if we reduced manpower we would be able to give the people who remain full employment and that the (moratorium) agreement was a short-term offer

"The difficulty lies in sustaining such an agreement in the long term, especially if you cannot foresee what will happen in the industry in a period of four to six months," said Mr Kirby

Although mindful of the fact that job security was important to employees, employers were reluctant to enter into an agreement they could not sustain in the long run

The motor manufacturing industry, which survived a severe recession in the mid-1980s, is again experiencing a decline in demand, after recovering slightly three years ago Sales of motor cars, for instance, dropped from 221 342 in 1989 to 197 736 last year

Numsa has also demanded a halt to retrenchments in the other sectors where it is represented — the steel and engineering, tyre-manufacturing and motor industry (the latter including operations such as petrol stations and panelbeaters)

The union is concerned that, hurt by a global drop in steel products and the curtailing of State expenditure on large projects, last year steel and engineering alone shed 35 000 jobs, and that retrenched metal workers are swelling the numbers of the unemployed at an average rate of 3 000 a month

Numsa chief negotiator Les Kettledas said "We believe that workers should not be the ones to pay for the state of the economy We are concerned about the rising level of unemployment because it brings about many social problems

"Our view is that that when retrenchments take place they are a cost-cutting measure by employers We believe that employers should instead look at alternatives to retrenchment, and have committed ourselves to discuss with them the long-term growth and viability of the industries concerned," said Mr Kettledas

In mining, also reeling from large-scale job losses due to inflation and a depressed gold price, the NUM has put forward a restructuring programme for the industry The proposals, first suggested to employers during the Mining Summit last June, are currently the subject of discussion in working groups including employers and union representatives

Meanwhile, a key element of the proposals, focusing on rescuing marginal gold mines through State aid in the form of tax paybacks (thereby preventing mass retrenchments), has been taken up by the NUM in the case of Rand Mines' Harmony gold mine, where 8 000 jobs are on the line

The NUM, believing that its approach can succeed only with the support of both the State and capital, has asked the Free State mine's owners to back the union in making representations to the Government

Employment on gold mines affiliated to the Chamber of Mines alone shrank about 20 percent from 534 255 in 1986 to 424 273 last year, with more jobs set to be axed this year

NUM assistant general secretary Marcel Golding explained that while the union accepted that the gold mining industry was set to contract in terms of output and labour "in the next 10 years", it believed that job security was a workers' right which should not be taken away "without due process and adequate compensation"

"We are not saying that in every situation there should be no retrenchments, but that we need an industry-wide retrenchment policy which will look at the future of the industry, including a properly managed down-scaling programme which provides for a national re-training scheme for retrenched workers," said Mr Golding

Believing that gold mining's crisis was a structural one, the union wanted the establishment of a permanent mining commission which would oversee the inevitable down-scaling in the industry

Chamber of Mines chief economist Francois Viruly agreed that there were limits to what could be done to shore up the industry and save jobs in the short term

"The rationalisation programmes undertaken by the industry have been relatively successful But in the final analysis the question that has to be answered is whether one can keep a mine going profitably To a certain extent the life of a mine will be determined by whether the fiscal authorities can bring inflation under control If inflation continues to increase costs, even our gold reserves will, in the long run, become unprofitable," he said

In the retail industry, afflicted by shop closures and retrenchments, the SA Commercial, Catering and Allied Workers' Union has called for a crisis meeting with employers to discuss ways of saving jobs as the industry restructures itself □

Deadlock in metal indust[illegible] wage talks

STEPHANE BOTHMA

8/Day 11/6/92

DISCUSSIONS to resolve the dispute over wages in the metal industry will resume later this month after Seifsa and Numsa this week failed to reach an agreement

Seifsa yesterday revised its wage offer from 6,4% to 8% for all workers on condition the union dropped other demands

Numsa rejected the offer and a further meeting was scheduled for June 18, collective bargaining national secretary Les Kettledas said in a statement last night

Seifsa remained opposed to a Numsa demand for a moratorium on retrenchments but said it was prepared to consider alternatives, Kettledas said

Responding to a demand for a code of practice to end discrimination in employment, Seifsa called for a code of conduct

June 16 is a paid holiday in the metal industry

189

Sowetan 17/6/92

JUNE 16 was a paid public holiday for workers in the metal and engineering industry, the Steel and Engineering Industries Federation emphasised yesterday.

"This holiday arrangement was negotiated between employers and trade unions in the industry during the 1990 negotiations and applies to all employees covered by the industry's main agreement," said a statement issued by Seifsa.

Seifsa was reacting to news reports yesterday, referring to disciplinary action against workers who stayed away from work because of mass action.

"It must be made clear that this obviously does not apply to June 16 in respect of employees covered by the industry's main agreement."

Referring directly to mass action of the ANC, which started yesterday, the employer body said:

"According to reports this could include a general strike of not less than three days and other disruptive actions.

"Seifsa believes that this will be coordinated to coincide with the legal, or possibly illegal, strike action related to the (metal and engineering) industry's wage negotiations currently underway

"Seifsa is recommending that its members respond to this action as follows:

"● The overriding principle is that a firm policy of no work, no pay be implemented with regard to all unauthorised absences from work resulting from participation in mass action Once again, this does not apply to June 16 - which is a paid holiday for the industry

"● Disciplinary action be taken at each member company's discretion in respect of such absences" - *South African Press Association*

40 000

STAR 23/6/92

march,

[redacted] (189) [redacted]

hand over demands

Staff Reporters [redacted]

About 40 000 singing, toyi-toying members of the National Union of Metalworkers of SA (Numsa) yesterday marched through downtown Johannesburg to demand higher wages and improved working conditions

Led by SACP general-secretary Chris Hani, the marchers, who carried anti-Government placards and ANC and Numsa banners, delivered memoranda to the Steel and Engineering Industries Federation of SA, the Department of Manpower and the Motor Industries Federation offices with demands, including.

● A 20 percent increase across the board and a moratorium on retrenchments.

● That Iscor close KwaMadala hostel, whose inmates they have linked to last week's massacre of residents in Boipatong and Slovo Park.

● A "living" wage and a reduction in basic food prices.

The march formed part of the ANC's mass action campaign for an interim government.

If employers failed to meet the workers' demands, the 230 000-strong Numsa would soon hold a strike ballot and decide on "action", warned general-secretary Moses Mayekiso, adding that wage talks with employers had reached a deadlock

"Numsa wishes to assert that we have accepted the challenge of the metal bosses in their intransigence to accede to our reasonable demands We want to say that with today's march the matter now is in the hands of the actual producers, those who create the marvels with their labour power but are forced to live in hovels," said Numsa in a statement.

● ANC, Inkatha wrangle over unionists' meeting — Page 11

IDC chief outlines plan to add value to exports

BIDay 26/6/92 (189)

MADDEN COLE

ADDING value to SA's natural resources is seen to be the driving force for economic growth by Industrial Development Corporation (IDC) GM Malcolm Macdonald, who believes this method could could earn the country billions of dollars in additional foreign exchange

Macdonald told the Euromoney Conference in London this week that SA's economic policy was changing from inward-looking protectionism to an open market

Import duties and quotas were being reduced and industries were being promoted in areas where they had an international competitive advantage

"The country has remarkable natural resources and there are many opportunities for adding further value," he said

A number of specific projects were being investigated, Macdonald said, some of which would start this year

SA, already the world's largest producer of ferroalloys, had the potential to become one of the lowest cost manufacturers of stainless steel

The recent joint venture between Highveld Steel and Samancor would result in a world-scale plant with a capacity of 300 000 tons a year

The plant would be completed in 1996 and export earnings of $820m were expected

The country's low-cost electricity, based on its abundant cheap coal, would give SA an international competitive advantage in aluminium production

Electricity was the major input cost in aluminium production.

The proposal by Gencor, the IDC and Eskom to increase the capacity of the Richards Bay smelter plant to 600 000 tons a year from 170 00 tons a year at a cost of $2bn, would generate exports to the value of $980m a year

Depending on the results of a demonstration plant being constructed, a full-scale plant, which would make the country self-sufficient in alumina, magnesia and potash, would be built.

Macdonald said SA would also become a significant exporter of magnesia and later of magnesium metal The plant was planned to come into production in 1997, and would contribute $540m to the country's foreign trade account

Macdonald said the IDC and Iscor were working on a project study to convert a portion of the iron ore exports to an end-product steel using a new iron-making process developed by Iscor in partnership with Voest Alpine of Austria

This would further benefit SA, already potentially one of the lowest-cost steel producers in the world The new $1,1bn steel mill, to be commissioned in 1997, would earn $350m in additional exports

A preliminary feasibility study had been done for a world-scale petrochemical complex based on downstream processing of gas from the Mossgas fuel project which was being commissioned Further studies were being done by Sentrachem and Engen with the IDC and a detailed proposal was expected by the mid-1993

The bulk of the $4bn complex's output would be taken up for further processing domestically, with 30% being exported initially Improvement to the foreign trade balance was estimated at $840m a year

A national strategy had been approved to expand the infrastructure and accommodation in and around national parks to increase foreign exchange earnings from tourism to $1bn within the next five years

The SA economy would receive a major stimulation from the implementation of the large-scale natural resource added-value projects in the pipeline.

The simultaneous change in the economic policy was directed at achieving sustained long-term economic growth that was essential for the future of the whole sub-continent, Macdonald said

Protectionism's legacy haunts steel industry

BDay 3/7/92. (189)

EDWARD WEST and
KARIN FRANKEN

THE secondary steel industry was operating well below production capacity, but it could be boosted by making raw materials available in SA at world prices, industry sources said

Chairman of the Wire Converters' Association Robin Bosomworth said trading conditions were down across the board as a result of years of protectionist policies

SA was primary industry orientated and measures — such as the two-tier pricing policy allowing raw materials to be exported cheaper than what was available in SA — would turn foreign investors in the manufacturing sector away from SA

He said the way to give the manufacturing sector a much-needed boost would be to make raw materials available to SA manufacturers at world prices

Iscor spokesman John Barnard said domestic steel prices were market related with about 50% of total domestic production being allocated to the production of farming implements and tools In 1991 Iscor exported 47% of its production

Steel and Engineering Industries Federation of SA (Seifsa) economist Michael MacDonald said the issue of high raw material prices had been raised with Finance and Trade and Industry minister Derek Keys at a meeting last Thursday

He said some raw materials, like copper, were sold in SA at London Metal Exchange prices regardless of production costs

Other raw material suppliers, like Iscor, had fixed costs which needed to be spent no matter the extent of production And once curtailed it was prohibitively expensive to resume production

It was for this reason that every steel producer in the world unloaded excess capacity whereever it could However, some raw materials were overpriced and protection measures on these would have to be reviewed eventually, he said

The sudden removal of protection measures would result in the closure of some industries which would make government unpopular As a result trade barriers would probably stay until other economic distortions were removed, he said

National Association of Automobile Component and Allied Manufacturers chairman John Brandtner said the shift from local to imported components and the rising protection of raw materials had slashed about 15 000 jobs in vehicle component industry since the introduction of Phase VI in 1989 Falling vehicle sales had also cost another 10 000 jobs

Local component manufacturers battled to be competitive internationally because raw materials cost significantly more than for overseas competitors Plant and machinery cost 25% to 30% more due to import duties, surcharges, and transport costs and tax levels were high with limited scope for economies of scale production

He said capacity utilisation in the industry was about 80% three months ago, but the strike at Toyota and falling vehicle sales would have sliced about 15% off

Opportunity

Conditions in the steel door and window industry were also down, but for different reasons Steel Windows and Doors Association spokesman Nick Crosby said the industry was currently supplying 3 500 tons of steel windows and doors a month to the building industry, but because of the collective industry production capacity, it was well placed to supply at least double the figure

"There are massive employment opportunities within the steel industry, with many manufacturers desperate for business," Crosby said However, these employment opportunities could only be effected once the proposed large low cost housing projects were in progress, he said

An example was steel and aluminium window producer Wispeco MD Ian Wood said the depressed market had claimed 8% of its staff in the past year with production capacity utilisation at about 70%

Protectionism's legacy haunts steel industry

BiDay 3/7/92. (189)

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Steel and Engineering Industries Federation of SA (Seifsa) economist Michael MacDonald said the issue of high raw material prices had been raised with Finance and Trade and Industry minister Derek Keys at a meeting last Thursday

He said some raw materials, like copper, were sold in SA at London Metal Exchange prices regardless of production costs

Other raw material suppliers, like Iscor, had fixed costs which needed to be spent no matter the extent of production And once curtailed it was prohibitively expensive to resume production.

It was for this reason that every steel producer in the world unloaded excess capacity whereever it could However, some raw materials were overpriced and protection measures on these would have to be reviewed eventually, he said

The sudden removal of protection measures would result in the closure of some industries which would make government unpopular As a result trade barriers would probably stay until other economic distortions were removed, he said

National Association of Automobile Component and Allied Manufacturers chairman John Brandtner said the shift from local to imported components and the rising protection of raw materials had slashed about 15 000 jobs in vehicle component industry since the introduction of Phase VI in 1989 Falling vehicle sales had also cost another 10 000 jobs.

Local component manufacturers battled to be competitive internationally because raw materials cost significantly more than for overseas competitors Plant and machinery cost 25% to 30% more due to import duties, surcharges, and transport costs and tax levels were high with limited scope for economies of scale production

He said capacity utilisation in the industry was about 80% three months ago, but the strike at Toyota and falling vehicle sales would have sliced about 15% off

Opportunity

Conditions in the steel door and window industry were also down, but for different reasons Steel Windows and Doors Association spokesman Nick Crosby said the industry was currently supplying 3 500 tons of steel windows and doors a month to the building industry, but because of the collective industry production capacity, it was well placed to supply at least double the figure.

"There are massive employment opportunities within the steel industry, with many manufacturers desperate for business," Crosby said However, these employment opportunities could only be effected once the proposed large low cost housing projects were in progress, he said.

An example was steel and aluminium window producer Wispeco. MD Ian Wood said the depressed market had claimed 8% of its staff in the past year with production capacity utilisation at about 70%

Seifsa votes for lockout in pay dispute

Star 17/7/92

By Thabo Leshilo
Labour Reporter

Members of the Steel and Engineering Industries Federation (Seifsa) have voted in favour of a lockout in their wage dispute with the National Union of Metalworkers of South Africa (Numsa).

The decision by member companies, announced on Wednesday, follows a deadlock in the annual wage negotiations with 12 trade unions, including Numsa

Numsa, the majority union, is claiming, among other things, a R1-an-hour increase, or 20 percent, whichever is the greater, while Seifsa is offering individual increases of 8 percent.

Numsa is the only union conducting a strike ballot The results will be available next week.

The show of employer solidarity did not mean that industry would now necessarily lock out employees en masse, Seifsa said in a statement

The lockout would depend on the outcome of Numsa's strike ballot.

Union votes for lockout

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JOHANNESBURG — The Steel and Engineering Industries Federation of South Africa announced that most of its member associations had voted for a lock-out

CT 17/7/92

S/Times 19/7/92

Strikes in two key industries loom

(189)

By ADRIAN HERSCH

STRIKES about pay could begin on Wednesday in the motor and metal industries.

Conciliation board talks held this week in the motor industry failed to resolve differences — and Numsa immediately held a strike ballot.

The disputes in both industries, affecting about 370 000 workers, enter a critical phase as Numsa's national executive committee meets this weekend.

Seifsa, the employer body in the metal industry, has received a vote in favour of a lock-out.

The last national pay strike in the metal industry occurred in 1988 and lasted two weeks. Numsa members embarked on what it called "strategic strike action"

It occurred at carefully chosen companies, mostly in the PWV area.

There is speculation that Numsa may not get a yes vote for a strike. But even if it does, a strike is not certain

Given tough economic conditions, Numsa may hesitate to call a strike across the entire metal industry.

One of the key advantages of the lock-out is that even if "strategic strikes" occur, employers will be able to act on a broad scale, placing pressure on the union

Seifsa offers an 8% pay increase and Numsa demands 20% The union wants a moratorium on retrenchment Employers say it is impractical.

Seifsa executive director Brian Angus says "we would prefer a settlement — in line with the economic conditions in the industry"

The unknown factor — likely to play a decisive role as many pay negotiations come to a head — is how political events unfold

The parties in the motor industry are reluctant to comment on what happened in conciliation board meetings this week

But it is believed that there was some modification of position by both parties, which offers some cause for hope

Go-slow: interim order granted

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STAR 22/7/92

By Susan Smuts

An interim order restraining 150 National Union of Metalworkers workers from an illegal go-slow at Trident Steel's Germiston plant was yesterday granted in the Rand Supreme Court.

Before the hearing, the workers named in the interdict and their supporters sang and chanted outside the court

The workers, who opposed the matter, had no legal representation.

Mr Justice R T van Schalkwyk postponed the case to August 18 to allow the workers to file answering affidavits

Granting the order, he said if any unlawful conduct was taking place, it should be stopped, and if no unlawful conduct was taking place, the workers could not be prejudiced.

