(D)

MANUFACTURING — Iron, Steel, Eng. etc

1992

MARCH — DEC.

FM 6/3/92 (189D) **FOX**

CULLINAN FM 6/3/92

Feeling the heat (189D)

Investors in Cullinan Holdings who expected last year's disposal of the controlling stake in African Cables to mark a turnaround in the group's fortunes must be sorely disappointed with the interim figures.

The poor performance of Cullinan's remaining operations, particularly the building brick division, saw operating income plunge from R11,5m to a mere R693 000 in the six months to end-December. Though borrowings were cut as a result of the R76m received from Reunert for the 51% holding in African Cables, finance charges were still up on the previous year, at R10,8m. Attributable earnings nosedived from R7,8m at the end of 1990, to a loss of R10,1m at the interim stage.

These results coincide with changes among Cullinan's top management. Ed Harbuz, previously CE at Cullinan Refractories, has taken over as group MD from Ray Tyler who retired in December. Chairman Neil Cullinan will retire next month, though he will remain on the board, and will be succeeded by Cadbury Schweppes chairman Alan Clark, who has been a Cullinan director since 1987.

VANISHING PROFIT

Six months to	Dec 31 '90	Jun 30 '91	Dec 31 '90
Turnover (Rm)	222	273	233
Operating profit (Rm)			
— Contin operations	11,5	12,8	0,69
— African cables	8,4	9,8	—
Earnings (Rm)	7,8	2,5	(10,1)
Earnings (c)	53,9	16,8	(69,7)
Dividends (c)	17,0	17,0	—

Harbuz says it is inevitable that management style will change. "Business in the Nineties will require companies to be far more results-driven," he says.

Management's first objective is pretty clear and Harbuz believes Cullinan's recovery in the second half will be sufficient to enable the group to break even at earnings level by year-end. This will not be easy and will require operating profit in the second half to be at least R25m — more than the current operations generated in all of financial 1991.

Cullinan's refractories, building brick and electrical businesses are all suffering heavily

Cullinan's Cullinan ...
handing over the chair

because of cuts in public sector and capital project spending, while the weak economy has brought the property division almost to a standstill. Promise of reduced stock holdings, tight working capital controls and cuts in expenditure are to be welcomed. But more drastic measures are needed if the group is to end the year in the black. EPS fell 40% to 70,7c in financial 1991. Management attributed much of this decline to the poor performance of African Cables.

Harbuz says management is looking to streamline the businesses; non-performing operations will be curtailed. Headcount of the current operations has fallen 10% in the last six months (severance packages and retirement payouts cut operating profit by R2m) and further cuts may be necessary, says Harbuz.

The building brick division was the weakest performer in the first half, with an operating loss of about R4m. Harbuz blames this largely on difficulties in commissioning an automated brick-making factory. The R30m Olifantsfontein plant is a year behind schedule and difficulties in adapting US and French technology to local conditions have resulted in production and quality problems.

Harbuz expects the plant to be working at full capacity by year-end. But he acknowledges that demand for bricks is flat and the division will only recover fully with an upswing in the building industry.

With significant short-term improvements unlikely in the markets for the refractories and electrical products and services, management has been forced to look at shedding a lot of the property portfolio to cut borrowings and the interest burden. Harbuz hopes to offload about a third of the portfolio by year-end. But prices will probably have to be cut.

Many investors must surely doubt management's ability to produce positive earnings this year. Even if it is achieved, financial 1992 will be bleak for shareholders. There is little enthusiasm for the share and the counter is trading around 525c — less than half NAV.

Simon Cashmore

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LES KETTLEDAS

F Mail 5/6/92

Driving a hard bargain

Les Kettledas's early days as a union leader consisted of on-the-job training or, more precisely, lunch-time training. During the midday break, the former paint laboratory technician for General Motors talked about what he and other workers saw as poor conditions, low pay and the limits proscribed by job reservation rules.

"In our first year," he remembers, "there was a lot of opposition from employers. But we had to continue."

In 1974, Kettledas (44) left GM (now Delta) and became a full-time union official. Now he is the national secretary for collective bargaining of Numsa, the metalworkers' union that represents 280 000 dues-paying members who work in the metal industry, vehicle and tyre manufacturing and the motor industry.

Though he acknowledges that there have been "substantial changes in working conditions" at the car assembly plants since he went to work for GM in 1968, he believes that management has the same response to the union's request for better wages and benefits.

"Employers have the same attitude no matter what, whether it's recession or boom: they always accuse the union members of being unreasonable and unrealistic. That response is always there."

The current contract with the car companies expires at the end of the month and negotiations are going ahead, following the recent strike now under way at a Toyota plant in Durban. So far, the carmakers are offering increase packages worth about 6,4% — a number that Kettledas says "smacks of a handout."

Though Numsa is asking for 25% increases (which management sees as 45%, including benefits), he would be happy to see an offer that would at least cover inflation. "Or else our members are not able to improve themselves."

Will there be another strike like last year? Kettledas dips into his well of union-speak: "If there is no real progress, we will be forced to hold a ballot for our members on whether they want to take industrial action."

Sitting across the negotiating table is Dave Kirby of BMW, who says he gives Kettledas "an 'A' for perseverence."

Says Kirby: "He is intelligent, articulate and tenacious. He is a bulldog. He has strong goal orientations. He sets clear targets and then hammers away." Nevertheless, Kirby does not "agree too often with his philosophy, his standpoint. He is not co-operative; he is confrontational."

Kettledas says he is just doing the job he is mandated to do. And he tries to keep calm, cool and collected while he goes about his task.

"I go in and get the best deal for the members. I don't do that by jumping on the table and screaming at the employers."

Kettledas, who is based in Port Elizabeth, says all of his free time goes to the union. But when he needs to get away from it all, he jumps into his new Delta-made Opel Kadett (he recently retired a Renault) and heads about 80 km west for the peace and quiet of Humansdorp, where he grew up. ■

Numsa pay talks reach deadlock

4/6/92

Citizen Reporter

CRUCIAL negotiations in Durban between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industries Employer's Association (SAMIEA) ended in stalemate yesterday after two days, Numsa's national secretary; collective bargaining, Mr Les Kettledas, said.

The negotiations covered about 200 000 workers at petrol stations, panel beating shops, motor component manufacturers, automotive engineering and reconditioning workshops.

Numsa submitted demands dealing with wage increases, job security, parental rights, workers' rights and the ending of discrimination.

"At the end of the first round of negotiations on March 6 this year, no real progress was made and during this round of talks, the employers expressed the difficulties they had experienced," said Mr Kettledas.

He said Numsa had committed itself to addressing the long-term viability and growth of the industry in order to prevent any problems, but that Samiea had not responded positively.

Mr Kettledas said the union was unhappy with Samiea's offer which included:

- No increase to petrol pump attendants and chars.
- Increases ranging from 13c per hour for general workers to 22c per hour for journeymen and an increase of R10 per week for watchmen.

"Numsa has rejected this offer out of hand as it constitutes a hand-out rather than being based on any criteria and is not prepared to even refer this offer to its members for consideration," Mr Kettledas said.

The general secretary of Samiea, Mr Vic Fourie, could not be contacted for comment yesterday afternoon.

- The executive director of Samiea, Mr Vic Fourie, said last night that negotiations between Samiea and the trade unions — Numsa, the Motor Industries Employees Union and the Motor Industries Staff Association — would resume as soon as a date had been set today.

He said the negotiations were "nowhere near a stalemate", as suggested by Numsa.

Mr Fourie, however, admitted that negotiations between Samiea and the three trade unions so far had not made the desired progress.

He said until employers had a positive reaction from trade unions regarding certain issues, employers would have difficulty in meeting the trade unions demands.

He said the employers demands, for which they sought positive reaction from the trade unions, were aimed at increasing productivity, and profitability in the motor industry.

These included extending trading hours to 6 pm on Saturdays for mechanical repairs, sale of motor vehicles, spares and accessories.

Distress

Mr Fourie said the trade unions should realise that the motor industry was in a situation of extreme distress.

The trade unions should understand that in order for employers to sensibly negotiate with them to try and meet some of their demands, employers had to be in a position to increase the productivity in the industry.

FM 20/3/92 (189D)

CULLINAN HOLDINGS
FM 20/3/92 (189D)

Clearing the decks

Cullinan Holdings begins negotiations this week with potential buyers for part, or all, of its R70m property portfolio.

The group hopes to reduce debt through the sale (*Fox* March 6) and is offering a mixed bag of income-producing properties valued at R30m; another R32m worth of industrial townships; as well as a project for Tembisa, on a R8m tract of land.

Cullinan owns five buildings, all in Olifantsfontein, which are producing initial yields on average of 11,5% a year. They are occupied mainly by warehousing and manufacturing operations and are tenanted by Cullinan and outside companies.

Its sole retail interest is the Tembisa City project, a proposed mixed-use development adjacent to the black township which will be served — if it ever gets off the ground — by a new railway station. The 48 ha tract of land on which the project is planned is owned by Cullinan.

The scheme consists of shops, a clinic, hotel, garage and informal trading areas — as well as a multi-purpose sports stadium — at a total cost of just over R100m.

Cullinan executive director Dale Hillary says the preliminary planning on the first phase is nearing completion under the project leadership of De Leeuw & Associates and a team of architects headed by Stauch Vorster & Partners. The intention is to identify would-be investors to acquire the real estate and develop the scheme — which should take three to four years to reach completion.

The bulk — or 90 ha — of the company's undeveloped, industrial township land is in Olifantsfontein, Midrand. The rest — 38ha — is in Boksburg. ■

TEDELEX

Profit fading

189D

Tedelex has been on a roller-coaster ride over the past three years, with earnings dipping 38% in financial 1990, only to climb back by 42% last year. Now the electronics and appliances group is rushing downhill again on sharply decreased consumer demand, which is likely to cause the steepest drop for the group in recent years.