Trident sought the interdict to declare the go-slow, said to have started on June 29, illegal and restrain workers from instigating or taking part in it.

Trident claims workers have embarked on a go-slow but workers say they have merely refused to work overtime

It was agreed that workers would be represented by a few shop stewards as the court was too small for all.

Manufactured exports lift trade surplus

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STAR

By Sven Lunsche 22/7/92

The trade surplus in the first six months of 1992 rose by 9,5 percent to R8,78 billion, compared with the 1991 first half, according to figures released by Customs and Excise yesterday

Economists warned, however, that the trade surplus for the full year was unlikely to match last year's record R21,89 billion

Exports for the first half improved by 4,7 percent to just over R33 billion from R31,53 billion in the January to June 1991 period, while imports rose by three percent to R24,23 billion (R23,52 billion)

Export earnings were held back by the poor performance of the unclassified category (mainly precious metals), which fell by 14 percent from R13,28 billion in 1991 to R11,47 billion this year

Excluding the unclassified category, exports were up by 18 percent, which is a remarkable achievement, given the poor economic state of the country's major trading partners.

South African Foreign Trade Organisation (Safto) economist Bruce Donald says that the strong performance of most export categories could be attributed to the partial removal of sanctions, the weak domestic market, which led to an increase in the amount of production available for export and the impact of government export incentives programmes.

Manufactured exports are going from strength to strength this year, led by exports of transport equipment (a rise of 60 percent so far this year on 1991), plastics (52 percent), chemicals (49 percent) and machinery (28 percent).

Mineral products, resilient in the face of poor conditions in international commodity markets, rose sharply in June, recording a remarkable growth of 25 percent to R4,12 billion (R3,3 billion), while base metal exports were up by nine percent to R4,84 billion (R4,45 billion).

Mr Donald says most agricultural categories were still holding out against the impact of the drought — namely, fats and oils (a gain of 40 percent), vegetable products (25 percent), live animals and animal products (18 percent), and hides and skins (22 percent).

Vegetable product imports, on the other hand, are already reacting to the drought, rising by 34 percent to R828 million (R616 million), as are prepared foodstuffs imports, which were up by 23 percent.

In real terms — taking producer inflation into account — imports were significantly down compared with last year, clearly reflecting the current recession in the domestic economy, Mr Donald says.

Imports of industrial materials were down in real terms Nominal growth of chemicals stood at four percent, plastics at three percent and base metals at seven percent

Unclassified imports, comprising mainly oil, were down by 21 percent, to R2,66 billion (R3,38 billion), as the government reduced its oil stockpile

EC anti-dumping probe into SA steel imports

189

CT 28/7/92

Own Correspondent

JOHANNESBURG — The European Commission has launched an investigation into the alleged dumping of manganese steel wearparts from SA, the EC's second probe into dumping by SA's steel industry this year

Scaw Metals manager David Bennet said the inquiry followed complaints by wearparts makers in France, Italy, Portugal, Scotland, Spain and the UK, who alleged that SA castings were being sold in the EC at lower than domestic prices About 8 450 tons of manganese steel wearparts were exported in 1991, he said

Wearparts are parts of machinery which get worn away by contact with the material they are processing

Sapa-AP reports that 18 SA producers are alleged to have undercut EC producers and depressed prices Financial losses have led to some EC producers considering shutting down production

SA's exports grew to 26% of EC consumption in 1991 from zero in 1983

France and the UK were the two markets hardest hit In France, SA's market share climbed to 63% in 1991 from 56% in 1989, and in the UK to 41% from 14%

Bennet said questionnaires dealing with cost inputs, ex-works, turnover and export and domestic prices would probably be sent to SA producers SA companies would then have 30 days to reply An on-site investigation by the EC was also likely

Seifsa economist Michael MacDonald said making representations to the EC as a group could raise problems over aspects such as collusion and conflicting interests

He believed producers would make similar representations to those by Highveld Steel and Samancor, under EC investigation for alleged ferro-silicon dumping

probe starts

PRETORIA — The Goldstone Commission of Inquiry into public violence and intimidation will today begin its investigation into the June 17 Boipatong massacre

The commission will be sitting at the Vereeniging Civic Centre from 10am CT 5/8/92

The sitting will be chaired by Mr Justice Richard Goldstone, who will be assisted by, among others, Mr Justice P M Bagwati, former chief justice of India

More than 40 people died in the Boipatong massacre when a large group of armed men attacked the township — Sapa

Court delays strike ruling

(189)

COURT action to have a threatened strike in the metal industry declared illegal has been delayed until tomorrow

Steel and Engineering Industries Federation of SA (Seifsa) spokesman Mr Hendrik van der Heever said yesterday the federation, representing over 3 200 companies, launched the application against the National Union of Metalworkers of SA in Pretoria on Monday

"There appears to have been major balloting irregularities, we were not informed of the ballot outcome and we have good reason to believe that the ballot was unsuccessful," he said.

Mr Van der Heever said there would not be a mass lockout — Sapa

CT 5/8/92

Metal sector strike case delayed

CAPE TOWN — Court action to have a threatened strike in the metal industry declared illegal had been delayed until tomorrow, Seifsa spokesman Hendrik van der Heever said yesterday.

Seifsa, representing more than 3 200 companies, launched the application against the National Union of Metalworkers of SA in Pretoria on Monday.

"We are seeking to have the strike declared illegal. There appears to have been major irregularities in balloting. We were not informed of the ballot outcome and we have good reason to believe that the ballot was unsuccessful," said Van der Heever.

Numsa, which represents more than 170 000 workers in an industry of 320 000 employees, was fighting the matter on "technicalities".

According to Seifsa, the strike in the metal sector was supposed to have started on Monday.

Van der Heever said it was up to individual companies whwther or not to enforce a lockout today. — Sapa.

13/04/95

(189)

Court bid to end strike

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PRETORIA — An urgent application by the Steel and Engineering Industries Federation of SA and 17 employer associations to halt a National Union of Metalworkers countrywide strike started in the Supreme Court here yesterday CT 7/8/92

The employers are seeking an interim order to stop the strike, pending the outcome of a further application to declare the ballot invalid

Most auto assembly lines have been standing idle since Monday — Sapa

Employers go to court on strikes

W/Mail 7/8 - 13/8/92

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Employers in the giant metal industries have taken to the courts to stop pay strikes, reports

MONDLI MAKHANYA

EMPLOYERS in three metal sectors this week took the National Union of Metalworkers (Numsa) to court to challenge the legality of its industry-wide strike which began on Monday

As about 170 000 metalworkers began their strike on the same day as the start of the national general strike, Numsa's legal representatives were engaged in different battle in the Rand Supreme Court as employers tried to halt the strike in the engineering, iron and steel and metallurgical industry

The Steel and Engineering Federation of South Africa (Seifsa) is arguing that Numsa's ballot was riddled with irregularities and that the union did not get a mandate from its members to embark on the strike It has also lodged a formal complaint with Department of Manpower's Industrial Registrar requesting an inquiry into the "irregularities"

In the motor assembly and in the tyre and rubber industries, however, where 15 000 workers are out on strike, employers are satisfied the action is legal and negotiations are continuing

At the heart of the legal battle in the iron and steel, engineering and metallurgical sectors is Seifsa's contention that there were 856 irregularities at 272 companies The employer body claims that non-union members voted in Numsa's ballot, that some ballots were unsealed or inadequately sealed and that workers were unable to vote in privacy

Following Numsa's announcement of the strike last Thursday, Seifsa immediately said it would contest the ballot and interdict the union from striking Papers were served on Numsa on Sunday morning but at the Monday hearing the union's request for more time to study the papers and formulate a response was granted. Judge R Joffe also declined to force Numsa to suspend the strike for the duration of the case Since actual arguing will only begin today, the ruling will only be known next Monday And by then the strike will be in full swing

However, Seifsa does seem to have sufficient ground for doubting the result of the ballot Numsa did not provide information about the outcome of the ballot and it appears the union doesn't yet have comprehensive reports on the percentage of the poll

"We are working that out but we are sufficiently satisfied that the majority of workers voted in favour of strike action," Numsa legal represantantive Amanda Armstrong said

In recent years the ballot has been marred by low voter turnout and this year's has also been a very problematic one for Numsa The outcome was delayed by two weeks due to slow voting, which Numsa attributed to intimidation The union claimed that the Inkatha-aligned United Workers Union of South Africa was harassing members who lived in hostels and that almost 20 people had been killed in clashes related to the ballot

The dispute in the motor assembly industry may be resolved next week and is unlikely to last as long as last year's damaging strike Numsa and the National Association of Motor Manufacturers of South Africa (Naamsa) have virtually agreed on an 11 percent wage increase, but the smaller components companies' are unable to give that much.

Numsa discuss Naamsa's offer today and the two sides will be negotiating again on Monday

"I'm confident the dispute will be resolved then," says Naamsa vice-chairman and chief negotiator Charles Strydom

But at Totoyta's Durban plant, workers are tied by an agreement reached with management two weeks ago that they would not strike until November 1 in return for their being reinstated following a seven-week strike

In tyre and rubber about 3 400 workers also came out on strike as employers rejected Numsa's demand of a 20 percent or R1,50 an hour increase and are offering 12 percent or R1,13

Seifsa considers revised Numsa demand

DIRK HARTFORD

SEIFSA is to respond to Numsa's lowered wage demand today for metal and engineering workers

However, the strike, which Numsa estimates involves 100 000 workers and Seifsa says 70 000, looks set to drag on as there is still a large gap separating the parties.

Although Numsa has dropped its wage demand to 16%, it is insisting on a moratorium on jobs which Seifsa has rejected Seifsa's final offer during negotiations was an 8% increase

Numsa says at least 550 plants are out on strike, mostly in the PWV area Workers have been dismissed at nine small plants and more than 100 plants have locked workers out.

Three interdicts, brought by individual companies, have been granted against Numsa and several more are being dealt with

Seifsa executive director Brian Angus said Seifsa's appeal to have the Numsa strike ballot declared unlawful would be heard by a full bench of the Transvaal Supreme Court next Friday, Sapa reports

The union intends balloting members in the motor industry next week

Angus said some companies were shutting workers out, rather than locking them out, largely because of intimidation

Angus said several Numsa-organised plants were still working, but that there were also non-Numsa members who had joined the strike

The Metal and Electrical Workers' Union of SA, also in dispute with Seifsa, announced yesterday that 95,3% of its members in the industry supported strike action

But it said a burglary at its Athlone offices on Tuesday — the second in two weeks — had disrupted union work, "suggesting some sinister force is intent on destabilising our union"

Meanwhile, full production resumed at vehicle assembly plants yesterday following an interim agreement after a nine-day strike, Seifsa spokesman Dave Kirby said

Seifsa rejects Numsa's revised offer

BDAY 14/8/92.

THE strike by between 60 000 and 100 000 workers in the metal industry is likely to be protracted after Seifsa stood firm on its final offer of a 8,6% increase in response to Numsa dropping its wage demand from 20% to 16% on Tuesday

Seifsa called on Numsa to accept its offer so the strike could be resolved without further job losses The employer federation said most member firms were managing to maintain production at reduced levels and some strikers had returned to work

This week Numsa said workers at

189 DIRK HARTFORD

more than 550 plants were out on strike and more than 100 companies had locked out workers Seifsa said companies had shut down because of the intimidation of workers

Numsa said nine small plants had dismissed workers

Meanwhile, Numsa and national motor manufacturers are hoping to sign a far-reaching agreement today on wages and jobs If the parties are unable to settle, the strike, which ended this week, could resume

AMIC FM 14/8/92 (189)

In the trough

The prediction of a modest increase in earnings over 1992, by Anglo American Industrial Corp's previous chairman Graham Boustred in March, has come off the rails Interim results announced by Anglo's industrial arm reveal a 15% decline in EPS over the same period last year, down to 281c from 333c for first-half 1991

New chairman Leslie Boyd says he expects a similar percentage fall for the second half, which means Amic is on course to produce full-year EPS of around 620c compared with 1991's 731c However, the dividend has been held at 110c, achieved at the expense of cover which has fallen from three times last year to 2,6

Amic is positioned in iron, steel and engineering (Scaw, Highveld and now Columbus), explosives and chemicals (AECI), mining and construction equipment (Boart), pulp and paper (Mondi), sugar and food (Tongaat-Hulett), electronics and electrical engineering (Ventron and Control Logic) freight and travel (Rennies), motor assembly and distribution (Samcor/McCarthy and, soon, Prefhold), and building and construction (LTA)

FALLING STAR

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rbn)	3,12	3,34	3,28
Operating income (Rm)	211	223	170
Attributable (Rm)	182	219	160
Earnings (c)	333	398	281
Dividends (c)	110	240	110

This makes it widely diversified As such, it is susceptible to all the vagaries of the SA and international economies and 1992 has been an especially difficult year on both fronts Boyd says he is not disappointed with the results in the light of arduous trading conditions "We experienced problems in all sectors," he says, adding that most of the companies in the Amic stable had reduced demand for their products in the local mar-

FM 14/8/92 (189)

ket Compounding this were lower prices in export markets

The companies most affected by the downturn were Highveld and Mondi Both are significant contributors to Amic's equity earnings, over 1991 Mondi's contribution was 12,7% and Highveld's 12,3%

The most important project on Amic's books is the Columbus stainless steel joint venture it is developing with Samancor Boyd says the respective boards have approved in principle the project's capital expenditure estimated at R2,5bn in 1992 money The approval is subject to the finalisation of firm tenders The matter of how best to fund the project is now receiving consideration and Boyd says an announcement will be made in the next few months

He expects construction on the Columbus project to begin early next year and continue through 1994, with commissioning beginning in 1995 Meanwhile, he confirms discussions are being held with government on applying Section 37E of the Income Tax Act to the project Section 37E bestows certain tax advantages on beneficiators of local raw materials (*Economy* April 10)

Amic's stock is priced at R75, down from a 12-month high of R92 It is trading on a p e of 10,1, against a sector average of 13,1 Considering the miserable state of the economy and practically zero prospects for a recovery before 1993, the share is fairly priced However, Amic is well-positioned to take full advantage of the upturn and this is probably a good time to accumulate the counter

David Gleason

Exports hit by strikes

By CIARAN RYAN and DON ROBERTSON

EXPORT orders are being cancelled because of strikes and SA's growing reputation for unreliability, says the Steel and Engineering Industries Federation (Seifsa)

Car sales have also been hammered by strikes in the motor industry

Seifsa spokesman Mike McDonald says several large export orders have been cancelled because of the the mass action campaign and the two-week-old Numsa strike.

"It will be hard to regain these orders."

Average monthly car sales to July were only 15 167. The poor showing in July resulted largely from a sharp decline in Toyota sales as a result of the nine-week strike. S Times

Lowest

Expectations of new-car sales have been slashed to 182 500 for the year from 197 736 in 1991

Car sales are at their lowest in 16 years. 16/8/92

August sales may be hit by the Numsa strike which affected all manufacturers except Toyota Strikers in the motor and tyre industries returned to work after settling for 12% and 11% increases.

But Numsa spokesman Bernie Fanaroff warns that motor assembly workers may resume the strike because some plants are balking at signing the agreement.

The expected drop in sales could result in more lay-offs. Samcor has retrenched 650 employees

Between 80 000 and 100 000 workers remained on strike this week at 634 plants Numsa replied to Seifsa's offer of an 8,6% increase in minimum scheduled wages with a counter-claim for 16% in actual pay, Seifsa rejected the claim, saying that it amounts to an effective increase of 20,7% in minimum wages

tally votes on strike

STAR 17/8/92

189

Labour Reporter

The National Union of Metalworkers of South Africa has completed its strike ballot in Transkei and Ciskei and has already started counting votes, the union said yesterday.

Meanwhile, the strike by thousands of workers at 834 factories in the metal and engineering industry in South Africa enters its third week today after employers refused to accept Numsa's revised wage demand last week.

Numsa has dropped its demand for a 20 percent wage increase to 16 percent. The employer body, the Steel and Engineering Industries Federation of SA, has asked Numsa to accept its final offer of 8,6 percent on scheduled rates of pay.