Earnings for the first-half have been decimated, dropping from R14,4m a year ago to R54 000. A R6m extraordinary charge in the accounts — the cost of restructuring and rationalising the loss-making household appliances division — put earnings in the red by R5,9m.

Increased borrowings, coming from an

Cont...

11% drop in turnover and substantial stock build-up after disappointing Christmas sales, added an additional R23m to the balance sheet, pushing debt up to R111,4m and gearing by 11% to an uncomfortable 52%.

Financial director Jackie Sifris says stocks are now coming down and should reach normal levels by the financial year-end in August. "We have been in a stock reduction phase ever since it became clear turnover would be down," he says. "We aim to get gearing back to about 44% by the end of August."

Assessed losses have made tax payments negligible. But Tedelex's tax bill is up on last year to R381 000, on the profit from UK subsidiary Systema. Finance costs have been maintained at R7,6m.

CONSUMER CRUNCH

Six months to	Feb 28 '91	Aug 31 '91	Feb 29 '92
Turnover (Rm)	269	243	239
Operating income (Rm)	23	17	8
Attributable (Rm)	14,4	12,2	0,05
Earnings (c)	23,6	20,1	—
Dividends (c)	7,0	7,0	—

Sifris says costs from closing the small appliance and marketing divisions were unfortunate but could probably not have been avoided. "We have long been looking at rationalising. The industry needs to rationalise and it is proved at times like this."

The Haz brand of appliances has been transferred from Krugersdorp, where the factory has been closed down, to Pinetown under a joint venture agreement with Lion Match subsidiary Lion Appliances. The two groups have combined resources to form a new company, Amalgamated Appliances. This is represented as a R23m investment on the balance sheet, mainly Haz's stocks and assets.

"I think the joint venture with Lion Appliances is a good match which should contribute well in the future," Sifris says. But benefits will not be seen in the current financial year.

The teaming with Lion Match is interesting. For both groups, it represents activity away from the core businesses which have not been doing well. Cutting the operations and combining them might result in a profitable company.

Sifris says the group will look at rationalising in all divisions to further cut costs. In the short term, there is not much Tedelex can do but try to keep a tight rein on expenses and streamline operations until consumer spending picks up again.

The share price, like earnings, followed a yoyo pattern and is now trading at 150c, half the level of last year's November high. Despite its cyclical nature, the share trades well below NAV of 352c per share, even in good times. This may have something to do with Malbak's 96% holding in Tedelex, which limits tradeability.

Shaun Harris

UNIHOLD

More in the bag

With the two new deals announced this week, Unihold has expanded each of its divisions with three sizeable acquisitions in little more than a fortnight. In the process, it has issued equity valued at some R31m, increasing its issued shares — and market capitalisation — by more than a third.

Earlier this month came news of the R15,8m acquisition of Dimbaza Foundries, bought from the Lonrho company, Tullis Laundry & Engineering Supplies (*FM* March 20). At the time it was stated that other deals were being negotiated and that these would relate to other areas of Unihold's interests, in view of the policy of maintaining a balance between the investments made in the various divisions.

Unihold's Butler ... *keeping the investments balanced*

Both the latest purchases are for similar amounts. The acquisition of the Luminaire business of Thorn is for R12,5m, while the takeover of the business of Buffcor is for R12,9m. The former will go into the electrical division and Buffcor into the engineering division.

If it all gives the impression of a flurry of activity, which together will have a large effect on the group, MD John Butler points out it is merely coincidental that the agreements were announced at the same time.

The Dimbaza deal, he says, follows negotiations initiated by Unihold as far back as two years ago. The seller had apparently accepted that the operation did not fit logically with other interests.

Talks with the former Buffcor controlling shareholder, Wolf Heller, were started last August. When Heller died in early January, the negotiations continued with his family.

Butler contends that Buffcor is a "very profitable" medium-sized company that has benefited from more effective management over the past couple of years after its activities were refocused on areas where success had previously been achieved — particularly the motor vehicle numberplates business. It has a "commanding" position in its market and its strength lies in having more than 400 franchisees, at whose premises Buffcor has installed — and owns — more than 630 presses.

Interim results published this week by Buffcor show operating profit for the six months to end-December down from R3,1m to R2,7m, and EPS falling from 22,7c to 18c. On the other hand, the return on total assets based on the latest interims, annualised, is high at 31%.

The light fitting manufacturing and distribution interests acquired from Thorn are to be merged with Unihold's existing lighting subsidiary, ZB Lighting, which will issue ordinary and redeemable prefs worth R12,5m to Thorn.

Unihold also issues 2m new ords at 185c to another ZB Lighting shareholder, Zumtobel, for a further 12,5% stake in that company. Unihold will then have 50% — and management control — of ZB Lighting, to be renamed U-Lite Holdings (Pty), while Zumtobel and Thorn will each hold 25%.

If all goes to plan, these deals should lead to better trading margins for Unihold. In the lighting division, it is planned to reduce capacity, resulting in better usage of plant. Butler says there is little overlap between the markets of ZB Lighting and Thorn and it's expected that the merger of these two businesses will produce economies of scale in production and distribution.

The circular to shareholders will offer more details of financial effects. But, while borrowings will be increased, there will also be a big increase in equity. Some short-term improvement in earnings is expected.

Andrew McNulty

DELTA ELECTRICAL

FM 10/4/92

Star of the sector

189D

***Activities:** Makes electrical products, including electrical repair engineering, insulation and conductors, cables and accessories, industrial products and electrolytic manganese dioxide.*

***Control:** Delta Plc 49,9%.*

***Chairman:** N A Bury; MD: E W van Zyl.*

***Capital structure:** 41,1m ords. Market capitalisation: R390m.*

***Share market:** Price: 950c. Yields: 2,9% on dividend; 6,6% on earnings; p:e ratio, 15,1; cover, 2,3. 12-month high, 960c; low, 520c. Trading volume last quarter, 166 000 shares.*

Year to Dec	'88	'89	'90	'91
ST debt (Rm)	0,2	6,8	3,8	11,7
Debt:equity ratio	—	0,11	0,06	0,14
Shareholders' interest	0,53	0,48	0,48	0,50
Int & leasing cover	—	23,5	33,5	48,4
Return on cap (%)	25	29	35	29
Turnover index (1986 = 100)	182	212	247	256
Pre-int profit (Rm)	22,5	27,2	48,0	47,6
Earnings (c)	32,3	42,9	55,2	62,8
Dividends (c)	12,5	19	24,5	27,5
Net worth (c)	125	129	146	168

Performance continues to be strong in an otherwise pedestrian electronics and electrical sector. Delta has deliberately avoided the cyclical capital goods sector while concentrating on consumable parts and services.

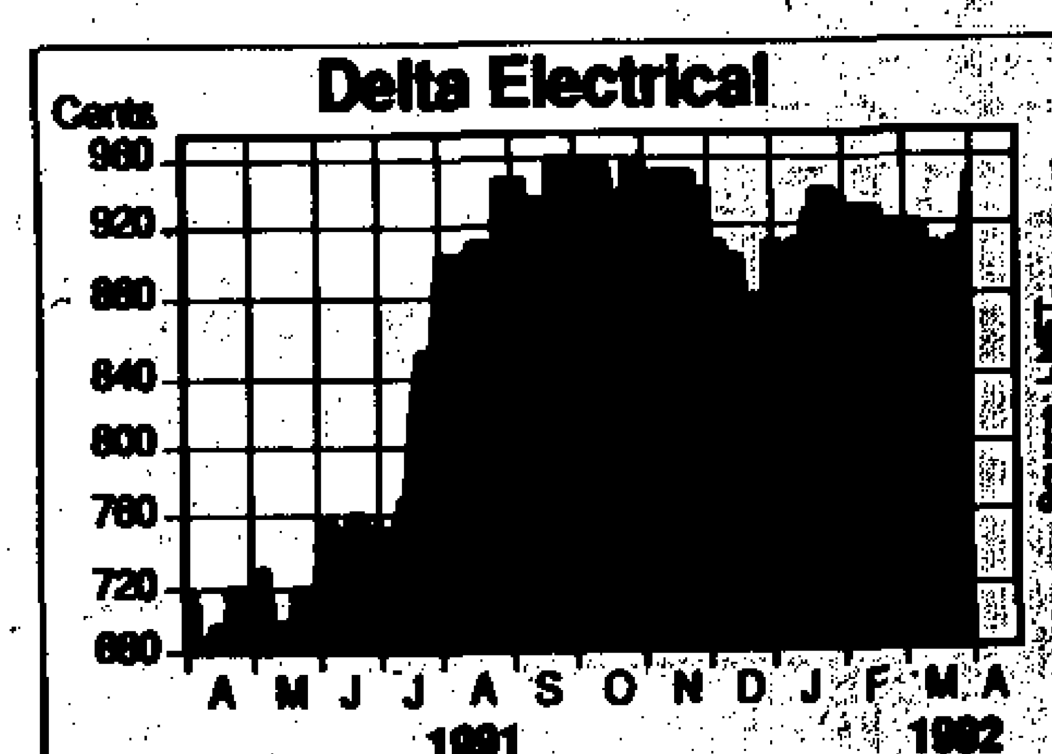
Chairman Alex Bury notes that recession and weak precious metal prices hit the company, limiting the turnover rise to 3,8% (actual turnover is not disclosed). Return on equity was down from 41% to 38% — still well ahead of almost all companies in its sector — but EPS still gained 14% to 62,8c.

Pre-interest profit was almost unchanged at about R48m but interest paid fell by 31% to just under R1m. The effective tax rate was down from 45% to 39%.

The balance sheet has been strengthened. Gearing increased from 6% to 14%, but since year-end Delta has agreed to sell its 21% stake in Valhold, which makes equipment and spare parts, to Hudaco, as part of the latter's scheme of arrangement to acquire Valhold and its operating subsidiary Valard.

Electrolytic Manganese Dioxide, which

cont →



manufactures powder used in dry-cell batteries, continues to perform strongly. It is now the biggest contributor, providing 29% of net income. The electrical repair engineering company's share of the bottom line fell from 36% to 28%. The share of other divisions — insulation and cables, and industrial products — was also reduced.

Delta bought 60% of Temso, an electrical repair operation in Rustenburg. Delta now has a repair facility in this important mining area, management says. (189D)

It increased its effective stake in Delta Cables from 65% to 94%: the rest is still held by management in a share incentive scheme.

Earnings and dividends have grown steadily in a highly cyclical market. At 950c, Delta offers a p:e of 15,1 and dividend yield of 2,9%. It has very good quality earnings and kept control of costs during a difficult year. Earnings are poised to increase substantially when there's an upturn. This is a good investment, even for risk-averse investors like pension funds. *Stephen Cranston*

UNIDEV FM 10/4/92 (189 D)

Good-looking turnaround

It seems fair to regard a turnaround from an R80m loss to a R3,5m operating profit in nine months as something of a triumph. This was, however, achieved more by eradicating loss-makers rather than generating profits.

As joint MDs Jon Brett and Alan Chonowitz record in the audited results statement, after taking control in March last year, they devoted 1991 "to consolidation and reorganisation and the disposal of peripheral assets."

This involved shedding, among others, the 22% Rusfurn holding (largely to Senbank) and selling the Equikor holding to its management. Proceeds were used to settle redeemable prefs and repay debt.

To aid resuscitation, R23m was raised in a rights issue, also used to repay borrowings. A large accumulation of interest was thus avoided. To follow its rights, holding company Unicon held its own R13m rights issue.

The rights issue boosted NAV from 7c to 26c. No dividend is to be paid from weighted earnings of 2c a share.

The inherited 80% holding in Prestige Group was raised to 100% by taking out minorities in a share exchange. This demonstrates the express intent of new management to make Unidev an active investment holding company which plays a meaningful role in the development of core businesses.

These are Prestige (including Krost), 50% of Medicor (this profitable entity was almost acquired by Rembrandt associate Mediclinic

FM 10/4/92 FOX

(189 D)

earlier this year but the deal fell through at the 11th hour, possibly because of "cultural" differences), 30% of the still unprofitable Hyperette chain of convenience stores, and other peripheral assets.

For reasons best known to himself, Brett is reluctant to disclose the precise source of the R3,5m operating profit. He says it comes from various sources and is sustainable. But he does say that the separately tabled attributable share of operating profit of associate companies arises mostly from Medicor.

In mitigation, he promises that all will be revealed in the annual report, within a few weeks. Then a clearer assessment of value will be possible.

Gerald Hirshon

Altron reducing its stake in what was once its offshore investment arm from an effective 67% to about 7%. Telemetrix's major shareholder is now Altron founder and executive chairman Bill Venter, whose family trusts own well over half the equity.

Venter, plus Altron directors Charles Stride and Don Snedden, sit on the Telemetrix board. Operating management has undergone a substantial change in recent months with the appointment of chairman Arthur Walsh, formerly chairman at STC Plc, and CE Tim Curtis, who recently left the Unitech board.

The new team has been charged with growing Telemetrix into a major player in international electronics. The group, which has been quoted on the London Stock Exchange since 1983 and was acquired by Altron five years later, operates in Europe, the US, Far East and Africa (outside SA).

Though it's still early days, Venter, who is estimated to have parted with more than R50m to gain direct control of Telemetrix, is likely to be satisfied with its performance. Compared with adjusted figures for 1990 — restated to comply with the UK Accounting Standards Board's new recommendations on the treatment of restructuring costs and consolidation of the two Zimbabwean subsidiaries previously accounted for on an earnings remitted basis — operating profit climbed 25% to £5,3m (R26m) in the year to December on turnover up 15% to £83,7m (R415m).

However, a rise in finance costs and payments to minorities pegged growth in attributable profit to 8% at £1,8m (R9m) and EPS, diluted by an increase in issued shares, edged up just 0,1p to 2,1p (10,4c).

Despite the rise in finance costs, net borrowings were cut substantially. Year-end gearing is down from 51% to 27%. The unchanged annual dividend of 0,6p (3c) may, as last year, be taken in shares or cash.

There was no earnings projection at the time of the listing. Previous management commented after the June interim that international recession would make trading difficult but stronger contributions from the US activities should ensure continued growth.

Worldwide operations are divided into information systems, primarily the UK-based Trend Group, and components companies Zetex in the UK and US firm GTI Corp. Wall Street-listed GTI, 65%-owned by Telemetrix, was the major contributor to earnings. Since acquiring control of local-area networking company Valor Electronics in 1990, GTI has enjoyed strong growth. In the year to December GTI pushed up earnings 83% to R12m (US$4,3m) on turnover up 44% at R218m (US$78m).

Though Telemetrix faces continued recession in the UK it is expected to benefit from the expected strong performance of GTI, the effects of rationalising domestic operations together with improved exports to Europe, the US and Far East. Earnings in the short-term may be tempered by new management's strategy of acquisitive as well as organic growth in key markets but longer-term prospects look good. With all earnings coming from outside SA the share should offer attractive rand-hedge qualities.

Despite the rapid appreciation since November, which has pushed the earnings multiple to a heady 24 times, the counter still appears to offer plenty of opportunity for long-term growth.

Simon Cashmore

Electronics grant scheme defended

Bday 9/4/92 (18 D)

SA is the world's eighth largest importer of electronic products, with a negative trade balance in this area of about R2,9bn.

To help rectify the situation, the Innovation Support for Electronics scheme was implemented two years ago, managed by the Department of Trade and Industry and the Industrial Development Corporation.

The scheme allows for grants of R40m a year to projects, but recently came under fire for being too secretive about taxpayers' money.

At a presentation this week, the department's Hennie Smith said information about recipients was held back until products were ready for marketing, to prevent loss of competitive advantage.

Defending the scheme, he said budgeted sales for 84 projects under way were R4,9bn.

Even if the actual sales reached only 20% of their budgets, the scheme would make a significant impact on SA's negative trade balance, he said.

The scheme was a "guinea pig" and could cover other industries in the future.

He pointed out that other countries ran similar schemes — and many also had tax concessions or repayable grants to complement outright grants. Non-repayable grants were the most common support.

Reports by
MELANIE SERGEANT

The 1990 annual review of industrial policy in OECD countries says the percentage of research and development financed by government ranges from 32,7% in the US to 19,4% in Britain and 5,6% in Australia.

The Innovative Support for Electronics scheme was part of an attempt to move SA away from reliance on minerals and other primary products to manufacturing. While Japan had consumed similar amounts of minerals and metals over the past 17 years, its manufacturing industry had grown fourfold.

Electronic products were pinpointed as ideal for starting such a scheme because of the large trade imbalance and the reliance which all industries had on electronic goods in some form or another, he said.

"Support for innovation-related activities is the positive approach to improving competitiveness of industries. This contrasts with tariff protection which is a defensive approach without long-term advantages."

Electronics sector underperforming

B/Day 23/4/92

(189D)

MELANIE SERGEANT

SINCE the world stock market crash in 1987, the electronics sector on the JSE has underperformed in terms of total returns compared to the industrial sector.

On average, the subsector's underperformance has been between 20% and 25%, and analysts attribute this to investor perception of the sector and fundamental changes taking place in the information industry.

A tendency is for companies in the sector to build up significant cash holdings. One analyst says this is because they see opportunities on the horizon and hope to take advantage of these, or because threats are emerging and cash will be necessary to survive.

Frankel, Max Pollak, Vinderine analyst Mike Haworth says the pace of the technology revolution is speeding up, so opportunities exist, but greater threats of technology obsolescence could also affect thinking.

With the advent of open systems, hardware is becoming a commodity, and the design capability involved in putting various system components together is becoming a critical function. Network companies seem well-positioned to take over this function.

The software needed to create platforms for new converged technology systems will have a dramatic effect on products and services offered by industry players.

Looking at the repercussions on local information technology companies, one analyst forecasts closer links between hardware and software companies.

"For hardware vendors to switch to becoming network or software experts, the barriers to entry are high, because the latter is very skills-intensive rather than purely capital intensive, as is the case with hardware sales and servicing.

"Apart from the fact that shares in the sector lack tradeability and fail to attract major interest from institutional investors, it's important to note local vendors are essentially distributors. For this reason, they don't have the same problems and costs as their overseas suppliers."

He says the return on managed assets can be as high as 40%-50% for shares listed on the JSE's electronics sector, so they should not be holding such large amounts of cash — unless there are strategic problems or major opportunities for investment.

"With the heightened fears of faster product obsolescence, and the fact that conditions could change dramatically now that sanctions have disappeared, the outlook for the sector seems to hold promise for companies which 'get it right', and risks for those which don't."

FM 24/4/92 (189 D)

PICKARD GROUP

Speculation rife

Speculation about the future of Pichold, Picbel and Picapli is rife. First rumour was that holding company Pichold might be collapsed into Picapli, the appliance manufacturer and distributor that's the stable's only remaining significant operating entity. Then it was mooted that Picapli would be sold. More recently it was suggested that a buyer is negotiating for the whole group.

This week has seen further speculation that Malbak was locked in negotiations with the Pickards with a view to injecting Picapli into its Tedelex subsidiary. But an additional rumour holds that yet another group is in advanced negotiations with the Pickards and has pre-empted the Malbak offer.

No spokesman from the Pickard group was available for comment, preferring, it seems, to withhold any information until there is substance that can be disclosed.