100 000 metalworkers on strike

CT 17/8/92

Own Correspondent

DURBAN — More than 100 000 workers from factories in the engineering industry have now joined the two week-old national strike — and the union has dropped its wage demand from 20% to 16%, Mr Bernie Fanaroff, chief negotiator for Numsa, announced at the weekend

Numsa (the National Union of Metalworkers of South Africa) has also diclosed that mass dismissal of its members has taken place in some parts of the country It said 58 companies have locked out striking members and other companies have threatened similar action

The employer body, Steel and Engineering Industries Federation of SA (Seifsa), said there were about "60 000 Numsa members" taking part in the current national wage strike The organisation could not say how many non-union members were participating in the strike

"Several reports of intimidation and violence have also been received This has resulted in a large number of shut-outs where employers have refused striking workers access to company premises by exercising normal, proprietary rights," a Seifsa spokesman said

70 000 more in strike ballot

BDAY 17/8/92

189

DIRK HARTFORD

AS THE national strike in the metal industry enters its third week, another 70 000 workers in the motor sector are balloting for strike action

And negotiations in the motor manufacturing industry, expected to be finalised last week, will continue on Friday after the parties failed to reach agreement

Although motor manufacturing workers returned to work last Monday, they could strike again if no agreement is reached The biggest obstacle to settlement, according to a source, is the agreement to end the strike at Toyota, which effectively excludes the company (except for wages) from the industry agreement

Numsa insists the agreement must cover all motor manufacturers

Meanwhile, Numsa says more than 100 000 workers at 834 factories are on strike in the metal industry Seifsa says about 60 000 workers are on strike

The union has balloted its members in the Transkei and Ciskei and a decision on whether they will join the strike will be made today

Numsa says workers are determined to continue the strike and marches were being organised in most industrial areas to back up the strike Marches on Seifsa offices have already taken place in Durban and Cape Town

Several hundred workers have already been dismissed for supporting the strike and 58 companies have locked out workers, says the union

Striking workers lose R54m in pay

189 CT 18/8/92

DURBAN — The three-week-old national wage strike involving about 100 000 workers in the engineering industry has so far cost workers at least R54 million loss in earnings, Mr Brian Angus, Seifsa executive director, said yesterday

He said there were 10 000 engineering companies covered by the main industrial council in the engineering sector throughout the country These companies were making about R220 million a day, but it was impossible to say how much turnover had been lost during the strike

Mr Les Kettledas, Numsa's national secretary in charge of collective bargaining in the engineering sector, said the national executive committee meeting at the weekend resolved to "intensify the strike action" following Seifsa's rejection of Numsa-moderated wage proposals — Own Correspondent, Sapa

Sowetan 18/8/97

Unions merger

TWO major unions in the metal industry, the National Union of Metalworkers of South Africa and the Metalworkers Union of South Africa, have started moves towards a merger.

(189)

They met at the weekend consider the issue A steering committee to handle this was established

Mewusa delegates told the meeting their members were preparing to go on strike this week if no settlement was reached with Seifsa. Numsa members have already downed tools.

Numsa bid to intensify national strike action

B/DAY. 18/8/92. 189

THEO RAWANA

THE National Union of Metalworkers of SA (Numsa) would intensify its two-week-old strike at 720 plants in the engineering sector following a deadlock with employer body Seifsa, the union said yesterday

Numsa national secretary Les Kettledas said members would now mount pickets and hold marches in towns and industrial areas after Seifsa's rejection of Numsa's offer to lower its pay demand and to explore possibilities for a settlement

Seifsa executive director Brian Angus said an intensified strike might result in more dismissals

Seifsa, representing more than 3 200 companies in the metal and engineering industries, had ruled out any chance of increasing the employers' final 8,6% wage increase offer, Angus said

Numsa had dropped its demand for a 20% increase to 16%

No further talks had been scheduled

Union members in Transkei and Ciskei were to begin striking tomorrow after balloting for industrial action, Kettledas said

Numsa said it would back Cosatu's campaign against companies which had fired or disciplined workers during the August 3-4 national stayaway

Alleging poor media coverage of the countrywide engineering strike, Numsa said it would call meetings with the editors of certain newspapers and the SABC

Angus said employers overwhelmingly opposed further increases "Recessionary conditions are getting worse and mass action has not helped"

Neither would employers respond favourably to Numsa's "impractical" demand for a blanket moratorium on retrenchments

Employers were, by agreement, prevented from retrenching at will

Mass dismissals were not immediately likely, though some companies had already fired striking workers

Our Durban correspondent reports Angus said earlier the strike had so far cost workers at least R54m in wages

He said there were 10 000 engineering companies covered by the main industrial council in the engineering sector, excluding the homelands, but that it was impossible to say how much turnover had been lost since the beginning of the strike

The number of employees taking part in the strike remained uncertain Numsa said 100 000 workers were affected, but Seifsa was adamant that there were between 60 000 and 80 000 workers on strike

Numsa to picket large companies

189

THEO RAWANA

ANGLO, Gencor, Dorbyl, Barlow Rand and the JSE would be picketed by National Union of Metalworkers of SA (Numsa) strikers in a protest against Seifsa, the union said yesterday. 6 DAY 19/8/92

Marches in Benoni, Vereeniging and Cape Town today would mark the start of the action following the breakdown of talks between Numsa and Seifsa, Numsa spokesman Bernie Fanaroff said.

A third march would be held in Johannesburg tomorrow, he said.

Numsa has vowed to intensify its two-week-old strike and stage pickets and marches after Seifsa rejected its offer to lower its wage demand and explore possibilities of a settlement.

Numsa said it would picket the head offices of several companies, including Anglo American, Gencor, Dorbyl, Barlow Rand and the JSE, because they were "leading the resistance to the achievement of our demands"

Seifsa executive director Brian Angus said the body had ruled out an increase on the employers' final 8,6% wage offer. Recessionary conditions were getting worse and an intensified strike might result in more dismissals

Numsa said it deplored Seifsa's dismissal warning.

Our Durban correspondent reports the strike's legality will be tested when Seifsa's appeal comes before the Full Bench of the Rand Supreme Court on Friday.

Seifsa attempted earlier to have the strike declared unlawful, but the court turned down the application on a technicality.

Union says 1 200 men on strike were fired

JOHANNESBURG — More than 1 200 National Union of Metalworkers of South Africa members on strike in the engineering sector — at Boart Hard Metals and Cobra Watertech in Springs — were dismissed yesterday, the union claimed.

Boart gave 800 workers until Thursday to re-apply for their jobs, Numsa said

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CT 19/8/92

The legality of the three-week-old strike by about 100 000 workers in the steel and engineering industry will be tested when the dispute comes before a full bench of the Supreme Court on appeal on Friday — Own Correspondent, Sapa

Workers assaulted as strike continues

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ARG 20/8/92

Labour Reporter

METAL WORKERS at Dorbyl Marine were assaulted on their way to work as the strike by about 2 000 regional engineering sector workers continues.

A company spokesman said a group was attacked on their way to work yesterday. Two workers were hurt and were treated by the company's nurse.

Numsa regional secretary Mr Adrian Sayers said the union did not condone intimidation.

About 700 workers disrupted lunchtime traffic yesterday when they marched from District Six to the Broadway House regional office of employer body Seifsa.

The Numsa members, who joined 100 000 other workers who went on strike two weeks ago, handed over a memorandum to Seifsa regional director Mr Colin Boyes.

They demanded that Seifsa return to the negotiating table and improve on a 8,6 percent wage increase offer.

Mr Boyes complimented the workers on their peaceful march and agreed to pass on their demands.

Workers fired (189)

AT LEAST 1 500 members of the National Union of Metal

Sowetan 20/8/92 (189)

brief

Sowetan 20/8/92 (189)

workers of South Africa have been dismissed throughout the country, Numsa spokesman Dr Bernie Fanaroff said yesterday.

This follows a wage dispute between the union and the Steel and Engineering Industries Federation of South Africa.

Worst hit are Boart Hard Metals' 534 employees who were dismissed yesterday.

A spokesman for the company, Mrs Angela Carr-Lambson, said the dismissed workers had until this morning to re-apply for their jobs

Fanaroff said Numsa had lined up a series of pickets and about 20 000 workers would march on Seifsa's offices today to demonstrate their anger at the dismissals.

Numsa strike 'violence' in city alleged

189

CT 20/8/92

Staff Reporter

POLICE are investigating allegations that four workers were assaulted with iron bars and knobkieries before a march by striking National Union of Metal Workers of SA members yesterday.

The allegations were made yesterday by SA Boilermakers Society official Mr Andy Thomas

Striking Numsa members marched to Steel and Engineering Industries of SA (Seifsa) offices in Hertzog Boulevard and handed a memorandum to Mr Colin Boyes, Seifsa regional secretary

The march is part of national protests to pressurise Seifsa into resuming national negotiations with Numsa More than 100 000 workers from factories in the engineering industry have been striking for two weeks

Mr Thomas said that in one incident a 50-year-old man was almost thrown from a bridge

Numsa spokesman Mr Bernie Fanaroff said last night that it was not policy to assault anybody The matter would be looked into

Police spokesman Colonel Gys Boonzaaier said three dockets of assault and one of intimidation were opened yesterday

A senior trade unionist warned that production might be stopped for the second time in two weeks as the strike threatens to dry up the supply of components

Numsa is demanding an end to retrenchment, the right for members to hold meetings in factories, time for shop stewards to go on training during work hours and the right to strike and picket

Job security deal for Numsa

BDAY 20/8/92 (189)

DIRK HARTFORD

MOTOR manufacturers and Numsa are likely to sign soon an innovative agreement on job security — to replace last year's moratorium on retrenchments in the industry — as part of this year's settlement on wages and conditions

Numsa and motor manufacturers will be meeting again tomorrow to try to finalise the agreement

The plan is to set up a work security fund to support and retrain laid-off workers Employers will contribute 10c an hour per worker Other sources of funding — including assistance for training from the Unemployment Insurance Fund and national training boards — will also be pursued

Retrenched workers will have the option of entering the fund on full pay for 15 working days In this period they will receive individual counselling and information on matters such as employment possibilities, training requirements and financial problems They can then enter the training activities of the fund for 12 weeks, again on full pay Training will be appropriate to the industry and the needs of the worker

Participants in the fund will have preference for re-employment in the industry If re-employed, they will have all periods of continuous service in the industry recognised for benefits

Other proposals are that employers finance full-time training in industrial or production engineering for union-nominated workers, a minimum industry wage of R6,60 an hour; and severance pay ranging from 20 days (less than two years' service) to 120 days (10 years or more)

☐ Agreement has been reached on a moratorium on retrenchments in the tyre industry after a week-long strike by workers at Tycon, Firestone and Gentyre, says Numsa's Les Ketteldas The minimum industry wage is up by 20,5% to R5,50 an hour

● See Page 3

Metal unions hope to preserve Seifsa's status

BIDAY 21/8/92 (183) (189)

DIRK HARTFORD

NUMSA and Seifsa are concerned that Seifsa's position as the national collective bargaining representative of employers in the metal and engineering industry should not be undermined (151)

Seifsa, Numsa and two other metal unions in dispute with Seifsa will be meeting informally at the weekend to hold exploratory talks

Seifsa's executive director Brian Angus said the federation would have to think seriously about how it was going to operate in the future if its appeal today failed Seifsa is appealing against a Supreme Court judgment that it was not entitled to represent metal employers

Industry sources said several major employers were opposed to collective bargaining A judgment against Seifsa would strengthen their hand (1420)

Numsa's Bernie Fanaroff said the union "would not like to see Seifsa fall to pieces" Numsa had been inundated with pleas from employers for exemption from the strike Some major employers had approached Numsa with offers to negotiate a better deal at plant level

This put Numsa in a difficult situation as it wanted to preserve centralised bargaining and improve on Seifsa's offer

Meanwhile, anything from 10 000, according to the police, and 35 000, according to Numsa, striking metalworkers marched on Seifsa's offices yesterday

Union leaders handed Angus a letter demanding an end to dismissals, scabbing and intimidation and asking for a positive response to wage demands

Thousands of workers were expected to march in Springs today

The strike, now three weeks old, is starting to have an impact elsewhere Most of Cape Town's docks have shut down because of the strike, Fanroff said

And a motor manufacturing source said the shortage of supplies was affecting production "We are handling things as best we can day by day," he said

ARG 21/8/92

ANC urges end to metal strike

189

SHARON SOROUR
Labour Reporter and Sapa

THE ANC has entered the metal industry fray, calling on employers to resume negotiations "urgently" to settle the nationwide strike which has cost about R600 million in output

Secretary-general Mr Cyril Ramaphosa also called on employers not to try to break the two-week strike with mass dismissals About 1 500 workers have been dismissed since the strike began on August 3

Mr Ramaphosa, former general secretary of the National Union of Mineworkers, said mass dismissals could "only lead to increased bitterness and instability in the industry"

"Mass dismissals in legal and legitimate strikes make nonsense of both the collective bargaining process and the Labour Relations Legislation."

Meanwhile, employer body Seifsa (Steel and Engineering Industries Federation of SA) has broken the stalemate between the parties by agreeing to meet unionists from the National Union of Metalworkers (Numsa) and two other unions tomorrow.

Sowetan 21/8/92

Workers list demands

ABOUT 6 000 members of the National Union of Metalworkers of SA, led by the union's entire national executive committee, marched to the headquarters of the Steel Engineering Industry Federation of SA in Johannesburg yesterday to present a memorandum outlining their demands

(189)

6 000 march on Seifsa offices

JOHANNESBURG — About 6 000 members of the National Union of Metalworkers of South Africa led by the union's national executive committee marched yesterday to the national offices of the Steel Engineering Industry Federation of South Africa here to present a memorandum outlining their demands Police kept a close watch on the proceedings — Sapa

(189)(58) CT 21/8/92

LABOUR

Striking Numsa workers sacked

W/M ail 21/8-27/8/92

As the engineering dispute enters its third week, employers are beginning to fire striking workers, reports

MONDLI MAKHANYA

21/8-27/8/92

MASS dismissals have begun in the engineering industry as the strike enters its third week

With no hope of settlement yet in sight, several companies have begun firing workers en masse while the National Union of Metalworkers of South Africa (Numsa) has threatened to intensify the strike with marches and pickets The strike has also now spread to the Transkei and the Ciskei.

So far about 1 200 of the estimated 80 000 to 100 000 strikers have been fired Ruby Structural Engineering and Benicon Earthworms in the eastern Transvaal have fired 204 and 249 workers respectively Anglo American Boart Hardware has fired its entire 800-strong workforce

More dismissals are expected in the coming weeks as the recession's pinch compels employers to take a hard line Many of the more than 3 000 employers affected by the strike are on the brink of going under as the recession deepens

The Steel and Engineering Federation of South Africa last week rejected Numsa' revised demand of a 16 percent wage increase A meeting of employers last week resolved that the body would not budge from its 8,6 percent offer

Seifsa seems to be holding out for a court judgment declaring the strike illegal Its case — which was thrown out by the Rand Supreme Court two weeks ago on the grounds that Seifsa did not have the legal standing to represent its individual members — is due before a full sitting of the supreme court bench today The Chief Justice ruled it sufficiently urgent to have the appeal heard only two weeks after the application was lodged, according to employer sources

So far Seifsa's legal moves have been frustrated by the courts. Besides the judgment against the federation two weeks ago, the Delanco company's interdict has been thrown out by the court as not urgent, and Anglo's Steeledale Engineering application has been delayed However, there have been other successful interdicts aimed at preventing strikers from intimidating non-strikers and temporary labour

Bernie Fanaroff ... They're trying to crush us

Numsa's Bernie Fanaroff says the union has instructed members that while it is permissible to speak to strike-breakers, they must desist from barring them from factories But police have, however, told workers at most factories to be 100m from the gates and arrests of strikers have taken place

Fanaroff says the firings at Anglo may mark the beginning of the corporation's mass firing strategy used to break the National Union of Mineworkers at Anglo mines during the 1987 strike

"They are going to try to crush us in that manner, but it will not be easy because unlike the mines, this is highly skilled area," he said

While the metal strike intensifies, 70 000 Numsa members have begun balloting in the motor parts industry, which includes filling stations, repair garages and parts dealers. Even if the ballot is successful in this sector, in which Numsa represents only a quarter of the industry, it is doubtful whether a strike can be sustained as workers are very sparsely distributed

The motor assembly settlement nearly collapsed last Friday after Numsa and the National Automobile Association of South Africa failed to agree on the extension of non-wage aspects of the agreement to Toyota The company had been exempted from the week-long strike because of agreements between the company and Numsa that industrial action would be suspended till November

Durban workers have already staged two marches on the local Seifsa office in protest against Seifsa's Natal chapter's offer of only 6,4 percent increases

Renewed bid to outlaw strike

JOHANNESBURG — Metal industrialists have won the go-ahead to relaunch an interdict to outlaw a three-week, countrywide strike after successfully appealing to a full bench of the Transvaal Supreme Court yesterday

The judgment overturned an August 7 ruling that Seifsa did not have the legal standing to represent its constituent assocations, Seifsa spokesman Mr Hendrik van der Heever confirmed

Cosatu, to which the striking Numsa is affiliated, yesterday threatened a general strike if Seifsa employers did not meet Numsa demands

ANC secretary-general Mr Cyril Ramaphosa also appealed for a settlement, calling on Seifsa to stop dismissals which, says Numsa, have claimed up to 1 500 jobs since the strike began on August 3

Seifsa is expected to go to court on Tuesday with a renewed bid to have the strike by up to 100 000 workers declared unlawful because of alleged irregularties in strike balloting

Meanwhile, Numsa signed a landmark wage and job security agreement with auto assembly employers yesterday

The agreement on job security replaced the 1991/2 moratorium on retrenchments and guaranteed wage increases averaging 11%, union sources confirmed

In a show of solidarity Cosatu yesterday warned it would consider a general strike if the government and employers failed to meet the demands of striking workers in the health and metal sectors

Cosatu assistant general-secretary Mr Sam Shilowa said the decision to embark on a full-scale strike would depend on the outcome of legal action and a national strike ballot

August 31 had already been set aside as a day of solidarity action with members of the National Education, Health and Allied Workers Union (Nehawu) dismissed after a protracted strike at state-run hospitals — Sapa CT 22/8/92

No work stoppage at docks

(189)

SHIP repairs in Table Bay harbour have continued despite a three-week national strike in the engineering industry, although international contracts could suffer, industry sources said yesterday

"We cannot deny that we have been affected, but there have been no serious delays," Globe (Marine) Engineering Works assistant managing director Mr Brian Bain said yesterday

He was commenting on claims by Numsa that its strike had shut down most of Cape Town's docks

Portnet spokesman Mr Leon van Deventer said industrial action at ship repair plants had had no impact on shipping. — Sapa

Seifsa wins appeal

THE end of a three-week legal strike by about 136 000 Numsa members may be in sight, after a ruling by three Supreme Court judges that the Steel and Engineering Industries Federation (Seifsa) has a right to launch an urgent application to stay the strike.