Much has been written about the sorry course that the group has followed during the past five or so years. The worst may be still to come for the Pickard family should the saga involving Cape Investment Bank reach the courts and involve Jan Pickard jnr in his capacity of chairman of that bank.

FM 24/4/92 (189 D)

No-one can blame Pickard group chairman Jan Pickard snr for a reluctance to sell the companies that represent his life's business endeavours. But, unpalatable as it may be, the fact is that ever since he has let the reins slip from his control, the fortunes of the group have deteriorated.

His penchant for high gearing finally caught up with him when high interest rates became the norm and the economy turned down in the late Eighties. For Pickard jnr, who was moving into the seat of CE, the task of producing solid growth in EPS was, in the circumstances, well nigh impossible unless he diversified. Cape Investment Bank was formed, then failed and, following a spate of losses in the main operating organisations, substantial rationalisation has brought the group to its current structure.

For an irate group of minority shareholders who complain that the Pickard family has been benefiting from the pyramidal group structure to a far greater extent than they deserve, the degree of rationalisation has been insufficient. They have called for action to prevent a recurrence and unlock value in the companies. Among other options, this has involved the possibilities of collapsing the pyramid, and/or selling operations, then winding up the companies with appropriate payout to minorities.

All this has transformed what was once a relaxed living style for the Pickards. The luxury is still there. But they must have deep concern about the future. In the circumstances, it would seem to be entirely appropriate for Pickard snr to pack up and sell up. It is surely just a question of price. *Gerald Hirshon*

Rosier future waits for cable industry

BDay 28/4/92

(189D)

EDWARD WEST

THE six listed companies involved in cable manufacture may be facing another tough year, but long to medium-term prospects, linked as they are with infrastructural development, appear to be rosier.

The companies are Philips and Powertech-held Aberdare Cables, Voltex, jointly owned by Elcentre and Berzack Brothers, Usko, held by Iscor and Metkor, African Cables, jointly held by Siemens and Barlows subsidiary Reunert, Delta Electrical Holdings, which has a relatively small cable division, and the Zimbabwean-based Central African Cables.

SA's biggest manufacturer of cable in copper, aluminium and optical fibre, Aberdare Cables, says the development of infrastructure — including the provision of mass housing and "electricity for all" — will be part of SA's economic revival. This should provide the cable industry with considerable potential, chairman Peter Watts says in his 1991 annual review released last week.

In a telephone interview, he said further opportunities had arisen with development and electrification programmes in Africa previously not available to SA suppliers because of the political situation.

However, most were long-term. Medium-term opportunities could arise from large-scale projects such as Columbus and expansion in the petrochemical industry.

The cable industry, which many analysts believe to be overtraded, was hard hit by the recession and the companies recently reported lower earnings.

Aberdare Cables saw sales drop by 12,7% to R377m in its financial year to December 1991 from R432m in 1990. Earnings fell to 263c a share in 1991 from 300c a share in 1990.

African Cables, which was recently restructured, saw sales fall 8% to R172m in its financial year to June 1991 from R187m in 1990. Earnings fell 40% to 47c a share from 77c.

Voltex — which shied away from an attempt to acquire Usko late last year — saw sales of its electrical products and cables fall to R522m in the six months to December 1992 from R636m the previous year. Earnings fell to 7c a share from 9c.

Usko, which has been restructured into four divisions to manufacture cables, aluminium overhead conductors, steel wire and bare copper strips, could also report reduced earnings following its proposed recapitalisation.

Usko MD Peet de Villiers said the business conditions in the first six months of its financial year were quiet, and estimated the demand for cable in the past year to have dropped by at least 20%. He expected the remainder of this year to be tough, but agreed that long to medium-term prospects looked better.

De Villiers said results of Usko's first six months of operation following its restructure — which saw the sale of its steel and vanadium operations — would be available at the end of June, after the results of an annual meeting to be held towards the end of May was known and following Usko's recapitalisation.

The cable industry's approximate R1bn market is directly influenced by gross domestic fixed investment. This was severely affected by the weak gold price, the socio-political scene and capital project reductions.

The major users of cable, the gold mining industry, the municipal infrastructure and Eskom significantly reduced real-term requirements compared with the previous years, Aberdare says.

Delta MD Evan van Zyl considered the local market oversupplied.

The company also performed below expectations last year and was restructured with a change of management at the end of the year, the group's report says.

Sales volumes, closures leave Glodina in the red

BDay 28/4/92

MICK ELLINGHAM

REDUCED hotel occupancy rates and governmental budgetary restraints were blamed by Glodina Holdings chairman Sergio Ballandon for the lower sales volumes achieved by the group in 1991.

"The current and anticipated sales volume cannot support the present cost structure," he said in the group's annual report and, as a result, Glodina's two Qwa Qwa mills were closed last year.

An estimated extraordinary loss of R3,7m occurred due to the closure of the two mills — Lanatex Weaving Manufacturers and Textowel Weavers — which will reduce group costs by about R2,5m a year.

Further expense reduction programmes are also being implemented at the Hammarsdale and Ladysmith mills. A new warehouse has been commissioned at the Hammarsdale mill at a total cost of R2,5m, Ballandon said.

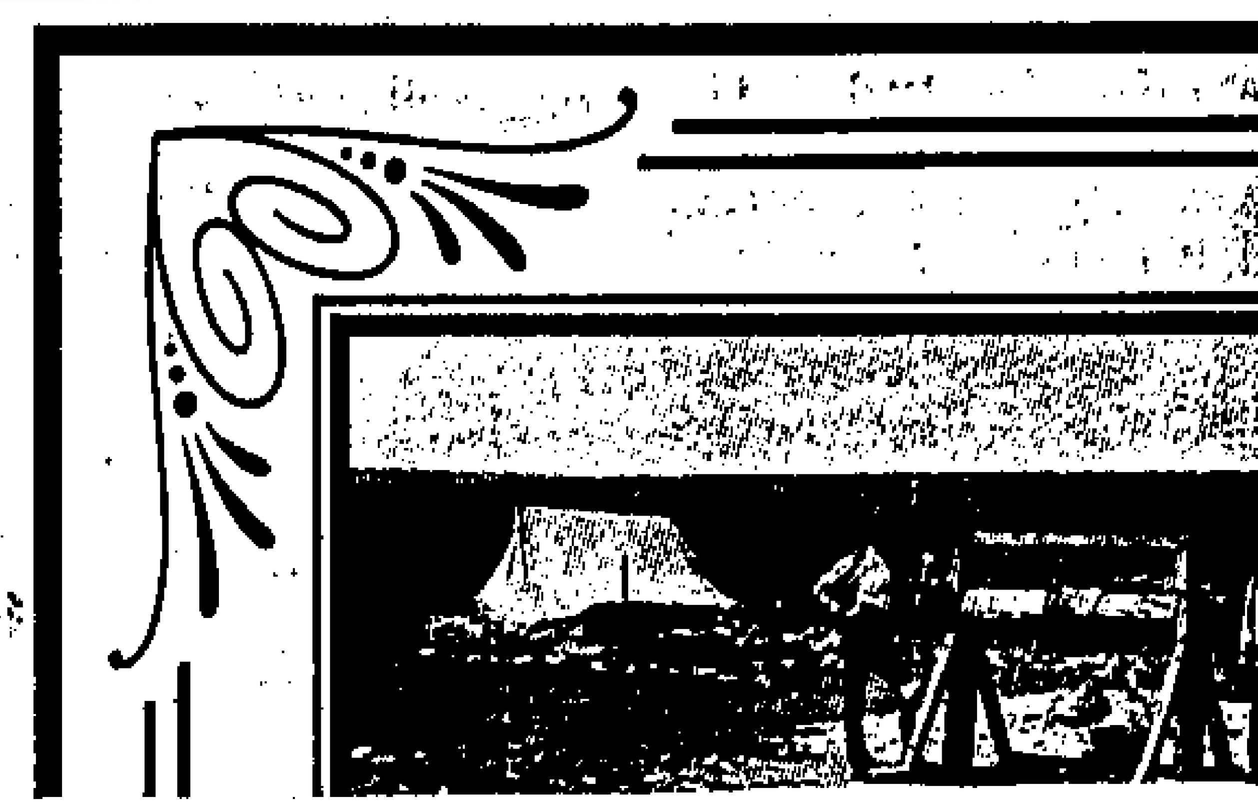
The group disclosed a net loss of R0,9m (R4,6m profit) for the year to end December on the back of a 5% increase in turnover to R94,3m (R89,5m).

Operating income was 41% down to R2,3m (R3,6m) for the year and earnings a share fell to 14,1c from 19,5c, with no dividend being declared.

"While export sales remained similar to those for 1990, the export mix changed significantly," Ballandon said.

In 1990, 74% of exports were made to the Indian Ocean Islands with Europe accounting for the balance. Exports to the Indian Ocean Islands dropped in 1991, but were balanced by increased volumes to Europe at marginal price levels.

Ballandon said although Glodina was now "better positioned to reverse the downward trend in earnings of the past years", he did not foresee a dramatic improvement in earnings in the short term.



R3m contract for Spescom

(18 1D)

ANDREW KRUMM

ESKOM has awarded electronics company Spescom a R3m contract to supply locally developed radio-controlled fault-finding and control systems to monitor rural electricity networks from a central location, doing away with time-consuming manual inspection.

Spescom technical director Viv Crone said the Sentinel system was developed in conjunction with Eskom engineers specifically for rural use. B/Day

It consists of a manned control centre — which uses graphic displays — and field units with radio-controlled reporting and alarm systems. 29/4/92

Crone said radio-controlled monitors could identify faults such as power lines broken in a storm, isolate them, and restore power to the electricity network within minutes.

The system could also be used to control water supply systems or pipeline networks.

Crone said it had all the features of more costly systems. Spescom would focus on exports as international markets opened up.

Act on local govt must go — ANC

B/Day 29/4/92

THEO RAWANA

THE ANC yesterday demanded the immediate withdrawal of the Interim Measures on Local Government Act and the speedy creation of a multiparty commission with executive functions to replace those of appointed township administrators.

ANC national executive committee member responsible for local government Thozamile Botha told a news conference in Johannesburg his department had decided last month that a national negotiation forum should formulate a temporary legal framework to replace the Act.

The Act provides for local authorities to negotiate new structures. While the ANC does not oppose such negotiations, it believes the Act allows white and black municipalities to unilaterally restructure.

The meeting had adopted a programme of action, including mass action, to ensure that all the demands were met by government, Botha said. Organisations represented at the meeting included: the ANC Women's League, SA Communist Party, Cosatu, the SA National Civics Organisation and the SA Muncipal Workers' Union.

Botha said the multiparty commission's functions would include the monitoring of unilateral restucturing by white local authorities and ensuring that all local authorities adhered to a set of guidelines of local negotiating principles.

The meeting had also noted the current crises at local level had been exacerbated by the ultimatum issued by Local Government Minister Leon Wessels urging local authorities to create joint administrations by year end or face penalties.

"It was also noted that using the Act and other related apartheid legislation as a framework for local negotiation has enabled unrepresentative white and black local authorities to proceed with unilateral restructuring that could have long-term detrimental effects on the future of a non-racial and democratic government."

He said the Kimberley City Council was restructuring despite concern voiced by civic associations in the region and the ANC; and Port Elizabeth, where 800 workers were "retrenched as a result of unilateral local government restructuring".

The meeting called on government to sign a protocol agreement together with community and political organisations committing itself to the immediate withdrawal of the Act, the end to all unilateral restructuring at local level, a moratorium on retrenchments until a proper and negotiated process of rationalisation can be implemented, and the immediate establishment of a national negotiations forum to formulate a temporary legal framework to replace the Act.

Light dawns

1894

S TIMES (BUSS)

3/5/92

LOW-COST housing and township electrification programmes cannot be delayed indefinitely, says Powertech executive chairman Peter Watt.

The cabling, battery and lighting group has shown its confidence in the future with a R30-million commitment to modernising plant and equipment in the past six months.

Powertech's turnover dipped 4% to R1 18-billion in the year to February, but earnings a share were up 3%, to 32.3c. In spite of the capital spending, Powertech's net cash position remained R46-million to the good.

Mr Watt says the group was structured to run as efficiently as possible in a tough trading year. He seeks involvement with foreign partners, particularly north of the border where potential is high.

Powertech parent Altron is registered with both the African Development Bank and the World Bank, which support African projects.

Powertech modernises to match new demand

189D

BIDay 4/5/92

EDWARD WEST

ALLIED Electronics subsidiary Powertech spent R30m in the second half of 1991 to modernise plant to take advantage of the expected higher demand for electricity and infrastructural development.

Executive chairman Peter Watt said last week recent moves towards privatisation were creating opportunities at an "unprecedented rate" for the electrical and power group.

Exports and involvement with overseas partners, particularly north of SA's borders, were being developed and focused, he said.

The group's year-end results show Powertech earnings up marginally in spite of a decline in fixed investment activity throughout local industry, Watt said.

Turnover fell to R1,52bn from R1,2bn in the previous year, but the decline in operating income was offset by interest earned of R5m — compared with interest paid of R4m for the previous year — and a lower tax rate of 43% (45%).

Income from associated companies of R1m together with a R2m fall in outside shareholders' interest raised attributable earnings to R43 from R41m.

Net cash and deposits amounted to R46m while borrowings were at R57m.

Watt said the decline in major capital projects had reduced demand and group efforts were now aimed at improving service, controlling costs and increasing productivity.

Spin-offs

While the recession reduced demand for capital goods in 1991, low-cost housing and township electrification programmes could not be delayed indefinitely and should be implemented to stabilise the socio-economic situation.

This would result in positive spin-offs for the power supply industry, he said.

Cable producer and Powertech subsidiary Aberdare Cables developed low-cost reticulation products during the year and its production facilities in Port Elizabeth were upgraded.

Willard Batteries secured new export markets and increased local market share.

Litemaster, Crabtree and EPC expanded their local and overseas markets. Lascon Lighting was affected by the decline in the residential and commercial building markets, but its acquisition of Lights by Lights would improve market share, said Watt.

Earnings were 5% up to 32,3c a share from 30,8c while dividends were 3,3 times covered at 9,7c compared with 9,3c last year.

Interest earnings help Powertech

By Sven Lünsche (18TD)

The decline in fixed investment activity over the past year took its toll on the results of Altech subsidiary Powertech, which yesterday reported a mere five percent rise in earnings in the year to end-February.

Turnover in the 12 months fell by 4,5 percent, to R1,15 billion (R1,2 billion), but the decline in operating income was more than offset by interest earnings of R5 million, compared with interest paid of R4 million in the previous year.

Coupled with a lower effective tax rate this lifted attributable earnings from R41 million to R43 million, equivalent to a 5 percent rise in earnings per share to 32,3c (30,8c). STAR 4/5/92

The total dividend was lifted from 9,3c to 9,7c a share.

Powertech's executive chairman Peter Watt says the results are satisfactory given that the decline of major capital projects during the year reduced demand for the group's products and services.

He says the group had increased its efforts in developing its export markets and had also committed R30 million during the year to modernising plant and equipment.

"The outlay will position Powertech favourably to take advantage of the anticipated increase in demand for electricity and infrastructural development throughout southern Africa.

[redacted]

DUMA GQUBULE 189D

LOWER interest payments and a good sales performance have helped Nu-World offset the effects of a drop in margins and report a 16% advance in attributable earnings for the half year to end-February.

Earnings of the electrical appliances manufacturer and distributor increased to R540 000 from R467 000 or 4,2c (3,7c) a share. The company does not declare interim dividends.

Chairman Michael Goldberg said the group had achieved satisfactory growth in view of the economic, political and competitive environment and the consequent challenges faced by management. BDay 14/5/92

Turnover rose 17% to R19,3m (R16,5m last year), but after reduced profit margins operating income increased only 4% to R1,35m (R1,30m).

Executive director Jeff Goldberg said the company was expecting a better second-half performance as demand for basic electrical appliances remained buoyant and new products would be launched soon. Export prospects had also improved and volumes were increasing steadily.

Jeff Goldberg said gearing, at around 90%, would have dropped significantly by the end of the year. Margins would also improve as the benefits of the company's rationalisation flowed through.

Nu-World defies odds

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Altech recovers to post earnings hike

DUMA GQUBULE (891D)

ALTECH, the electronics and telecommunications group in the Altron stable, has recovered from two years of declining profits to report an 11% increase in attributable earnings for the year to end-February 1992. B/Day 6/5/92.

Turnover increased marginally to R930m (R925,5m last year), but improved margins resulted in after-tax profits increasing by 8% to R152,6m (R141,1m).

After payments to outside shareholders and associates, group attributable earnings increased to R92,1m (R83,2m).

But earnings a share rose by 7,1% to 880c (822c), because of a slightly higher number of ordinary shares in issue. A total dividend of 297c (268c) was declared.

Altech chairman Don Snedden said the group had turned in a satisfactory performance considering that it had conservatively decided to absorb non-recurring

☐ To Page 2

Altech

B/Day 6/5/92 (891D)

☐ From Page 1

costs associated with the closure of certain component manufacturing facilities. The resulting redundancy costs had also been absorbed in line with an international trend to show such costs above the line.

He said the group had been through a difficult period, diversifying extensively into new areas of business and reducing its reliance on declining state telecommunications orders which now accounted for less than 30% of turnover compared with 60% a few years ago.

The group had also moved away from relying on subsidised import replacement products in line with government policy of abandoning import substitution in favour of a more export-orientated market.

"Our export programme is providing exciting opportunities, particularly in the telecommunications field, and we are expecting a significant increase in revenues."

Snedden said he hoped the contribution of exports, mostly to the rest of Africa, would increase to 25% of turnover from the present level of not more than 10%.

He said the group had the cash reserves — R245m at end-February — to continue with its diversification programme. "We will soon be announcing major acquisitions and investments locally and in Africa."

Looking ahead, Snedden said he believed the group would soon return to its traditional position of providing annual growth in earnings of around 20%.

Diversified Altech on the mend

(1891)

By Sven Lünsche

STAR 6/5/92

Altech continues to reap the benefits of its diversification programme, despite the severe impact on sales by the cutback in the technological expenditure programme by government and parastatal organisations.

Altech yesterday reported an 11 percent increase in earnings per share to 880c (822c), despite a virtually stagnant turnover level of R930 million (R925,5 million).

The dividend has been lifted from 268c to 297c.

Rationalisation and closures, particularly in component manufacturing, saw operating profit rise from R141,1 million to R152,6 million.

The directors say the new government policy of abandoning import substitution in favour of a more export-oriented market had resulted in non-recurring expenditure and reduction in employment opportunities.

"However, considerable progress has been made on major diversification programmes, offsetting reduction in government and parastatal expenditure," the board says, adding that costs associated with new product development and market penetration had been fully absorbed.

The directors remain confident of good earnings growth because the export programme and the launch of new products in South Africa are achieving good results.

Afcab 'set for a good run'

B/Day 6/5/92 (1891)

AFTER boosting attributable earnings by more than 50% in the nine months to March, African Cables (Afcab) has forecast improved profits for the next six months as the benefits of its recent acquisition of Siemens Cables take effect.