Earlier this month, Mr Justice MM Joffe dismissed an application launched by Seifsa. He said the federation did not have a direct interest in the strike. C/Press 23/8/92

Seifsa claimed the strike ballot held by Numsa was invalid. Numsa members have been on strike since August 3. 189

On Friday Seifsa and the 16 employer organisations appealed against Justice Joffe's finding. The judges upheld the appeal, finding that Seifsa did have a legal interest in the strike. – Sapa

Numsa, Seifsa continue talks

Own Correspondent

JOHANNESBURG — Seifsa and Numsa and two other metal unions will meet this morning to continue their informal talks centring on issues such as job security, wages and workers' rights (189) (1622)

The talks, which have been described as exploratory, began on Saturday CT 24/8/92

Numsa negotiations end week-long tyre strike

SHARON SOROUR
Labour Reporter

(189) ARG 24/8/92

NEGOTIATIONS between the National Union of Metalworkers (Numsa) and tyre manufacturers have brought an end to a week-long strike at Firestone, Gentyre and Tycon

According to Mr Les Kettledas, union national secretary of collective bargaining, the parties committed themselves to a programme to improve productivity, future growth and job security within the industry

All employees, except skilled workers, would get an increase of R1,13 an hour on actual wages with effect from July 6

This was an increase of 20,5 percent on the minimum rate of R5,50 for an unskilled worker or 16,4 percent on an average rate of R7 an hour

Skilled workers would get an increase of 12 percent on actual earnings, Mr Kettledas said

Tough negotiations ensured that a moratorium on retrenchments be secured, Mr Kettledas said

Employers also agreed to facilitate the training of an employee representative at every plant as a qualified industrial engineer

Metal unions, Seifsa to resume talks today

BDAY 24/8/92

WILSON ZWANE

SEIFSA, Numsa and two other metal unions will meet this morning to continue their informal talks focusing on issues such as job security, wages and workers' rights

The talks, which have been described as exploratory, began on Saturday

Numsa spokesman Bernie Fanaroff said Saturday's talks were useful but failed to produce anything worth taking back to the constituencies. Today's meeting would, therefore, attempt to develop areas which the parties could put to their constituencies

Fanaroff said the union was "not unhappy" about Friday's Supreme Court ruling that Seifsa was entitled to represent metal employers

Industry sources have said a judgment against Seifsa would have strengthened the hand of several major employers who were opposed to collective bargaining

Fanaroff also expressed concern about tomorrow's hearing of Seifsa's application for an urgent interdict to stop Numsa's three-week-old strike by declaring its strike ballot invalid.

He said Seifsa's attempt to break the strike by resorting to the law was bad for collective bargaining.

Seifsa has said it was seeking the interdict on the grounds that Numsa's strike balloting procedures were irregular and that Numsa refused to release details of the ballot results to Seifsa before embarking on strike action

Hundreds of workers have been dismissed as a result of the strike.

Sapa reports that Anglo spokesman Glenn Finnegan confirmed that Boart Hardmetals had dismissed 600 workers. But the company had offered to reinstate them, he said.

Cosatu has threatened industrial action unless demands of health and steel sector strikers are met.

It also threatened a general strike unless employers reinstated workers they had dismissed in the wake of this month's two-day mass action strike

Cosatu said if Seifsa failed to resolve the strike, it would have no choice but to "declare this strike a Cosatu strike".

In another development, Numsa and car manufacturers signed a wage and job security agreement in Port Elizabeth on Friday

The agreement was signed by Numsa, the Yster-en Staalwerkers Unie and six car manufacturers

Court action over strike

JOHANNESBURG — A court application to have the biggest industrial strike since the 1987 mineworkers' dispute declared unlawful will be heard in Pretoria today CT 25/8/92

If successful, strike-hit companies affiliated to the Steel and Engineering Industries Federation of SA may opt for mass dismissals against thousands of workers on strike since August 3, Dr Bernie Fanaroff, head of the National Union of Metalworkers of SA's collective bargaining department, said yesterday — Sapa 189

LABOUR FEATURE Numsa members lose their legal battle for refusing voluntary work

Overtime ban is 'unfair practice'

By Ike Motsapi

FINAL RULING Appellate Division rules employees' action as pressurising employers:

Sowetan 27/8/92 (189)

A CONCERTED refusal by employees to work voluntary overtime which they had worked regularly constitutes an unfair pressure and labour practice.

This is the view of Peter Grealy and Sara Gon of Webber Shepstone Findlay following a recent Appellate Court Division judgment in the case of the National Union of Metalworkers of South Africa (Numsa) versus Macsteel.

Grealy and Gon, writing in *People's Dynamics*, said the judgment ended years of controversy as to whether or not pressure tactics during negotiations were legitimate

Macsteel originally obtained an interim interdict in the Industrial Court requiring workers to terminate a collective ban on overtime embarked upon during wage negotiations

After the Industrial Court order was served on the union and its members, the majority of employees worked overtime when requested by the company.

On the return day of the interim interdict the Industrial Court suspended the existing interim interdict. The next day the union members collectively refused to work overtime

After the two parties had reached an agreement on wages union members agreed to work overtime as requested.

The company then sought a final determination on the issue in the Industrial Court The court found that the imposition of a collective overtime ban by the union and its members in the performance of voluntary or non-contractual work during wage negotiations was a legitimate industrial relations pressure tactic which workers could exercise without any notice to the employer in order to test their collective bargaining power.

The Labour Appeal Court reversed the Industrial Court's decision

The reason why the ban on overtime was, in the Labour Appeal Court's view, unfair was that it constituted a deviation from the purpose of collective bargaining

"It, so to speak, pre-empted collective bargaining," Grealy said

Gon said "The Labour Appeal Court had no hesitation in finding that the premature resort to collective action instigated by the union was unfair

"The fact that the ban on overtime commenced on the day following a mass report-back meeting on negotiations by the union was, in the absence of evidence to the contrary, conclusive evidence in the court's view of the union's involvement "

The union referred the matter to the Appellate Division

It submitted that it accepted that the refusal by the majority of the workers to do overtime was "concerted action" taken by the employees in order to pressurise the company during wage negotiations

The union also accepted that it was party to and encouraged this refusal and that the refusal by the employees to work overtime constituted a "labour practice" for the purpose of the definition on unfair labour practice in Section 1 of the Labour Relations Act as amended by the Act of 1988

The union, however, submitted that it could never be unfair for workers to refuse to do overtime, regardless of the motive, because employees were under no contractual obligation to work overtime Grealy and Gon said the Appellate Division's judgment should be welcomed as it emphasised the primary importance of collective bargaining and also recognised that parties should only enter into "power play" as a last resort

No summary firing for metal strikers

189 CT 27/8/92

JOHANNESBURG. — Striking metal workers would not be summarily dismissed as a result of an interdict outlawing the biggest industrial strike since 1987, Steel and Engineering Industries of SA spokesman Mr Hendrik van der Heever said yesterday.

The court's decision, handed down on Tuesday, had to be advertised and communicated to Seifsa members who, in turn, would inform striking workers of the order.

The National Union of Metalworkers of SA has claimed that a judgment ruling the strike illegal would precipitate mass dismissals

Numsa calls off national strike

The biggest strike in the country's engineering industry was called off yesterday after 24 days, National Union of Metalworkers of SA official Dr Bernie Fanaroff said

Up to 100 000 workers on strike at more than 700 plants were advised to report for work on Monday. STAR 28/8/92

The decision was taken at a Numsa national strike committee meeting in Johannesburg and followed Tuesday's Supreme Court interdict ordering a return-to-work "The recommendation was made because of the threat of mass dismissals," Dr Fanaroff said

Numsa has reported widespread rank-and-file resistance to calling off the strike over pay and job security (189)

The Steel and Engineering Industries Federation of SA (Seifsa), representing employers, was asked to ensure that there would be no more dismissals and that all dismissed workers would be reinstated

According to Numsa estimates, about 1 500 members were dismissed, many by Anglo-American subsidiaries

More than 200 companies had sent Numsa ultimatums yesterday, threatening workers with dismissal unless they returned

The return to work did not mean workers had accepted Seifsa's final offer of an 8,6 percent increase against revised union demands for a 16 percent pay rise

Many of the ultimatums on dismissals were set for 7 am yesterday, though many companies gave ultimatums for Wednesday — Sapa

METAL INDUSTRY STRIKE

FM 28/8/92

Hammered in court

(189)

The Steel and Engineering Industries Federation (Seifsa) on Tuesday succeeded in its application for an urgent interim interdict against the striking National Union of Metalworkers of SA (Numsa) Seifsa sought the interdict because of what it claims are gross irregularities in the union's strike balloting procedure early last month If true, this would render the strike illegal

The big questions now are whether Numsa will call off its four-week-old action, which the Transvaal Supreme Court ruling has said is illegal, if not, what approach Seifsa will advise its members to take regarding dismissals, and whether Cosatu will join the fray

A full hearing has yet to be held

Numsa decided to go on strike after deadlock was reached in the annual metal industry wage negotiations last month when the industry's 12 unions had declared a dispute with all the Seifsa associations

Employers voted in favour of a lockout on July 15, though none had exercised this option to induce employee acceptance of the final wage offer This stands at 8,6% against Numsa's original demand for 20%

At an informal meeting between Numsa (the only Seifsa union that conducted a strike ballot) and Seifsa on August 11, the union dropped its demand to 16% Employers rejected it Numsa's demands include a moratorium on retrenchments

Seifsa's first application for an urgent interdict against Numsa failed on a technicality, when the Supreme Court, on August 7, determined that neither Seifsa nor member associations had the *locus standi* to obtain one Such relief could only be sought by individual employers, the court said The merits of the strike were not discussed

Seifsa appealed and the Judge President of the Supreme Court, Justice Eloff, directed that it be urgently heard by a full bench of the Transvaal Division on August 21 The appeal was upheld last Friday and on Tuesday Seifsa won its interdict against Numsa's conduct of its strike ballot.

Among the balloting irregularities alleged by Seifsa were. Numsa's refusal to release details of the result; allowing non-Numsa members to take part; that it did not allow

continue ->

continued on page 50

FM 28/8/92

continued from page 45

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privacy or ensure that ballot boxes were sealed

Seifsa further charged that Cosatu's biggest affiliated union had suddenly reduced its official membership figures from 170 000 to 113 000 in order to achieve a majority ballot result

According to the employer body, production losses as a result of the strike by 60 000 union members (100 000, says Numsa) is conservatively estimated to exceed R700m This is based on a 20% loss of production

Another question that arises in the wake of the court interdict is whether employers will consider suing the union for damages caused by the illegal strike

Workers are estimated to have lost around R90m in wages, excluding forfeitures in leave and bonus pay ■

Sowetan besieged by Numsa strikers

(189) ARCH 29/8/92

JOHANNESBURG. — An estimated 300 striking members of the National Union of Metalworkers of South Africa demonstrated outside the Sowetan newspaper offices in Industria.

The chanting crowd arrived yesterday to complain about "one-sided and incorrect reporting".

They also bemoaned "insufficient coverage" of the 24-day-old Numsa strike.

"We find it strange for a newspaper which is supposedly black to give Seifsa (the Steel and Engineering Industries Federation of South Africa, an employer body) more space than us," they said in a statement.

After meeting senior staff at the newspaper, Mr Joe Tlholoe and Mr Thami Mazwai, union spokesman Mr Justice Khumalo told the crowd the newspaper would reply to the complaints by next week.

Mr Mazwai said later the newspaper had met community organisations in the past and yesterday's meeting was no different.

He pledged the newspaper would not brush off the complaints and said the "perceptions which were expressed by Numsa regarding our reporting" would be discussed at an editors' meeting on Monday.

The Numsa strike, the biggest in the country's engineering industry, was called off on Thursday.

Up to 100 000 workers at more than 700 plants were advised to return to work on Monday. — Sapa.

Numsa strike 'biggest ever in sector'

SOUTH 29/8 – 2/9/92

189

By Edwina Booysen

THE NATIONAL strike by over 100 000 steel and engineering workers has been claimed as the biggest of all time in this sector

However, Mr Adrian Sayer, regional secretary of the National Union of Metalworkers of South Africa (Numsa), believes sections of the media are deliberately playing down the scale of the strike

This is the biggest strike of its kind in the country, ever Never before have so many workers in the steel and engineering sector combined in an effort of such magnitude Sayer says

The strike, aimed at securing a 16 percent wage increase has entered its fourth week The union is also demanding a moratorium on retrenchments worker rights and a code to end discrimination

According to Sayer, workers at nearly 20 establishments in the steel sector, including Dorbyl, Globe Engineering, Nautilus, Wispeco and UMI are on strike, "despite intimidation by employers"

Sayer said 28 workers at P Andrag and Sons were dismissed on August 4 because of their involvement in the strike but were reinstated with pay two weeks later, after Numsa had taken court action

Many workers at companies which had not come out on strike on August 3, joined the strike upon hearing of the dismissal of the Andrag workers, causing work-stoppages in areas such as the docks

"The public has been given the impression by the commercial press that certain areas, such as the Cape Town Docks, have not been affected by the strike," Sayer said

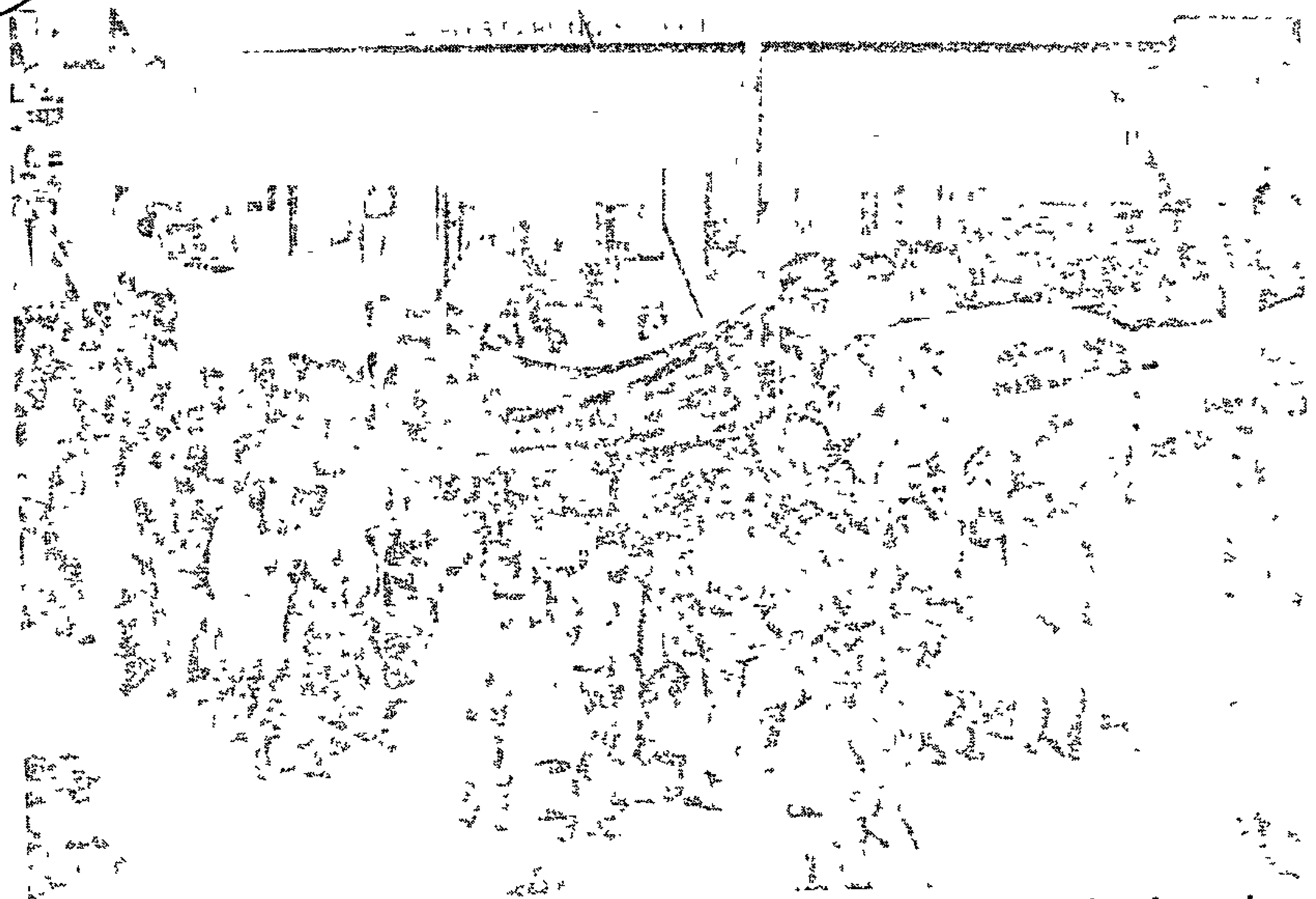
This is not the case, however I get the feeling strike activities are purposely being kept under wraps "

Programmes of action have been held daily for the past month Factories have held combined marches in industrial areas where there has been a strong police presence

"We have managed to avoid conflict between workers and the police during pickets and thus far only two members, now out on bail, have been arrested for alleged assault "

According to Sayer, allegations by the Boilermakers Union and various managements that non-striking workers are being intimidated and assaulted are not true

"We do not condone violence Our members are continuously threatened by scabs and with dismissals by bosses Scabs would be wielding knives and other sharp objects in front of management and nothing would be done about it," Sayer claimed



STRIKE MARCH· Metal workers march in the city to highlight wage and other demands

Numsa strikers return to work

Sowetan 1/9/92

189

■ **Court judgment influences decision:**

By Ike Motsapi

THE month-old strike by National Union of the Metalworkers of SA (Numsa) members is off and workers were expected to report for duty yesterday

And the Steel and Engineering Industries Federation of SA (Seifsa) yesterday urged strikers to return to work

Mr Moses Mayekiso, Numsa general secretary, told *Sowetan* that the strike was called off at the weekend by the union.