EDWARD WEST

Afcab's attributable profits rose 51% to R9,07m in the nine months compared to R5,99m in the corresponding period a year before. Sales increased 47% to R168,4m from R114,3m while operating profits jumped 73% to R15,69m from R9,05m. Taxation more than doubled to R6,53m from R3,04m.

Earnings increased only a marginal 5% to 26,5c from 25,2c a share because attributable profits were diluted by the increase in the number of shares on which earnings were based to 34 277 from 23 800. The interim dividend went up to 12c a share from 11c.

Amounts due to bankers and short-term loans dropped to R11,97m from R16,56m. Net worth per ordinary share fell to 270c from 388c a share as a result of the increase in the issued share capital to 39 544 from 23 800.

Afcab acquired Siemens Cables from Siemens as of May 5, retrospective to October 1 1991, for R70m which was settled by the issue of 15 217 391 Afcab ordinary 25c shares at 460c a share.

The purchase price included R62,49m goodwill which was set off against the premium from the share issue.

The reporting period covers nine months because the financial year of Afcab was changed from June to September. Afcab spokesman Gerhard Burger said yesterday the results of Siemens Cables in the six months to March 1992 were consolidated in the results and had made a significant contribution to earnings.

The directors reported a continuation of the weak trading conditions of the previous year which put operating margins under pressure. Burger forecast improved profitability over the next six months compared with the previous nine months.

Further Altron recovery expected

(189D)

DUMA GQUBULE

ALTRON's results for financial 1992, to be released at the weekend, are expected to show that the electronics and electrical group has continued to build on last year's impressive recovery.

Altron returned to growth last year — after suffering its first drop in earnings in its 25-year history in financial 1990 — to report a 38% increase in attributable earnings to R77,2m. B/Day 7/5/92

This year's growth in earnings a share is set to be somewhat lower, but nonetheless impressive.

Results from the group's listed subsidiaries over the past week have shown modest earnings growth from Altech, the largest contributor to group earnings; flat growth at Powertech; and a spectacular turnaround at Fintech, which has doubled its earnings.

Overall, these performances have already lifted Altron's earnings to about R92,3m — 19% up on last year's R77,6m.

The only question now is what contribution will come from London Stock Exchange-listed Telemetrix, in which Altron has a 7,5% interest.

The market has rerated the shares of Altron and its listed subsidiaries, which are all now among the highest rated in the electronics sector

Altron shares have risen to R61 from R48,50 at the beginning of the year. Fintech has soared to R18,50 from R10,25 in December last year, while Altech has risen to R112,50 from R88,50 last year. Powertech has gained 45c to 395c over the past month.

COMPANIES

Reunert's revamping beginning to pay off

B/Day 8/5/92 (189D)

DUMA GQUBULE

REUNERT's restructuring programme, which started two years ago, has begun to pay off.

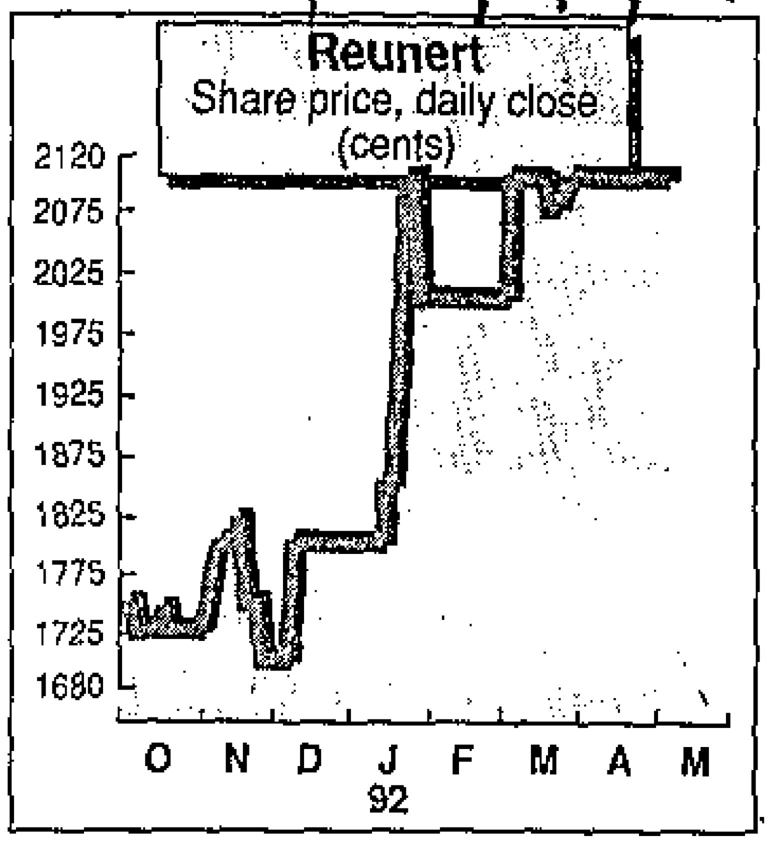
The diversified electronic, telecommunications and electrical engineering group in the Barlow Rand stable has reported a better than expected 39% increase in earnings for the half year to end-March 1992.

Attributable earnings rose to R36,5m (R26,5m last year), equivalent to 116,5c (84,4c) a share.

An interim dividend of 27c (22c) was declared.

However, the group says because of significant changes in the structure of the group since the previous financial year, the interim results are not comparable with previous reporting periods.

The changes include acquisition of a 40% interest in African Cables, which recently reported attributable earnings of R9,1m. Subsidiary GEC SA increased its holdings in telecommunications company Telephone Manufacturers of SA and ATC. GEC Alsthom SA made a number of acquisitions, which will be grouped soon under one company.



Graphics: RUBY-GAY MARTIN Source: I-NET

MD Tony Ellingford says, however, most of the group's profits came from continuing operations, although the acquisitions made a positive contribution in the first few months.

On the performance of some of the individual operations, Ellingford says Circuit Breaker Industries is experiencing a significant improvement in its markets because of demand for earth-leakage equipment flowing from the Eskom-driven plan to electrify three-million houses in the next five years.

Ellingford says, also, the company's export drive into Europe has been successful.

GEC Alsthom's lamp acquisitions and foundries operations did well. Telkor fared strongly, mainly as a result of domestic and international sales of its coin telephones. Overall, every division made a good contribution to group performance.

Reunert's turnover increased by 43% to R1,09bn (R759,7m), but improved margins lifted profits before interest and tax by 94% to R96,2m (R49,7m).

After a quadrupling of tax payments and higher deductions for minority interests and preference shareholders, attributable profits came to R36,7m.

Looking ahead, Ellingford says the first half growth in earnings is not expected to be repeated in the second half, "but earnings for the full year are still expected to show satisfactory growth."

Reunert tops R1-bn turnover

1891D

STAR 8/5/92

By Sven Lünsche

Boosted by good contributions from a spate of recent acquisitions, Barlow Rand subsidiary Reunert lifted earnings by a strong 39 percent to R36,7 million (R26,5 million) in the six months to end-March.

This equates to earnings per share of 116,5c (84,4c), from which a total dividend of 27c (22c) was declared.

Turnover for the six months rose by 43 percent from R760 million to just over R1 billion, while the sharp improvement in margins lifted operating profits by 94 percent to R96,2 million (R49,7 million).

Reunert managing director Tony Ellingford attributed the better performance to improved operating margins, a strong balance sheet and good contributions from recent acquisitions.

"A highlight of the performance was a positive cash flow of R125 million which more than covered the ongoing cash requirements of the group as well as the R47 million required for acquisitions," Mr Ellingford says.

He said growth in earnings was not expected to be repeated in the second half of the year.

During the interim period Reunert acquired, jointly with Siemens SA, a controlling stake in African Cables, which in turn bought the entire share capital of Siemens Cables.

In the nine months to end-March African Cables reported attributable profits of R9,1 million.

ABERDARE FM 8/5/92

Something to offer (189D)

Activities: *Makes and supplies power, telecommunications and instrumentation cables.*
Control: *Powertech an effective 55%, Philips 34%.*
Chairman: *P A Watt; MD: P B Wilson.*
Capital structure: *14,6m ords. Market capitalisation: R350m.*
Share market: *Price: R24. Yields: 5,5% on dividend; 11,0% on earnings; p:e ratio, 9,1; cover, 2,0. 12-month high, R30; low, R21,25. Trading volume last quarter, 17 000 shares.*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
Shareholders' interest	0,61	0,57	0,64	0,68
Return on cap (%) ..	18,5	27,9	27,3	20,7
Turnover (Rm)	321	435	432	377
Pre-int profit (Rm) ...	38,1	69,5	73,9	58,9
Pre-int margin (%) ..	11,5	16,0	17,1	15,6
Earnings (c)	142	262	300	263
Dividends (c)	71	131	150	132
Net worth (c)	869	978	1 194	1 336

The local cable industry is characterised by two distinct features. The first is that the rationalising begun among major suppliers is sure to carry on as orders from traditional customers — Eskom, Transnet, Telkom, municipalities and large mining groups — remain depressed.

The second is that if and when major new capital projects — especially large-scale electricity reticulation — get off the ground, opportunities could be considerable.

Powertech-controlled Aberdare is probably the most resilient of the large groups. Aberdare, which has long been ungeared, has enjoyed strong growth since it merged with Asea and Scottish Cables in 1985.

Turnover levelled in financial 1990 with the onset of recession, but internal producti-

cont..→

Aberdare's Watt ... *financial ratios weakened*

vity improvements and rising interest income ensured that EPS that year just about matched inflation. However, management found it difficult to further improve productivity and 1991 earnings and dividends fell for the first time in several years.

Operating profit slumped 20% to R59m on turnover down 13% at R377m — eroding margins. Executive chairman Peter Watt attributes at least R10m of the fall in turnover to the slide in the international copper price. The drop in earnings was cushioned by rising interest income and the fall in EPS from 150c to 132c was in line with turnover.