"We recommended to our structures to end the strike after assessing our action in view of the Supreme Court judgment last week and they agreed," Mayekiso said.

He added: "The fight for better living wages is continuing."

Mayekiso said reports reaching the union's head office in Johannesburg indicated that most workers who have been on strike heeded the call to return to work.

Warning as metal industry strike ends

STAR 1/9/92.

(189)

By Thabo Leshilo and Sapa

Metalworkers returned to work yesterday after a three-week strike costing the industry an estimated R880 million in lost production and workers R110 million in wages.

However, the National Union of Metalworkers (Numsa) warned that the dispute was far from over

By returning to work, workers did not imply that they now accepted the employers' 8,6 percent final wage increase offer, said Numsa spokesman Dr Bernie Fanaroff

The union called off the strike on Thursday after the Pretoria Supreme Court found prima facie evidence of irregularities in the Numsa strike ballot

The Steel and Engineering Industries Federation of SA (Seifsa) yesterday said most of the 60 000 strikers returned to work yesterday, although some employers had postponed the return to allow them to give notice to temporary workers

Numsa claimed that 100 000 workers supported the strike.

Seifsa executive director Brian Angus said many affiliated companies had reported satisfactory attendance yesterday He said Seifsa could not prescribe to its members on reinstatement of workers.

"Where dismissals occurred these had been undertaken by companies as a last resort to protect their business operations"

Dr Fanaroff alleged that many employers had taken a "hard-line" position with workers and some had already been dismissed In some instances, employers were compelling workers to sign new conditions of employment

He appealed to Seifsa to reopen negotiations over the union's revised 16 pecent wage demand and conditions of employment. He expected the parties to meet today

About 4 500 members of the Metal and Electrical Workers' Union of South Africa (Mewusa) continued with a 2½-week pay strike yesterday, general-secretary Zithulele Cindi said

The union would also meet Seifsa today to discuss a revised 12 percent wage demand, he said

Mr Cindi said the Mewusa strike was legal, making it difficult for employers to thwart the action over wages, shortened overtime and job grading

Mr Cindi said his union had modified its wage demands to be consistent with agreements in other industries

"It's pointless trying to bang our heads at 20 percent, given the state of the economy"

Bid to settle metal dispute

STAR 2/9/92

By Thabo Leshilo
Labour Reporter

The Steel and Engineering Industries Federation of SA (Seifsa) yesterday invited unions in the metal industry to meet under the auspices of the industrial council in a bid to settle the dispute over pay and conditions of employment

The move comes after Seifsa called off further negotiations during the four-week-old strike which cost employers R880 million in lost production and workers R110 million in wages

Most of the strikers returned to work on Monday after the strike by National Union of Metalworkers of SA (Numsa) members was found to be unlawful by the Pretoria Supreme Court.

Numsa national secretary Les Kettledas said the union would consider the invitation, and that the Metal and Electrical Workers' Union of SA (Mewusa) had agreed to attend

About 4 500 Mewusa workers are still out on a legal strike over pay, shortened overtime and job grading. The strike is now 2½ weeks old

Numsa and Mewusa have dropped their wage increase demands of 20 and 25 percent respectively, to 12 and 16 percent

(189)

Seifsa's final wage offer was 8,6 percent

Annual wage negotiations between the parties began in March under the auspices of the National Industrial Council for the iron, steel, engineering and metallurgical industries

The unions declared a dispute on May 15 and Numsa members started striking on July 1 at certain companies while the rest — estimated by Seifsa at between 60 000 and 80 000 — joined the action on August 3 to coincide with the ANC alliance's two-day strike

● About 200 members of the Cosatu-affiliated Construction and Allied Workers' Union in Vereeniging have been on strike for two weeks demanding a R1,20-an-hour increase.

● The Congress of SA Trade Unions has welcomed the decision by the Department of Education and Training to recognise the SA Democratic Teachers' Union, saying the DET had accepted that teachers also had rights as workers.

focus on Africa

MOTSAPI: What is Numsa's programme of action now that the strike has been declared illegal?

Mayekiso: The position now is that we have instructed our members to return to work. So far we have not heard of those who have not returned to work except the 1 500 workers who have been dismissed

It may happen that there are still others who are not yet back but are in the process of going back. It may happen that there are those who feel we should continue with the fight and the leadership of the union is preparing itself for problems if the need arises

Some people feel we should continue pressurising our employers.

Numsa is getting up-to-date reports from our regions about what is happening

Motsapi: What did Numsa do regarding the return to work? Did it order workers to summarily return to work on Monday?

Mayekiso What we said was that we are recommending to our regions that the strike be called off and workers should return to work by Monday That recommendation was supposed to have been ratified by the structures on the ground and therefore later we made a direct call to the workers after we had consulted with the regions

The strike committee met and explored the strike as a whole and the Supreme Court judgment.

Motsapi: In other words Numsa did get a mandate to order the striking workers to return to work?

Mayekiso: Yes. In many regions our members responded quickly to our recommendations, while other areas are still discussing the issue

Motsapi: How many people have been dismissed during the strike?

Mayekiso: The last record Numsa had was that the figure stood at 1 500 This was countrywide I do not have the latest figures with me but I will be able to get them

Motsapi: Numsa held talks with Seifsa last week when its members occupied their offices in Anderson Street. It was said that Numsa recommended that workers should return to work in an orderly manner. Could you elaborate on this?

Mayekiso. Well, I was not at the meeting and I would not want to comment on that. But yes, there were proposals that were made. One of those is that the dismissed workers should be re-engaged.

They must be allowed back to work.

Motsapi: What will happen if the dismissed workers are not re-instated.

Mayekiso: That will cause Numsa to continue with the fight. I also want to clarify that recommending that the dismissed workers should be reinstated is not an act of giving in to the eight percent offered by employers It is a tactical move because of the judgment.

Thousands of Numsa workers are streaming back to work after their four-week strike. *Sowetan*'s Labour reporter **IKE MOTSAPI** speaks to Numsa's general secretary Moses Mayekiso: (189)

Sowetan 2/9/92

Moses Mayekiso...Numsa's general secretary

We are still going to negotiate because we had proposed that the wage talks should be resumed.

The talks will lead to other battles because Numsa feels that Seifsa has declared war on the union and our members

We are not going to take that lying down.

Motsapi: The strike was legal but why did the employers dismiss your 1 500 members?

Mayekiso· You see, in this country even if the strike is legal that does not mean that a lunatic cannot dismiss people. That will depend on you challenging the dismissals

That is the problem with the laws of this country.

Motsapi: Where is Numsa heading in the light of these recent developments?

Mayekiso We are reopening the wage negotiations. We however believe that Seifsa is insensitive They never considered the escalating cost of living, the inflation rate and so on.

The inflation rate is at 17 percent and our 16 percent wage increase demand was even lower. We still believe that our approach was reasonable So, we have to continue fighting and even use other methods to try and persuade Seifsa to meet our demands

Motsapi: What are the implications of last week's Supreme Court judgment and what impact does it have on Numsa?

Mayekiso. We were not surprised that the judgment was against us because we believe that the laws of this country are not shaped for the layman on the ground.

They do not benefit the workers because they are prepared by the same people whom the workers are fighting. Our strength depends more on the mass action inside the factories

But it is interesting to note that the judge and the law was insensitive about the plight the workers are facing financially

Seifsa invites Numsa to 'talks'

(189) Bday 21/9/92

TRADE unions in dispute over metal industry pay talks have been urged to attend a joint national industry council meeting, Seifsa executive director Brian Angus said yesterday.

He was commenting on Seifsa's response to attempts by the National Union of Metalworkers of SA (Numsa) to reopen deadlocked negotiations which sparked a recently-ended four-week strike.

Seifsa's proposal for a "meeting to discuss the current dispute" was communicated to Numsa and the Metal and Electrical Workers' Union of SA (Mewusa) yesterday.

Numsa national secretary for collective bargaining Les Kettledas said the union still had to study the Seifsa proposal. The union had indicated to Seifsa that dismissals resulting from the strike would have a serious impact on the industry's stability.

Angus said the latest proposal did not imply a resumption of negotiations with Numsa. "It would involve all trade union parties meeting under the auspices of the industrial council, rather than separate meetings."

Numsa recommended a return-to-work on Monday, without acceding to Seifsa's 8,6% pay offer. Numsa is demanding a 16% increase, a moratorium on retrenchments and improved workers' rights. — Sapa

NEWS Union claims 50 companies locked out or disr

Over 3 000 strikers sacked

Sowetan 2/9/92 189

■ Backlash to the month-long metal workers strike:

MORE than 3 000 members of the National Union of Metalworkers of South Africa (Numsa) have been dismissed from their jobs in an apparent backlash to the month-long strike called off at the weekend

Hundreds of Numsa members were locked out of factories and other places of employment when they reported for work on Monday

Mr Hendrik van der Heever, media spokesman for the Steel and Engineering Industries' Federation of South Africa (Seifsa), yesterday said he had no knowledge of the dismissals

However, Mr Brian Angus, director of Seifsa said "Where there have been dismissals, these were undertaken by companies as a last resort to protect their business operations "

The Metal and Electrical Workers Union of South Africa has decided to continue with its legal strike action pending the outcome of its meeting with Seifsa today.

Engineering sectors

Numsa national organiser Mr Veli Mjako said the union received reports that 50 companies in the metal and engineering sectors where involved in either dismissing or locking out their members from the workplace

He said "Our information is that 1 500 Numsa members were dismissed before the strike was called off at the weekend "Of those, about 600 were fired from Boart Hard Metals factory on the East Rand

"Another 1 500 workers were dismissed when they reported for work on Monday "Other reports indicate that several companies have locked our members out of their companies for indefinite periods," Mjako said

Numsa would release full details of the dismissals and the companies involved today

Mr Les Kettledas, national secretary for collective bargaining, said Numsa regions were fighting the dismissal of their members Mr Moses Mayekiso, general secretary of Numsa, on Monday warned of further confrontation with the employers if their dismissed members were not reinstated

news

Quality remains the key to taking on world markets

S Times [Cape Metro] (189) 6/9/92

By FRED ROFFEY

SEVERAL Western Cape companies have been strenuously adapting and improving their quality control systems so they can obtain the SABS/ISO 9002 listing to enable them to compete more effectively on local and international markets

One of the latest is Atlantis-based Eversteel, the only company of its kind to secure the South African Bureau of Standards stamp of approval

The company repairs and tests liquid petroleum gas (LPG) and other gas cylinders

Its owner, Willy Everett, said working towards the listing was a demanding exercise, requiring an ongoing effort from management and staff, but it was already paying dividends

"Turnover has doubled, as our production has become more efficient.

"The listing is also a valuable marketing tool — obviously companies prefer suppliers who guarantee them a commitment to quality management and excellent service"

AWARD .. at the presentation of the SABS/ISO 9002 certificate to Atlantis-based Eversteel are, from left, ELias Basson, Eversteel production manager, John Parmee, director of the mechanical engineering department of the South African Bureau of Standards; and Willy Everett, Eversteel managing director

Eversteel has been operating for 22 years, and all the major gas companies such as Engen, Easigas, Trek, Afrox and BP are among its customers

It recently secured a big contract to repaint some 180 000 Mobil LPG cylinders with the new Engen colours and logos

The first paint company in the Western Cape to qualify for the SABS/ISO 9002 listing is Plascon Paints

Paul Kretzel, managing director of Plascon (Cape), based in Epping, said the listing guaranteed quality management and control throughout the production and delivery processes Reassessment would be ongoing

"The award will make it possible for Plascon to compete internationally because it works off internationally recognised criteria," he said

Many of Plascon's clients were now trading in international markets and it had been from them as much as anyone that pressure to meet stringent world standards had come

Mr Kretzel added this specially applied to avoiding the use of any materials or products which in Europe or the USA were now regarded as unacceptable

"Everyone has to understand they carry the responsibilities for their particular work — and they must report back at once if standards are not being met

"This improves their job satisfaction and status and gives them a clearer idea of the vital part they play in the production process," said Mr Kretzel

Nederburg of Paarl has also received the listing for its quality assurance and management system

This involves a fully documented job description for every person and process, which not only ensures that specified standards are adhered to but makes sure that excellent training manuals for every aspect of the operation are always available

This thoroughness is maintained, as the SABS continues to monitor performance

The SABS grading has little influence on the wines produced at Nederburg as this remains in the hands of the winemaker

"However, all the backup systems enhance our productivity and in the end the product has benefitted," said managing director Ernst le Roux

Mewusa strike likely to be called off

(189)

Sowetan 9/9/92

■ RESOLVING IMPASSE Substantial progress expected to be made at meeting with employers in the metal industry:

THE four-week-old strike by more than 15 000 members of the Metal and Electrical Workers Union of South Africa (Mewusa) could be called off today.

This was said yesterday by Mr Tommy Oliphant, general-secretary of Mewusa, who added the union was "expecting to make substantial progress" at a meeting to be held today with the employers in the metal industry

Mewusa initially called for an urgent meeting between itself and the Steel Engineering Industries Federation of South Africa (Seifsa) to discuss the impasse in the metal industry

Seifsa, however, invited all parties in the metal industry to the talks that are aimed at resolving the dispute

The National Union of Metalworkers of South Africa (Numsa) and the other unions in the metal industry will attend the meeting which starts at 10 30am at the Protea Gardens Hotel in Johannesburg

Mewusa members went on an unofficial strike over wages on August 3

The strike became legal on August 24, according to Mr Zithulele Cindi, education officer of Mewusa.

Mewusa demanded a 20 percent wage increase while Seifsa offered 8,06 percent The union has dropped its demand to 12 percent

Metal industry meeting fails

SHARON SOROUR (189)
Labour Reporter AUG 10/9/92

A SPECIAL meeting of the National Industrial Council for the metal industry has failed to resolve the sector's three-month dispute.

According to the employer body Seifsa (Steel and Engineering Industries Federation of SA), the meeting was attended by all the negotiating parties.

The largest union present, the National Union of Metalworkers of SA (Numsa) reduced its wage demand from 16 to 12 percent while the Mineworkers Union, Iron and Steel, and the Confederation of Metal and Building Union reiterated its previous demand for an increase of 8,6 percent on actual wages or a minimum of 10 percent on scheduled wages, whichever is the greater.

Seifsa said employers put forward "certain tentative proposals" as a possible settlement package.

This included an undertaking to recommend Seifsa members to increase the final employer offer of 8,6 percent by 0,5 percent on condition all the unions undertook to recommend acceptance of the offer to their constituencies.

"But none of the trade unions was prepared to support the proposal and employers accordingly withdrew it," Seifsa said.

● The dispute led to a 24-day strike by tens of thousands of metal industry workers.

New projects set to boost job prospects

189 EDWARD WEST

METALS and minerals projects under consideration could boost gross domestic product (GDP) by about R20bn a year and could create up to 130 000 new job opportunities, Genmin minerals economics manager Francois Prins said yesterday.

Speaking at a construction industry seminar at Bifsa in Midrand yesterday, he said major mineral projects under consideration requiring an investment of R9bn over the next five to seven years could generate R3bn revenue a year and create between 30 000 and 50 000 new job opportunities in the economy.

The projects included the R1,8bn Moab Vaal Reefs gold mine extension with planned production around 1997, the R2,5bn Sun Project gold mine — the plans for which were recently shelved until the gold price and the political situation improved, the R900m Namaqua Sands heavy minerals project and the R3,9bn Phlogopite project at Phalaborwa which could come on stream in 1997.

Three major metal beneficiation projects, which would require a capital investment of R12bn over five to seven years, could earn around R4,5bn a year in foreign exchange and create between 30 000 and 80 000 new job opportunities, he said.

These projects were the R5,7bn Alusaf II aluminium smelter and the R3bn Columbus stainless steel project, expected to get the go-ahead this year There was also the possibility of a R3bn development of a new export orientated steel mill using Iscor's Corex technology BIDAY

If one considered projects associated with refinery expansions and developments for petrochemical production another R12bn in capital expenditure was involved with associated spin-offs for the economy

SA had to compete internationally by selectively developing its natural reources which had competitive advantages Prins pointed out that simultaneous investment was needed to educate SA's workforce to achieve higher returns to reach a stage where SA could produce selected manufactured goods.

BDAY 16/9/92

Numsa 'no' to new offer

DIRK HARTFORD

NUMSA has rejected a 9,1% wage offer linked to a proposed measure protecting employers from compulsory company-level bargaining.

This is the latest impasse in reaching a settlement to the four-month dispute between Numsa and the metal industry.

However, Seifsa said in a statement unions affiliated to the Confederation of Metal and Building Union, the Mineworkers' Union and the Yster, Staal en Verwante Nywerhede Unie had accepted the revised employer offer of 9,1%.

The Metal and Electrical Workers Union of SA and the Steel, Engineering and Allied Workers Union of SA agreed to recommend acceptance of the offer to their members.

Numsa tabled a lowered demand of 9,5% or 60c on scheduled rates, depending which was higher. — Sapa

Gloom forecast in steel industry

B/Day 2/9/92. (189)

EDWARD WEST

FURTHER retrenchments and lower earnings were forecast for the steel industry if local and international steel markets remained at their depressed levels, industry sources say.

These forecasts followed those published last week in the Wall Street Journal Europe which said that there was little hope of a recovery in international steel earnings before 1994 at the earliest

SA producers, even though they produced only 1,2% of 736-million tons world production in 1991, were particularly exposed to international markets According to Frankel, Max Pollak analyst Kevin Kartun, most producers exported on average 15% of production while SA exported about 53% of its production.

Seifsa economist Michael McDonald said further retrenchements were likely in the steel and engineering sectors if the depressed local and international markets continued until 1994

About 35 000 jobs were lost in these industries last year, but the figure could be higher this year About 2 400 jobs were lost in August 1992, he said

The Wall Street Journal Europe report said already many of the world's steel producers were deep in the red Germany's steel industry, among the most efficient, was forecasting a minimum of 15 000 job losses in the next two years, the report said

Duties, anti-dumping charges and import barriers were being used as a defence against the world economy, overcapacity and depressed prices These barriers, said the report, could become the precursor to an international steel war

McDonald said the possibility of trade protection wars between steel producers was more the result of poor trading conditions than any other reason.

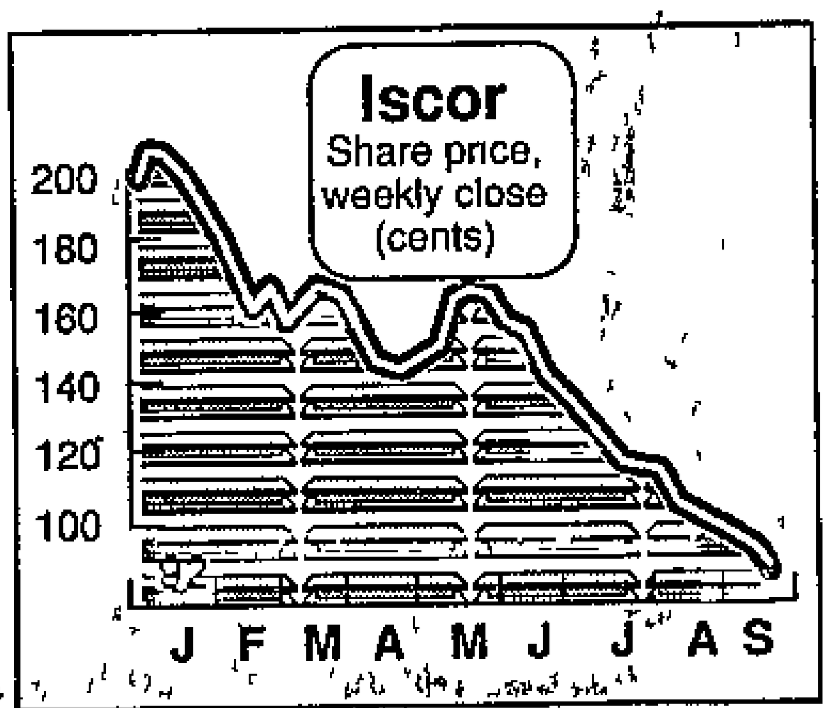
Because of high production costs, steel makers produced to maximum capacity and exported that not needed by local markets Due to overcapacity and recession, producers exported at thin margins to maintain production levels

The uncertain trading conditions were reflected in JSE share prices with Iscor gaining 3c off its all time low to 87c yesterday and Highveld Steel untraded at a low of 970c from 1625c a year ago.

Iscor MD Willem van Wyk said there was no sign of an upturn. At the group's year-end profit announcement — which saw earnings a share fall to 18,5c from 33,4c in 1991 — Iscor said it would be difficult to maintain earnings in the current year

Highveld Steel & Vanadium, which also reported lower earnings at 35,1c a share in the six months to end-June 1992 from 63,3c a share at the interim stage last year, forecast earnings in the second half would at best equal that of the first half

Kartun forecast a further drop in earnings, but not to the extent of the past year He pointed out that Iscor — recently rated by Fortune 500 as No 1 in the steel producing world in terms profitability — had completed its modernisation programme, and was well placed to benefit from any improvement in trading conditions



Graphic LEE EMERTON Source I-NET

● Numsa's appeal to fight dismissals

Call for workers to fight Cobra dismissal

(189) (189) (189)

■ Management accuses union of double agenda for own gain:

Sowetan 24/9/92

By Ike Motsapi

THE National Union of Metalworkers of South Africa has appealed to workers employed by companies which have links with Cobra Watertech not to handle its products because it fired 800 employees last month

In a statement to *Sowetan* Numsa claimed the affected workers were unfairly dismissed while negotiating for better wages with the company on August 21

"We appeal to workers . not to handle Cobra Watertech products or to deliver raw material to Cobra. By refusing they can put pressure on their management not to place orders with that company," the statement said

The managing director of Cobra Watertech, Mr Tobbie Boynton-Lee, confirmed the dismissals He said this was as a result of Numsa's intention not to settle during July when wage negotiations were in process

Boynton-Lee said "We still believe that our offer was far better than the one given by Seifsa However, there was a second agenda from the union's side

"They wanted to declare a dispute with my company so they could take us to the Industrial Court. The reason for this was that they wanted to link the strike to the national strike planned for August 3 and 4 by Cosatu

"We took them to court for unfair bargaining and this entitled us to a lock-out

"When they balloted for the strike action we used our rights to lock them out

"My company went to great lengths to make the union aware that it was playing with people's jobs by trying to link the strike with the national general strike

"However, it was a case of individuals who played a political game for their own needs I must say that we still want our workers back,"Boynton-Lee said

Management told the union it was prepared to re-employ some workers on "a selective basis" but insisted they should reapply for new posts within the company

Unresolved issues

189

Sowetan 28/9/92

A METAL industry wage settlement hinged on the Natal employers' request for lower increases and union demands that dismissed strikers be reinstated, Steel and Engineering Industries Federation of South Africa executive director, Mr Brian Angus, said on Friday

A committee met Friday to finalise items which are preventing national negotiations, started in March

Two issues are unresolved The Natal association wants a lower (7,3 percent) increase on actual wages - Seifsa offered 9,1 percent, and new entrants to the industry be employable at 20 percent lower than scheduled rates - *Sapa*

Increase in strikes despite recession

U/Mail 2/10 – 8/10/92

Despite the economic downturn, worker militancy is as high as ever — and rising, reports

MONDLI MAKHANYA

(189)

STRIKE activity in South Africa is escalating — in the teeth of the worst economic slump in four decades

Figures released by the Department of Manpower and Andrew Levy and Associates show worker militancy has not been dampened by the downturn. According to the Levy statistics, more than three million man-days were lost in the first nine months of the year, compared with two million for the same period last year

Significantly, wages were still the main strike trigger, causing 76 percent of strikes, as against 62,7 percent over the equivalent period last year Levels of pay settlements this year have been among the lowest in recent years, averaging 12 percent.

According to the consultancy, the dramatic increase was mainly due to turbulence in the metal industries, hit by the biggest strike in five years. The dispute between the National Union of Metalworkers (Numsa) and the Steel and Engineering Federation of South Africa accounted for 43 percent of strike action.

Second in line was another Numsa sector, auto assembly, which accounted for 21 percent of all strikes Action included a one-week industry-wide strike and the month-long stoppage at Toyota's Durban plant.

This year also saw the most protracted strike ever in the public service, with the hospital strike keeping 7 000 workers out of their jobs for four months and costing 247 000 man-days.

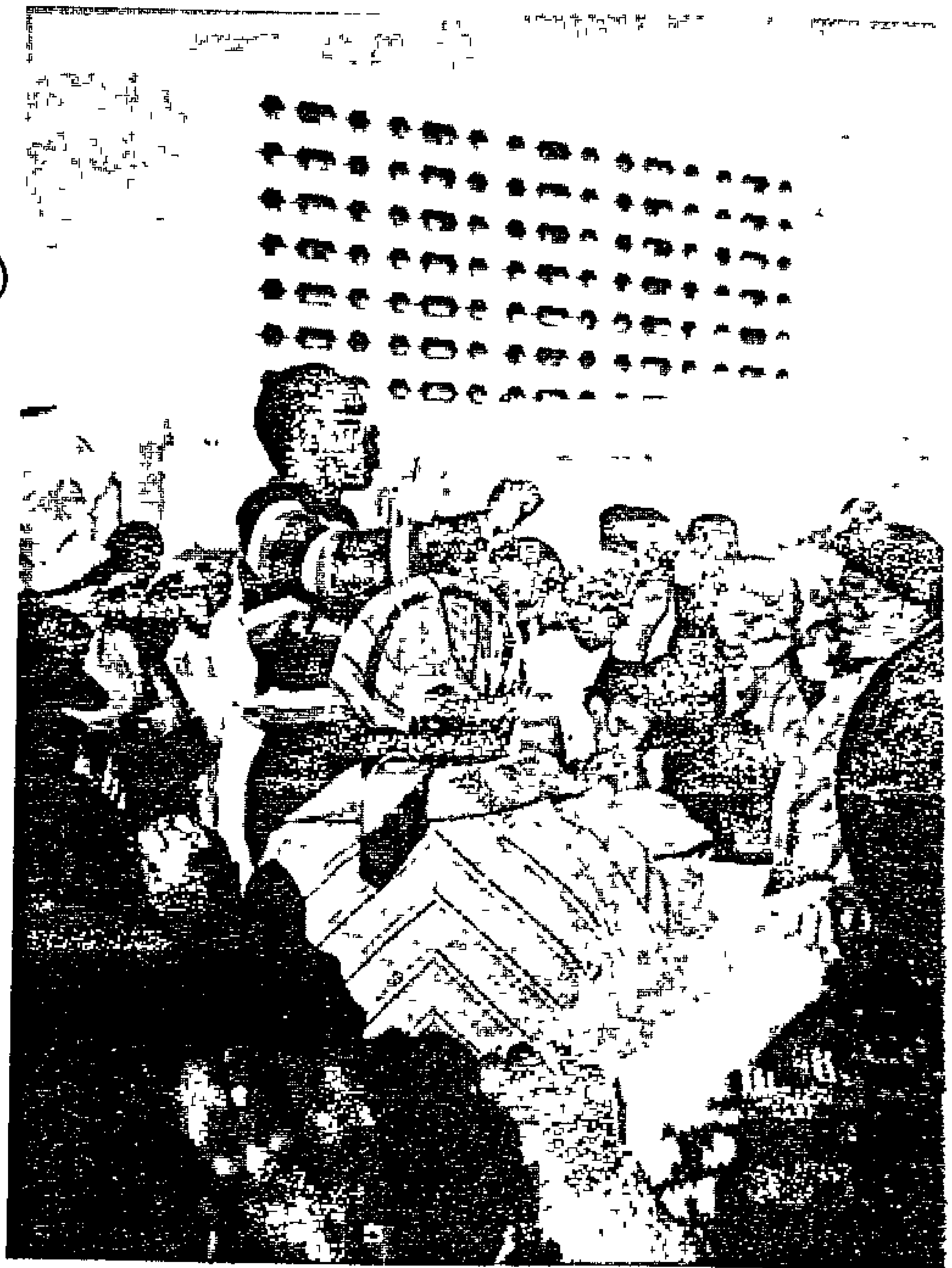
The Manpower Department's figures also showed that workers lost a total of R18,5-million in wages during the first five months of this year This figure would probably be higher if the public sector were included

The department's strike statistics exclude sectors not covered by the Labour Relations Act Public service strikes such as disputes in the hospitals and the South African Broadcasting Corporation are not taken into account.

Political stayaways, which have cost the economy millions of man-days this year, are also not included in these figures.

Numsa also features prominently in the department's strike figures, having been responsible for 61 percent of man-days lost and about 11 percent of the strikes Leading the pack in the strike tally is the South African Commercial, Catering and Allied Workers' Union.

Grievances and disciplinary issues also feature prominently, accounting for some 20 percent of strikes Demands relating to union recognition and bargaining levels were responsible for some 2,5 percent of strikes. Surprisingly, only 0,3 percent of strikes related to retrenchment, at a time when job cutbacks are costing many jobs and unions are pushing for a retrenchments moratorium in the different sectors.



Nursing blues ... The hospital strike accounted for a large part of the man-days lost

Photo: KEVIN CARTER

Numsa strike lost nearly R1bn

1/189 EDWARD WEST

PRODUCTION losses during the four-week strike action in August by nearly 80 000 members of the National Union of Metalworkers of SA (Numsa) amounted to nearly R1bn, the Steel Industries Federation of SA (Seifsa) said 8/10/92

Its latest Seifsa News publication said although no complete shutdowns had been reported, it was estimated the industry had lost one fifth of its production capacity over the four weeks This amounted to production losses of R880m

Seifsa claimed Numsa's orchestration of the strike action had been unwise considering the industry was in a recession

The industry was shedding between 2 500 and 3 000 jobs a month, business closures were on the increase and investor confidence was at its lowest. Union members lost R110m in wages during the strike

At least 1 500 workers had been dismissed during the strike and it was expected many more would be laid off as a result of lost business caused by the strike

Some companies had managed to maintain and even improve production during the strike, with fewer workers Indications were that management would review productivity standards with the possibility that manning levels would change

The successful court interdict against the Numsa strike had established some important collective bargaining principles, Seifsa said BDay 8/10/92

Seifsa and its employer organisations were able to institute legal proceedings and seek court interdicts against trade unions on behalf of their members.

Employer organisations also had the right to know the outcome of the union strike ballot Seifsa said this meant the "principles of industrial democracy" had been entrenched by the court

LABOUR BRIEFS

W/Mail 16/10-22/10/92

Anglo angst

189

MEMBERS of the National Union of Metalworkers of South Africa (Numsa) marched on the headquarters of Anglo American and the Steel and Engineering Industries Federation of South Africa on Thursday to protest against the dismissal of striking workers at Boart International, an Anglo subsidiary.

Cosatu and Anglo talk

Sowetan 21/10/92

DIRK HARTFORD

HIGH-POWERED Anglo American and Cosatu delegations met on Monday to discuss Cosatu's September decision to target Anglo for worker action as a "union-bashing" company. 21/10/92

Cosatu's decision arose from mass dismissals during the August general strike and Numsa's month-long strike in the metal industry.

The meeting addressed wide-ranging issues, including the political situation, the economic effects of mass action and strikes, the need to curb violence, the ILO recommendations for SA labour legislation and latest initiatives around the national economic forum.

Cosatu concern at unilateral economic restructuring and retrenchments was also addressed. (189)

Cosatu believes the dismissals need to be addressed as a prerequisite for progress on the broader socio-economic and political fronts.

But Anglo would like dismissals in the metal and mining industry to be dealt with separately by the parties concerned.

Thousands laid off in metal, motor industries

BDAY 23/10/97.

DIRK HARTFORD

THOUSANDS of workers have been retrenched in the metal and motor assembly sectors since the national strike in August.

Samcor, which was working short-time almost continuously before the strike, has retrenched at least 650 workers since the moratorium on retrenchments ended with last year's agreement.

Samcor spokesman Ruben Els said the 4 500 remaining wage and salaried employees were now working fulltime.