Not surprisingly, financial ratios, in particular returns on equity and capital, weakened considerably. Working capital, though down, increased as a percentage of turnover, mainly thanks to little change in stocks.

Watt says business declined sharply from the second quarter. The slump, he says, hit the power cables division. Telecommunications was more resilient and the much smaller instrumentation and control business achieved some growth.

Management has tried to offset the decline in traditional markets by developing niche products, entering joint ventures to better use production facilities and by exporting more. Investment in expanding operations reached R24,2m last year, compared with almost nothing in 1990. As a result, year-end cash reserves fell R10m to R60m.

Watt says investment in new products is already paying off, particularly in the power cables division. Joint ventures with Voltex, involving materials manufacture, cable drums and accessories, met forecast. Offshore sales volumes through joint export company Electric Products International, as well as the group's own outlet, Aberdare Marketing, showed steady growth and took up some of the slack in local demand but did little to dent the almost full tax rate.

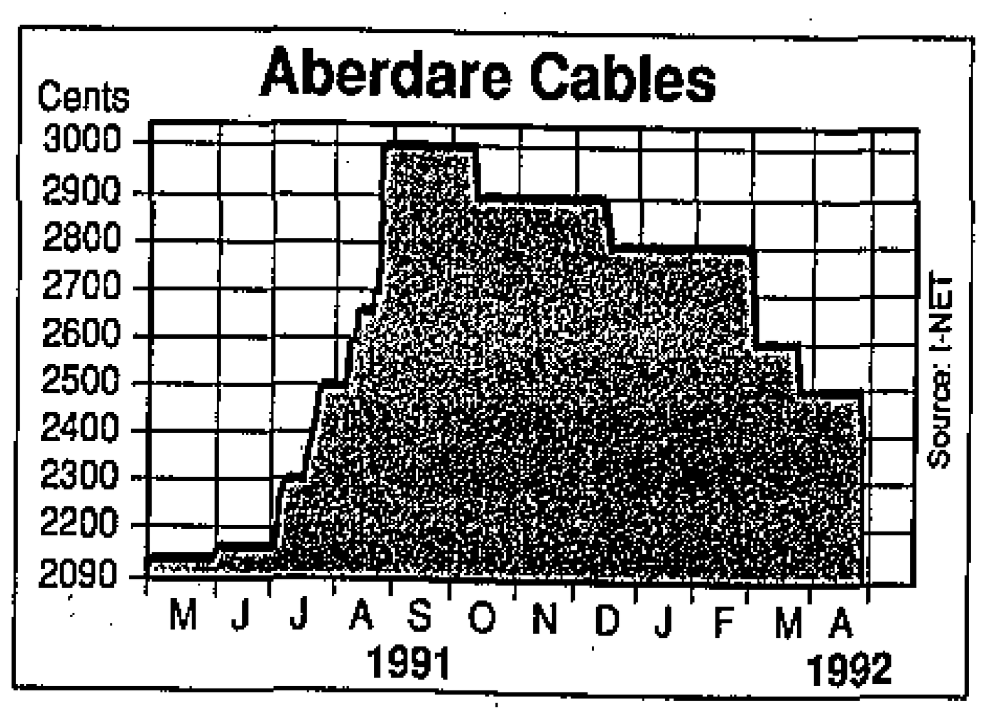
Expansion and enhancement of telecommunications cable facilities, which accounted for most of the capital expenditure, will boost export capacity.

Investment in acquisitions was not significant but the recent tilt at struggling Usko is an indication of willingness to take out competitors. However, with few acquisition opportunities, the group is concentrating on internal investment to make it the lowest-cost producer in its markets, says Watt.

While diversification has helped to protect Aberdare from recession, it is not likely to compensate for the slump in traditional markets. The key to recovery and return to solid earnings growth lies in an upswing in the local economy and investment in large capital projects. So far, business is better than last year but very unpredictable, says Watt. The group expects to benefit considerably if the Columbus stainless steel and Alusaf expansion projects go ahead.

Earnings are likely to show little improvement but there is much potential for growth once the economy gets moving. At R24, reflecting an earnings multiple of just over nine, the share is rated below rivals Delta and African Cables. Bearing in mind the solid balance sheet and growth potential, it could still have something to offer a long-term investor.

Simon Cashmore



ALTRON FM 8/5/92 (189I)

On track for forecast

Altron appears on track to come close to its forecast 20% improvement in EPS in the year to February. Major subsidiaries Altech, Powertech and Fintech — which published results this week — climbed nearly 19%.

Earnings at the holding company should enjoy some fillip from the sale in November of 60% of its stake in UK-based Telemetrix. This cut debt at Altron from R160m to R60m and should curb interest charges. Greater benefit is expected this financial year when the group will enjoy the reduced borrowings for a full 12 months.

Altron, which has wide interests in electronics, electrical and power engineering, is expected to publish its results next week.

Altron's Bill Venter ... *subsidiaries have done him proud*

STAYING ON TRACK

Year to February	1991	1992
Altech		
Turnover (Rm)	925	930
Pre-tax income (Rm)	141	153
Attributable (Rm)	83	92
Earnings (c)	822	880
Dividends (c)	268	297
Powertech		
Turnover (Rbn)	1,2	1,2
Pre-tax income (Rm)	127	123
Attributable (Rm)	41	43
Earnings (c)	30,8	32,3
Dividends (c)	9,3	9,7
Fintech		
Turnover (Rm)	524	561
Operating income (Rm)	23	31
Attributable (Rm)	9	20
Earnings (c)	84	172
Dividends (c)	20	40

FM 8/5/92 (189D)

As in previous years the biggest contributor to Altron will have been 53%-held electronics group **Altech.** Though recession and heavy cuts in State expenditure resulted in only a slight improvement in turnover, attributable earnings climbed 11%. Much of this was due to substantial interest income on cash holdings that jumped from R172m to R245m as well as efforts to diversify.

Executive chairman Don Snedden says the costs of reorganising and reassessment by the Receiver of certain "tax beneficial investments" — not disclosed but believed to be significant — were absorbed.

Power engineering group **Powertech**, of which Altron holds 63%, was harder hit by the slump in capital investment by State organisations, mines and municipalities. Operating income fell nearly a tenth to R118m on turnover slightly down at R1,15bn.

However, attributable earnings crept up 5%, largely as a result of interest income of R5m, a 2% dip in the effective tax rate to 43% and a drop in payments to minorities. Despite a R11m fall in net cash reserves to R46m acquisitions remain a high priority, says executive chairman Peter Watt.

Both Altech and Powertech are expected to benefit this year from closer ties with long-standing European suppliers Alcatel and Asea Brown Boveri.

The most improved performer, information technology group **Fintech**, of which Altron holds 80%, continues on the road to recovery after disastrous performances caused by Punch Line a few years ago.

As in the previous year tax was negligible but a R3,4m contribution to tax equalisation brought total charges to R4,5m — an effective tax rate of 15%. The low tax bill and a R3m cut in interest charges resulted in attributable earnings more than doubling.

Executive chairman Dave Redshaw says record performances were turned in by Xerox supplier XeraTech, Intertech and STC Business Communications. NCR, 50,1% held by Fintech, is also thought to have made a solid contribution. Redshaw is confident Fintech's recovery will continue and earnings will improve further this year.

Simon Cashmore

Altron hopes to fit the unions' bill

S/Times (BUSS) 10/5/92

189D

By JULIE WALKER

ALTRON executive chairman Bill Venter hopes his group is one in which the trade unions' unit trust would be happy to invest.

The unit trust can invest only in companies with strong social responsibility programmes. Altron — whose main investments are in Altech, Powertech and Fintech — fits the bill.

Dr Venter says: "Since the strategic systems side of Altech's business was wound down we have redeployed 400 engineers to look at ways of developing products for improved education, housing and health care.

Keen

"We have developed an advanced interactive educational system using a 60cm satellite dish at a cost within the reach of almost all schools. We are aiming at the lost generation."

Dr Venter says European and eastern companies are keen to invest in Southern African projects. The common factor is that potential investors are looking for SA partners.

"SA is the hub of activity for the whole of sub-Saharan Africa. Investors realise that a greenfields venture has a high chance of failure."

Foreign partners bring the markets that they have built up over many years and SA companies provide local expertise, manufacturing, servicing and so on.

Dr Venter denies Altron would pay a premium for markets it will pick up in any case now that sanctions are going. He says foreign investors are bringing capital, technology and expertise to the region.

Although many regard Africa as a basket case, Dr Venter thinks otherwise.

"There is enormous mineral wealth and tourism potential, both of which are job-creators. But the infrastructure has to be improved.

"Communication is probably the greatest stumbling block, but traditional copper cabling is vulnerable to theft throughout the region."

To this end, Altech has developed a solar-powered rural radio system which looks set to be a winner. It is on trial in the Eastern Transvaal.

Turnover

Electrification would bring about radical change, but the required investment will not be made by the authorities unless payment for power can be guaranteed. A smart-card pre-payment electricity dispensing system has been developed to eliminate the administrative burden.

Powertech has introduced a cable harness systems that replaces conventional housewiring.

The Altron group has R200-million in cash for investment in well-researched areas. Acquisition opportunities are few and new ventures are likely.

In the year to February, Altron made almost R93-million, or 489c a share, on turnover of R2,6-billion. This was a 19% improvement in spite of the tough economic conditions.

BILL VENTER: Keen to make tools to educate the lost generation

All the facts on Europe

By JULIE WALKER

AUDITING firm Deloitte Pim Goldby has invited two representatives of its European co-ordination office to present seminars to clients who are potential investors and traders with Europe.

Brussels-based Graham Branton and Richard Doherty will talk about details and pitfalls associated with doing business in the European Economic Community and in eastern Europe.