Other motor assembly employers — including Nissan and Mercedes-Benz — are understood to be considering retrenchments. They would not comment yesterday

In the metal industry, Seifsa said its members retrenched 3 367 workers in September — the first month after the strike. During the strike 2 417 workers were laid off

A mini-survey of Numsa local offices showed that while many companies had retrenched workers, the numbers had been small.

According to Numsa's Benoni branch, 10 companies in the area had retrenched a few more than 100 workers

In Numsa's central Witwatersrand region, three out of six branches reported about 450 workers retrenched since the strike.

Numsa organisers say the main reasons given for the retrenchments were lost market share as a result of the strike, order books drooping due to the economic downturn, worker action harming business and positions generally becoming redundant.

'Break up the Anglo empire'

W/Mail 6/11 - 12/11 92

THE Anglo-American Corporation is too strong and needs to be split up, says Bernie Fanaroff, the national organising secretary of the National Union of Metal Workers of South Africa (Numsa)

"There is no particular benefit in having large conglomerates in industry," Fanaroff says in a frank interview given to the *South African Labour Bulletin.*

The Congress of South African Trade Unions has already adopted the unbundling of Anglo as a national campaign and Numsa will work to have it adopted as alliance policy

"We hope Cosatu will motivate to the African National Congress that it is an absolute priority to take Anglo apart," adds the unionist

Numsa is taking a hard line because the union accuses Anglo-American of leading the Steel and Engineering Industries Federation of South Africa's fight against the recent strike in the metal industry

"Anglo American initiated and drove the strategy of crushing our strike by mass dismissals," says Fanaroff He points out that Anglo is also a leading member of negotiations in the National Economic Forum and Saccola and could block decisions it did not like because of its size

Anticipating the backlash, Fanaroff is careful to note that Numsa is not calling for nationalisation He also says that the campaign "need not scare off investment"

An Anglo representative this week said "Anglo American Corporation has had a number of constructive encounters with Cosatu in recent weeks and we don't believe that these remarks will prejudice our ongoing relations with Cosatu "

Assurance on research

189 JONO WATERS 250

GOVERNMENT will finance, on a collaborative basis, research projects that will make SA's mineral industry more competitive internationally, says Mineral and Energy Affairs Minister George Bartlett. BDay

In the keynote address at the Survival Strategies for the Metallurgical Industry colloquium at Mintek yesterday, he said the private sector should indentify new research projects, and the direction that technology development should follow, as itwas closer to the marketplace 13/11/92.

Bartlett said the spare capacity on Eskom's grid, in the transport network, and in SA's metallurgical industries meant the country was "on the threshold of a new era of industrialisation"

Employers get ultimatum

By Alinah Dube

1882 189 1880 Sowetan 24/11/92

■ Factories in Rosslyn have until Friday to meet the demands:

THE ROSSLYN Industrialists Association has until Friday to meet the demands of workers employed at local factories north of Pretoria or face intensified action, workers warned yesterday

Several workers marched on three local companies where employees were allegedly dismissed for taking part in strikes and mass action programmes

The march was monitored by a United Nations delegation

The workers, all members the National Union of Metalworkers of South Africa, other unions affiliated to the Congress of South African Trade Unions and the African National Congress tripartite alliance, marched from factory to factory to present memoranda

Yesterday's protest was aimed at the August Laepple car parts manufacturing company, the industrial association and Wubbling-Apache Engineering

Strikers seek isolation

By Mckeed Kotlolo [redacted]

Striking metalworkers yesterday threatened to call for the international isolation of Bosal Afrika as the strike by 900 workers at the car parts manufacturer's plants in Uitenhage, Pretoria, Cape Town, Krugersdorp and Maritzburg entered its fifth day.

The National Union of Metalworkers of SA (Numsa) said it was holding talks with the Congress of SA Trade Unions as well as unions abroad to isolate the company in an attempt to force it to review its "hostile" stand. 189 [redacted]

Numsa said that despite its efforts to resolve the wage dispute by compromising on most of its demands, management refused to budge.

Numsa demanded a R2 across-the-board hourly increase, the election of full-time shop stewards and a moratorium on retrenchments or monthly severance pay.

Victim drives to cli...

Metal industry union rethink over agreement

189 [crossed out] ARG 27/11/92

SHARON SOROUR
Labour Reporter

DISGRUNTLED regional members of the metalworkers' union, Mewusa, are to re-evaluate the implications of the recently-concluded main agreement in the metal industry to decide whether the union will withdraw from the accord or not.

This follows a special meeting of the national executive committee of Mewusa (Metal and Electrical Workers' Union of SA) in Johannesburg last weekend to "resolve the disagreement that was caused as a result of the union's acceptance and signing of the agreement", said union president Mr Raymond Khosa

The agreement, signed on October 13 between 11 unions and the employer body Seifsa (Steel and Engineering Industries Federation of SA), was shunned by Cape members who argued it was a "vicious attack on the rights of members" and stripped workers of the right to strike

Unhappiness over the agreement led to the Cape region threatening legal action against the union's head office for signing the agreement.

The accord provided for wage increases well below the inflation rate and sought to end plant-level bargaining over wages and other conditions of employment in the industry.

Union acting regional secretary Mr Ben Petersen said the accord empowered employers to demand from workers the right to suspend, end or change existing plant or company bargaining arrangements.

The union's head office signed the agreement without a mandate from its regions, he said

According to an informed source, three of the four regions have opposed the signing of the agreement.

"It has now been referred to members to decide whether the union will withdraw from the agreement or not This is a political victory for workers as the signing took away rights presently enjoyed by workers

"There are major problems with the agreement and it has been established that the national executive committee did not endorse the signing of the deal," the source said

Mr Khoza said members would now be evaluating the implications of the agreement on the "fundamental rights of workers".

"That was unanimously seen as a democratic process that would determine the union's position concerning the continued participation or withdrawal of the union in the main agreement," Mr Khoza said.

10 000 jobs to go after steel strike

S Times (Buss) 30/8/92 (189)

By CIARAN RYAN

THE strike-hit steel and engineering sector will pay off up to 10 000 workers next month

Steel and engineering companies are counting the cost of the Numsa strike which was declared illegal by the Supreme Court this week because of ballot irregularities

The industry will lose between 7 000 and 10 000 workers in September, up from 2 400 in June, according to Seifsa economist Mike McDonald

He says the industry will contract by 5% this year compared with 3% for the economy as a whole

A total of 35 000 jobs were lost in steel and engineering last year, but the figure will be greater this year, says Mr McDonald

The effect of the recession is reflected in Unemployment Insurance Fund payments by the Department of Manpower They more than doubled from R563-million in 1989 to R1,2-billion in 1991 The figure will exceed R1,5-billion this year

More than 50 000 farm workers will lose their jobs over the next 12 months because of the drought Another 50 000 non-agricultural workers will lose their jobs over the next year, says the Afrikaanse Handelsinstituut (AHI)

The AHI's Nick Barnardt says "One gets the impression that trade unions are not too concerned about unemployment The fact that we have strike action in the midst of a serious recession is highly abnormal"

The Reserve Bank annual report says only 186 000 jobs were created in the past decade The economically active population increased by 3,3-million in that time

The rate of unemployment is expected to accelerate in the next six months in response to recent mass action, the Numsa strikes and deepening recession

The sectors hardest hit by the recession are manufacturing, mining and construction

The number of formal-sector jobs grew by only 2,9% from 6,298-million to 6,848-million between 1981 and 1991, according to the Reserve Bank

Public-sector employment rose by 17% to 1,6-million and private-sector employment fell by 1% to 4,87-million in the 10 years

Public-sector corporations, such as Eskom and Transnet, shed a total of 88 000 jobs between 1981 and 1991

Employment in building fell from 389 000 in 1985 to 265 000 in March 1992

Building Industries Federation of SA (Bifsa) industrial relations adviser Andre de Villiers says political uncertainty has put a freeze on construction projects Large capital projects, such as Mossgas, have been completed

Costs

Employment in mining fell from 760 000 in 1981 to 700 000 in 1991 The gold mines employs 148 000 fewer workers than the 541 000 in 1987, although the rate of job losses is slowing, says Chamber of Mines economist Francois Viruly

"The mining industry started to cut back several years ago Working costs, of which labour accounts for nearly half, were up only 1,6% last year"

A survey of 850 companies by Drake International shows that 14,5% of them planned to reduce staff numbers between September and August. In a previous survey for June to August, only 10,8% of the companies planned to reduce staff numbers

FM 11/12/92 **FOX**

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CHARTER CONSOLIDATED

Interest rate dent

The sharp fall in sterling interest rates makes the only dent in Charter Consolidated's otherwise good first-half performance in the face of depressed markets and margins. At the operating level, profits to September 30 lifted by 3,6% to £31,3m, but the combination of lower interest rates and a £20m reduction in cash balances to £102m cut net receivables by 30% to £5,8m.

That left pre-tax earnings 4% off at £37,1m. EPS were marginally less affected at 21,8p (22,4p) and the interim dividend is pegged at 7p.

Leaving aside the contribution from the passive 38% stake in Johnson Matthey — which accounts for 57% of £606m group turnover and 40% of profits — the four legs of the operating business coped well. Their combined pre-interest surplus inched up by nearly 2% to £16,9m on turnover of £262m, a 15% gain.

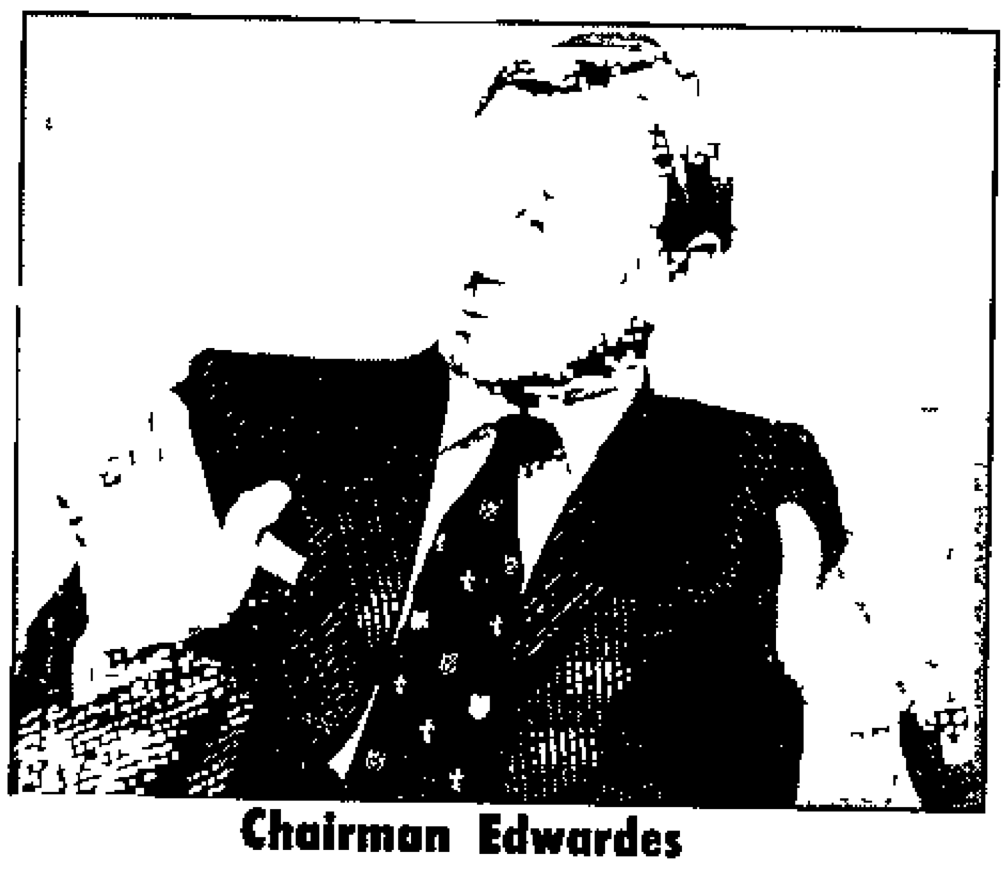
Buildings products and services (Cape) grabbed a bigger market share in the UK and Continental acquisitions with major contracts in Brunei and Australia raised turnover by 31% to £128m. But a devastated UK construction industry meant lower overall margins and no change in profits at £6,4m.

Rail track equipment (Pandrol) had a mixed six months. Maintenance suffered in the US but sales of fastenings to Belgium, Italy and the US picked up as did contract work.

Sales were 12% better at £51,8m but the surplus was only 1,5% up to £6,7m.

Pandrol is expanding in France — acquiring two companies with combined revenues of £4,2m — and the UK in a joint venture with another French group.

Coal mining equipment saw a 61% improvement at the UK arm, Anderson, previously blighted by the run down of British Coal, offset at National Mine Service in North America. Overall turnover was fractionally down and earnings flat.



Chairman Edwardes
JM's shadow

Quarrying suffered a slight downturn because of aggressive competitive prices but by cutting costs Hargreaves managed to raise profits by 12,5% at £1,8m.

Creditable as all this is, Charter's investment standing continues to shadow Johnson Matthey. With the holding valued at more than 57% of Charter's market capitalisation, the shares moved up to their 12-month high of 555p in London — echoing a JM advance.

A historic yield of 5,2% and p e of 13 compares with 2,7% and 20 for JM. Stripped of JM, at current prices and on a maintained dividend which could be 1,5 times covered, Charter would yield 9% and stand on a multiple of 7,5 — before any assumptions about what the liberated cash would earn.

John Cavill

Workers stage march

(189) Sowetan 10/12/92

By Alinah Dube

Demo by Numsa members monitored by EC observers:

SCORES of striking National Union of Metalworkers of South Africa (Numsa) members at the Pretoria plants of Bosal Africa yesterday staged a march to highlight their demands

The march was monitored by European Community (EC) observers Mr I Kuyvenhoven and Mr Win Stanley. The demonstration by some of the 900 workers who went on strike on November 19 started from the Queenswood railway station to the company headquarters at Koedoespoort The plants involved in the stoppage are in Uitenhage, Pretoria, Maritzburg, Cape Town and Krugersdorp Workers are demanding an increase of R2 an hour, the election of full-time shop stewards and a moratorium on retrenchment or severance pay of one month for every year of service The company's offer stands at 70 cents In a memorandum presented to management yesterday, Numsa demanded the immediate reopening of meaningful negotiations, failing which a campaign would be launched for the boycott of the products manufactured by Bosal

After accepting the memorandum plant director Mr FJ Lubbe said although they were not agreeing to worker demands, he noted the fact that "meaningful negotiations will have to be entered into" Lubbe said the increase being offered by his company remained higher than those agreed to by the union and other competitors

Mr Albert Wocke, Numsa's organiser in Brits, appealed to management to resolve the dispute He said it was insensitive to underpay people and suggest retrenchments

Mass dismissals loom as court torpedoes strike

w/Mail 28/8 - 3/9/92 .

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While thousands of metalworkers stand to lose their jobs, the failure of the engineering strike has dealt a severe blow to the the collective bargaining process.

By **MONDLI MAKHANYA**

THE National Union of Metalworkers (Numsa) was dealt a deadly blow by this week's Transvaal Supreme Court judgment declaring the three-week engineering strike illegal

The judgment potentially opens the floodgates for mass dismissals on a scale not seen since the 1986 mine strike. Already 1 500 strikers have been fired, while others have been issued with return-to-work deadlines

The collective bargaining process in the industry may have also suffered a severe setback Unionists are enraged by the judgment, which upheld the Steel and Engineering Federation of South Africa's (Seifsa) contention that Numsa did not comply with requirements for a free and fair ballot The court's finding that Numsa's balloting procedures were peppered with irregularities rested on allegations that there had been insignificant secrecy at the polls, that non-union members had been able to vote and that there the was inadequate control over ballot papers, enabling some people to vote more than once

"They were effectively arguing that the ballots were inadequate because they were paper boxes sealed with sticking-tape rather than padlocked metal boxes," said Numsa organising secretary Bernie Fanaroff

Fanaroff said Seifsa's recourse to legal technicalities to break the strike "makes absolute nonsense" of the collective bargaining process "We spend five months bargaining with Seifsa and in the end they set out to crush us with technicalities What then is the point of collective bargaining?" he asked

The union has also poured scorn on Mr Justice Myburgh's ruling that unions should provide registers of balloting workers — complete with identity numbers

But the finding has significant implications beyond this dispute In future strike ballots, unions will have to prove beyond doubt the validity of the strike votes

The country's largest union may now have to find ways of retreating from the strike, involving close to 100 000 workers, without much to show for it Numsa has already revised its demand for a retrenchment moratorium and is now proposing a "retraining fund" for retrenched workers and is likely to moderate its 16 percent pay claim

Seifsa has placed adverts in newspapers notifying workers that the strike is illegal, and posters to the same effect have been posted at factory gates

If the dispute is not settled by the weekend, employers may begin dismissing The key restraining factor will be a threat of solidarity action by other Cosatu affiliates.

The past three weeks have been bitter ones, costing several lives in addition to jobs Employers are estimated to have lost close to R800-million in production, while workers have sacrificed an average of R1 000 each in pay

"If workers return to work next week, they will have lost nine percent of their annual wages, and in such a case the 8,6 percent increase (offered by employers) will be meaningless," said Seifsa economist Michael Macdonald

The likely next step is a return to the negotiating table, where Numsa may trade the low wage offer for concessions on working conditions and the reinstatement of fired strikers Seifsa is understood to be in favour of such a compromise

But the worst fallout of the strike will come in the form of retrenchments in the months to come Companies in the sector have been hard hit by recession, with about 2 000 jobs lost every month

"I expect the retrenchment rates to be quite high in September, but the October figures will be very high as the effects of the strike start being felt," McDonald said

Judge rules Numsa strike was illegal

■ **Provisions of Labour Relations Act were contravened during strike ballot:**

Sowetan 27/8/92

Sowetan Correspondent

THE countrywide strike involving workers in the iron, steel and metallurgical industry - affecting some 800 major companies - is illegal, the Pretoria Supreme Court has ruled.

Mr Justice Myburgh said on Tuesday that he was "satisfied it had been proved that a number of material irregularities occurred during the strike ballot" called by the National Union of Metalworkers of South Africa.

He also found certain provisions of the Labour Relations Act were contravened during the ballot held in May

The judgment followed an application by the Steel and Engineering Industries Federation of South Africa and 16 affiliated employer organisations to obtain an interim interdict against Numsa to prevent its members from continuing the strike.

The strike, considered the biggest industrial action since the 1987 mineworkers' dispute, began on August 3 after a strike ballot was called when negotiations on wages, working conditions and a moratorium on retrenchments reached deadlock

The employers had subsequently considered the union's revised demand for a 16 percent wage increase, found it unacceptable and urged Numsa to accept their final offer of 8,6 percent

The judge granted a temporary interdict prohibiting Numsa and members to continue with the strike, pending the finalisation of the application.

Argument by Mr JJ Gauntlett, SC, acting for Seifsa, that a final order be granted by the court was opposed by Mr M Wallis, SC, for Numsa.

The judge found that as Seifsa initially launched the application asking for interim relief, and in view of the fact that Numsa compiled its court papers to contend with such an order, he could not grant a final interdict.

Numsa was ordered to file further papers on October 6 and Seifsa to reply by October 27

The judge accepted argument by Gauntlett that participation in the ballot by non-Numsa members had caused more votes to be passed than the number of members entitled to vote

He also said "unfortunately Numsa is unable to give an exact number of its members" although it was required by law for a union to keep a register of such members

He found prima facie evidence that further irregularities had also occurred - there was no proper control over unused ballots, in a number of cases ballots were not secret and ballot boxes were not properly sealed

The union puts the number of workers out on strike at about 100 000 while Seifsa estimates that only 60 000 are involved.

Numsa senior spokesman Dr Bernie Fanaroff said the union would report back to members and evaluate the strike at a meeting to be held today

(189) [redacted]

Numsa fears widespread sacking

STAR 27/8/92

By Thabo Leshilo
Labour Reporter

The National Union of Metalworkers of SA (Numsa) has expressed fears of widespread dismissals after Tuesday's interim ruling by the Pretoria Supreme Court declaring the strike in the iron, steel and metallurgical industries illegal.

The application was brought by the Steel and Engineering Inudstries Federation of SA (Seifsa). Mr Justice Myburgh said he was "satisfied it had been proved that a number of material irregularities occurred during the strike ballot".

Numsa spokesman Dr Bernie Fanaroff yesterday said management would "use the ruling as an excuse to dismiss workers at will". According to Numsa, up to 1 500 members have already been dismissed since the strike began on August 3.

However, Seifsa spokesman Hendrik van der Heever said employers could not summarily fire workers. The court decision still had to be communicated to Seifsa members to inform the strikers of the order. Seifsa, he said, had been inundated with calls from companies seeking guidelines on what options they could take in view of the ruling.

Dr Fanaroff claimed that the ruling had tipped the scales of collective bargaining in favour of employers, thereby endangering the process. Numsa, he said, would meet today to evaluate the strike and report back to the strikers. Seifsa has already informed the union that further negotiations would serve no good.

Dr Fanaroff said Numsa would ask the Congress of SA Trade Unions, of which it is an affiliate, to embark on a campaign to have the Labour Relations Act changed because it afforded workers no protection. "The court ruling effectively means that workers cannot even go out on a legal strike," he said.

Seifsa executive director Brian Angus charged that Numsa had failed its members by misleading them into an "undemocratic and illegal strike".

He estimated that workers had already lost R90 million in wages for the duration of the strike, which has caused more than R600 million in lost production.

Austrian tipped to head UN observers

STAR 27/8/92

Star Bureau [redacted]

NEW YORK — A senior Austrian official in the United Nations bureaucracy is expected to be named to head the observer operation in South Africa.

Diplomatic sources said that Ferdinand Mayrhofer-Grunbuhel had been recommended for the post as special representative of UN Secretary-General Boutros Boutros-Ghali.

A former director of the office of Security Council affairs in New York, he was transferred to Geneva as deputy head of the office of disaster relief coordinator M'hamed Essaafi.

Under pressure from African and other UN members, Mr Boutros-Ghali is said to be willing to choose more senior level officers in the Secretariat than he had planned. He is said to have been influenced also by the intention of the EC, the OAU and the Commonwealth to name senior representatives.

The 50 UN observers will serve in 11 districts to help ensure implementation of the National Peace Accord.

Numsa strike called off

(189) CT 28/8/92

JOHANNESBURG — The biggest strike in the country's engineering industry was called off yesterday after 24 days, National Union of Metalworkers of South Africa official Dr Bernie Fanaroff said.

Up to 100 000 workers on strike at more than 700 plants were advised to report for work on Monday

The decision was taken at a Numsa national strike committee meeting here and followed a Supreme Court interdict ordering a return to work

The committee said the decision, which had been taken because of the threat of mass dismissals, would be discussed by members in meetings tomorrow and over the weekend

The union has confirmed widespread rank-and-file resistance to calling off the strike

The Steel and Engineering Industries Federation of South Africa, representing employers, has been told of the recommendation to return to work.

Seifsa was asked to ensure that there would be no more dismissals and that all dismissed workers would be reinstated

According to Numsa estimates, about 1 500 members were fired and about 200 companies had sent Numsa ultimatums threatening dismissal yesterday

However the return to work did not mean that workers had accepted Seifsa's final offer of an 8,6% increase A union spokesman said Numsa had suggested pay talks be reopened

The strike cost the industry R44 million daily, at a final loss of at least R836m, according to Seifsa estimates Strikers forfeited at least R90m in earnings

The strike committee said it believed the order of the Supreme Court was legally and politically incorrect, setting labour relations in South Africa back many years

The strike, which followed about five months of national industrial negotiations, has been judged as the largest in the country's manufacturing industry — Sapa

focus on Numsa

Sowetan 28/8/92 (189)

More than 100 000 workers in the metal industry have been on strike throughout the country. Numsa, the biggest trade union in the metal industry and perhaps, in the country, in this article gives us an insight into the strike:

MORE THAN 100 000 workers in the industry were on strike over the past four weeks

Over 40 000 were on the streets of Johannesburg last week.

There were daily marches in Cape Town, Brits, Benoni and Wadeville, yet there was hardly a word in the Press

Today we set the record straight and give a detailed review of the strike, its issues, struggles and stories

Numsa went on strike on August 3 after five months of negotiations with the employers through their organisation, Seifsa Numsa demanded a "living wage" increase of R2 per hour, protection against retrenchment (through a moratorium) and protection of worker's rights (especially the right to strike without fearing dismissal)

Workers on the march.

Strike without dismissal

How right were workers in the last demand - the right to strike without dismissal Since their strike began thousands of workers have been dismissed Enemy number one for Numsa members is Anglo American The company, which claims to lead the way when it comes to democracy, in fact attacks one of society's basic democratic rights - the right of workers to withdraw their labour

Already, Boart Hardmetals (an Anglo company in Springs) has dismissed 600 workers Anglo is now threatening other dismissals, including the thousands of workers at Scaw Metals in Wadeville

As this trend is being followed by hundreds of Seifsa companies, Anglo American seems to have persuaded the employer organisation to smash the strike through dismissals

Peaceful picketers

But dismissing workers is not the employer's only tactic When they fail by themselves, they just call in the police. On the third day of the strike the police fired teargas at workers in Germiston who were marching peacefully When the police were challenged by union officials, they jumped in their cars and ran away They have arrested peaceful picketers in Nigel, Springs and Benoni

And then there are the courts Ever since the strike began the employers have been trying by one means or the other to find technical reasons why the strike should not be declared legal Now they have succeeded, not in declaring the strike illegal, but in interdicting Numsa from calling or participating in the strike.

Employers say Numsa must prove that more than half of its members voted to go on strike These are the very same people who were happy to put Labour Party members into Parliament, when it only had a 20 percent vote Meanwhile, many employers refuse to allow voting on the company premises In some companies, union officials were thrown out when they tried take ballot papers to their members

Workers from different political organisations are on strike together United by their common need for decent wages and secure working conditions, workers who belong to organisations which have often been seen as enemies, are striking and marching side by side At the huge Numsa march in Johannesburg last week, Numsa general secretary Moses Mayekiso saluted this display of unity and confirmed that "workers must leave their ideologies at home"

And what about the employers? In every part of the Transvaal and Natal you hear the same story - the employers go straight to Inkatha to supply strike breaking workers These are the very same employers who jump in front of the TV cameras to sign the National Peace Accord The next moment they are doing their very best to divide workers and to build hatred between organisations

Who is really building peace and unity The employers or the workers?

So, where does the strike go now Numsa has tried all means to negotiate seriously It has reduced its original demand first to R1, and then to 16 percent (76 cents for the lowest paid)

The response of the employers? No change from their offer of 8,6 percent (38 cents for the lowest paid)

This offer comes at a time when the cost of living is going up by nearly 16 percent a year, and food prices are going up by a record 29 percent So their wage offer is in practice a wage cut.

Now Seifsa has said they are not even prepared to negotiate any longer Instead, they are relying on the courts and their dismissals to starve Numsa strikers into submission.

Judge declares engineering strike unlawful

STAR 26/8/92.

A three-week strike in the engineering industry was yesterday declared unlawful by a Pretoria Supreme Court judge, Steel and Engineering Industries Federation of SA (Seifsa) executive director Brian Angus confirmed

The interim interdict against the National Union of Metalworkers of SA (Numsa) was granted by Mr Justice Myburgh

"The strike has been declared unlawful for the moment A date will be set for a full hearing"

Yesterday's application by Seifsa was the second attempt to stop Numsa from continuing its countrywide strike, which began on August 3

The employer federation sought to have the strike ballot declared invalid and the strike illegal

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Its first application, on August 7, was thwarted by a judgment which ruled Seifsa did not have the *locus standi* to represent its affiliated associations

This was overturned after an appeal to the Transvaal Division of the Supreme Court last Friday

Seifsa has not indicated whether a favourable ruling would be followed by mass dismissals of striking Numsa members in the metal and engineering industries

The union, which opposed the application, could not be reached for comment. — Sapa.

CT 26/8/92 (189) (18)

Engineering strike illegal, court rules

JOHANNESBURG — A three-week strike in the engineering industry was declared illegal yesterday, setting the stage for strike-breaking mass dismissals, National Union of Metalworkers of South Africa (Numsa) spokesman Dr Bernie Fanaroff said

An interim order interdicting the biggest industrial strike in recent years was granted by a Pretoria Supreme Court judge

The Steel and Engineering Industries Federation of South Africa (Seifsa), which brought the application, had also ruled out any further negotiations, said Dr Fanaroff

"Seifsa said it had requested companies to end the strike as they saw fit, in effect, meaning mass dismissals," he said

Seifsa earlier confirmed the ruling in its favour

The union estimates that as many as 100 000 members had joined the strike since it began on August 3, affecting over 700 companies and costing the metal and engineering industries R44 million in lost production every day — Sapa

NEWS Strikers may be dismissed

Seifsa bid to declare Numsa strike unlawful

Sowetan 25/8/92

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■ COURT APPLICATION Union official accuses employers of Armageddon tactics:

A COURT application to have the biggest industrial strike since the 1987 mineworkers' dispute declared unlawful will be heard in Pretoria today

If successful, strike-hit companies affiliated to the Steel and Engineering Industries Federation of South Africa (Seifsa) may opt for mass dismissals against thousands of workers on strike since August 3, according to a senior trade unionist

"Quite constructive attempts to negotiate the restructuring of the industry will be virtually impossible if Seifsa tries to break the strike with mass dismissals," Dr Bernie Fanaroff, head of the National Union of Metalworkers of SA (Numsa) collective bargaining department, said yesterday

Accusing Seifsa of adopting "an Armageddon-type strategy" against Numsa, he said the bitterness caused by mass dismissals was bound to prejudice the atmosphere in which the newly-established national economic negotiating forum would operate

Seifsa, while not immediately available for comment, has denied union charges that it had advised affiliated employers to dismiss striking Numsa members, saying this decision lay with individual companies

Today's court action comes as a sequel to Seifsa's August 7 bid to have the Numsa strike ballot declared unlawful and the strike illegal

Seifsa on Friday won its appeal against a ruling that it did not have the legal standing to represent its member associations

Numsa strike declared unlawful

189 DIRK HARTFORD

THE second biggest strike in SA history was declared unlawful yesterday in the Pretoria Supreme Court, with Seifsa being granted an interim interdict against Numsa on the grounds of ballot irregularities B|DAY 26/8/92

The strike at 790 workplaces in the metal and engineering industry is in its fourth week and has already cost the industry about R750m in lost production

Yesterday's application by Seifsa was the second attempt to stop Numsa from continuing its countrywide strike

Its first application, on August 7, was thwarted by a judgment which ruled Seifsa did not have the locus standi to represent its affiliated associations This was overturned after an appeal to the Transvaal Division of the Supreme Court last Friday, Sapa reports

Seifsa could not be reached for comment last night, but Numsa's Bernie Fanaroff said the judgment effectively meant no

☐ To Page 2

Numsa

B|DAY 26/8/92 · 189

☐ From Page 1

Cosatu union could hold a legal strike in terms of the Labour Relations Act, as the implications of the judgment were that every union should have an up-to-date list of its members with their ID numbers

Numsa would ask Cosatu for a campaign to have the law changed this year, he said

Fanaroff accused Seifsa of relying on technicalities for breaking a democratic decision by Numsa members

Numsa had already written to Seifsa saying that if the strike was broken by mass dismissals because of the judgment, there would be no room left to build on the "fruitful" discussions that had already taken place about the future of the industry

Numsa would urge Cosatu to reconsider its participation in discussions with Saccola on a joint charter and in the national economic forum

☐ Yesterday Numsa members occupied a floor of Seifsa's Johannesburg offices and demonstrated outside Dorbyl in Bedfordview in support of the union's demands

Numsa wants a 16% across-the-board increase, a moratorium on retrenchments and a code to end discrimination Seifsa has offered an 8% increase

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Steel strike called off

ARG 28/8/92

JOHANNESBURG — The biggest strike in the country's engineering industry has been called off after 24 days, National Union of Metalworkers of South Africa official Dr Bernie Fanaroff said

Up to 100 000 workers on strike at more than 700 plants were advised to report for work next Monday.

The decision was taken at a Numsa national strike committee meeting and followed a Supreme Court interdict ordering a return-to-work

"The committee decided to recommend to Numsa members an orderly return to work on Monday, August 31, and this will be discussed by members in meetings tomorrow and over the weekend The members will make the decision.

"The recommendation was made because of the threat of mass dismissals."

The union has confirmed widespread rank-and-file resistance to calling off the strike over pay and job security, as well as workers' rejection of Tuesday's Supreme Court judgment against the action which began on August 3

The Steel and Engineering Industries Federation of South Africa, representing employers, had been told of the national strike committee's recommendation

Seifsa was asked to ensure that there would be no more dismissals and that all dismissed workers would be reinstated

According to Numsa estimates, about 1 500 members were dismissed.

According to Dr Fanaroff, more than 200 companies had sent Numsa ultimatums yesterday, threatening workers with dismissal unless they returned to work

The return-to-work did not mean that workers had accepted Seifsa's final offer of an 8,6 percent increase against revised union demands for a 16 percent pay rise

"Numsa has proposed to Seifsa that negotiations towards an agreement now be reopened"

Many of the ultimatums on dismissals were set for 7 am yesterday, though many companies, including Dorbyl, gave ultimatums for Wednesday.

The strike cost the industry R44 million daily, at a final loss of at least R836 million, according to Seifsa estimates Strikers forfeited at least R90 million in earnings.

The union believed any dismissals taking place "in terms of such unreasonably short ultimatums will clearly constitute an unfair labour practice".

"Seifsa has told the Press that their members will not engage in mass dismissals. This is completely contrary to the evidence of the flood of ultimatums

"The employers clearly chose to break the strike by mass dismissals, in an effort to get rid of Numsa for once and for all This does not bode well for peace in the industry." — Sapa