The treaty between the six Efta states and the 12 EEC nations has paved the way for investment or for trade with 18 countries on a single set of criteria.

"Common legislation in several fields has already been agreed on," says Mr Branton. "They include banking, telecommunications, industrial standards, transport, energy and environmental matters, with insurance coming soon.

"Public procurement policy on goods and services now obliges the authorities to take the cheapest product on offer providing it meets quality standards. This opens the door to everybody."

However, each nation still has its own tax policy, company law and accounting rules. Mr Branton says it is important that potential investors make the best decisions on where to do business and to take into account grants and subsidies, as well as repatriation of profits, use of foreign staff and so on.

Mr Doherty says the biggest problem facing would-be investors in eastern Europe is the lack of reliable information and statistics. Deloitte has established a network of offices and contacts throughout the region to update the European database and advise clients worldwide.

Deloitte Pim Goldby believes there is enough interest in Europe among its SA clients to justify its establishing links and making information available.

N BRIEF

sector. Drop Inn warns again.

TUESDAY: Longmile shareholders' meeting on 18/5, delisting from 22/5, shares to be redeemed at 260c.

WEDNESDAY: Sanlam buys Sanland shares at 87c from Allan Grey Investment Counsel, members offered same. African Cable members approve acquisition of Siemens Cables.

Peggro to raise R135-million through the issue of 15 convertible debentures of 6% for 100 ordinaries held at R12 after sub-division of Pepgro

Industrial

Slide in turnover fails to dent Altron

BDay 11/5/92 (189D)

DUMA GQUBULE

HIGH-TECH holding company Altron has reported a 19% increase in attributable earnings for the year to end-February, in spite of a slight dip in turnover.

Attributable earnings came to R96,7m (R77,7m last year) or 488,9c (410,5c) a share. A dividend of 159c (142c) a share was declared.

Altron, which derives its profits from its interests in listed subsidiaries Altech, Powertech and Fintech, saw its turnover fall to R2,65bn (R2,66bn) — chiefly because of the depressed business environment and the rationalisation of certain non-performing assets and businesses, the directors said at the weekend.

Executive chairman Bill Venter said his group's results were encouraging, considering that many companies in the industry, particularly in the power electrical and information technology fields, had recently reported dismal results.

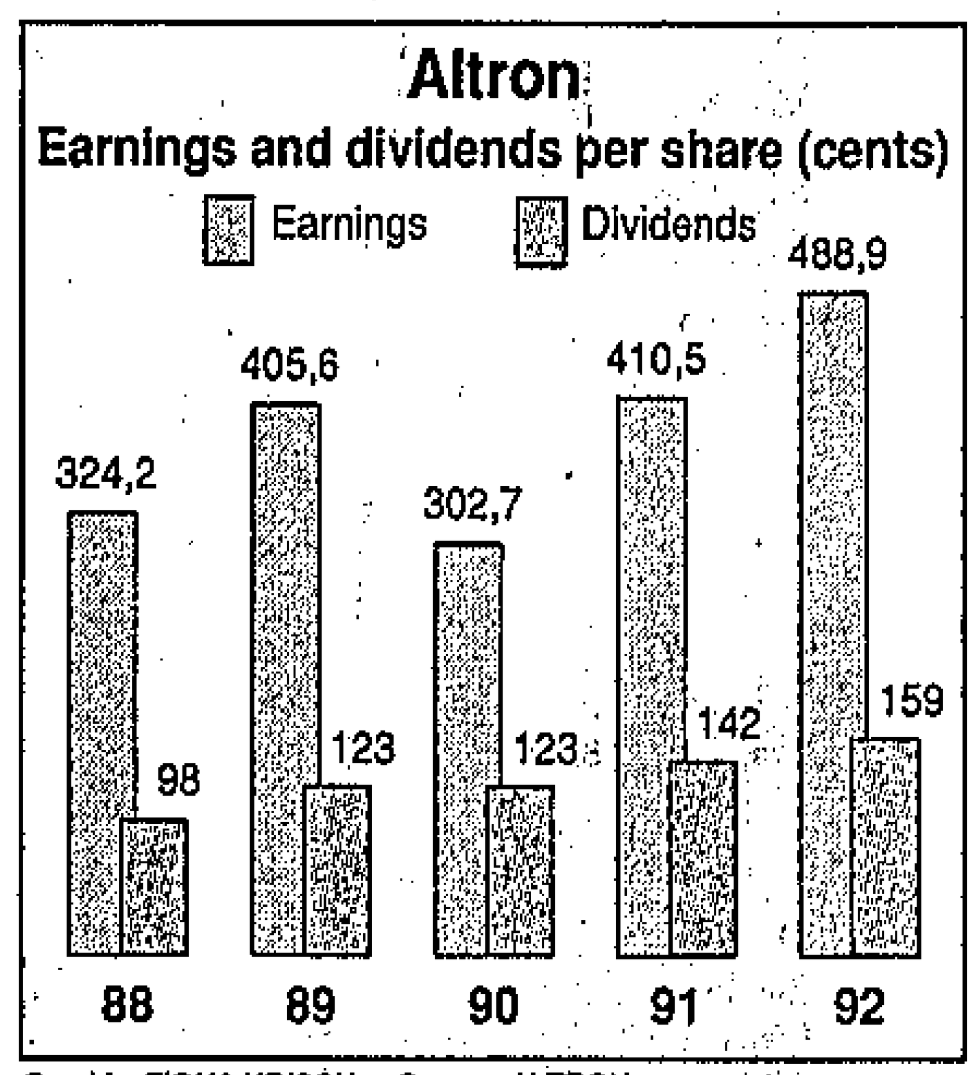
A highlight of the past year, he said, had been the huge change in asset management which had produced a solid balance sheet.

Stringent controls and asset management helped generate a cash surplus of R200m, an increase of R127m, which yielded interest income of R17,5m against an interest charge of R11m in the previous year.

Venter said most of the cash surplus was generated by electronics subsidiary Altech. A lesser amount was generated by power electrical subsidiary Powertech.

The surplus helped boost pre-tax profit by nearly 8% to R311,9m (R289,2m). The tax charge was 2,6% up and after-tax profit increased by 11,4% to R192,7m (R173,1m).

□ To Page 2



Graphic: FIONA KRISCH Source: ALTRON

Altron

BDay 11/5/92 (189D)

□ From Page 1

After deductions for outside shareholders' interests and preference dividends and income from associates, attributable earnings came to R92,7m.

Venter said the group had entered into a joint agreement with Isotimpex, Bulgaria's major electronics manufacturing company. Venter said negotiations had also been opened with three major multinationals in the high-tech field.

Altron's debt had been reduced to R50m from R160m, mainly from the proceeds of the reduction in the group's holding in London Stock Exchange-listed Telemetrix. The group was now in a position to use its cash resources to pursue profitable acquisition opportunities.

He said Altron had countered the loss of business from strategic markets by using the skills and resources gained in previous activities for industrial applications.

The group had also increased its budget for technology development and capital investment to nearly R150m. Most of the expenditure would be in Altech, which was developing new products, expected to reach fruition in the current year and contribute to its future performance.

New technologies with applications in the banking industry had also been developed by information technology subsidiary Fintech, which had secured a R100m order from Absa to install autoteller machines.

Fintech, he said, had disengaged itself from the overtraded PC market and was now concentrating on the upper end of the market for corporate clients. New areas of business were being pursued.

● See Page 3

Altron has Bulgarian partner

BDay 11/5/92 (189D)

DUMA GQUBULE

THE Altron group is taking advantage of improved perceptions of SA and is forging new links with major multinationals in the high-tech field.

The diversified electronics, power electrical and information technology group recently signed a joint venture agreement with Isotimpex, a Bulgarian electronics corporation.

This agreement covers the development and exploitation of mutually beneficial trade opportunities in Bulgaria and in African countries.

Negotiations have been opened also with three other high-tech multinationals.

These negotiations are aimed at giving these companies an opportunity to invest in the Altron group. Executive chairman Bill Venter said at the weekend further announcements would be made soon.

Venter said the group, and its SA and European partners, were waiting for government's response to the consortium's proposals for the development of of a domestic satellite system.

"No outcome is predicted, but we expect to know where we stand some time in the next six months," he said. Industry sources have indicated that a typical satellite of this kind would cost in the region of R1,2bn.

The 50-50 joint venture agreement with Isotimpex followed a visit to the company's headquarters in Sofia, Bulgaria, by Harold Serebro, an executive director of Ventron and chairman of Altron Group's export and purchasing councils.

Altron will be the exclusive distributor of Isotimpex manufactured electronic components and finished products in SA.

Serebro said he was delighted to have signed this important joint venture agreement with Bulgaria's major electronics manufacturing company. He said several major export orders were to be concluded as a result of this agreement.

Isotimpex, Bulgaria's largest state company, has 53 manufacturing plants and a turnover of $2,5bn a year.

The company also has 23 joint venture companies internationally and 140 trade representatives in 25 offices throughout the world.

Its computer arm manufactures more than 100 000 personal computers a year as well as printers, plotters, applications software, data processing systems, networking and cad/cam systems and peripherals.

Venter said the major thrust of Altron's export drive would be into sub-Saharan Africa and the group was developing new technologies appropriate for the African environment.

He said he hoped that Altron's international partners would give the group access to the contacts and markets these companies had acquired in Africa

"The multinationals will get a chance to participate in our market and all the proceeds will be shared," he said.

Altron lifts earnings 19 percent

STAR 11/5/92

Finance Staff

189D

After satisfactory performances by its key subsidiaries — Fintech, Altech and Powertech — Altron lifted its earnings by 19 percent to R92,7 million (R77,7 million) in the year to end-February.

This was achieved on a virtually unchanged turnover level of R2,65 billion and translated to a rise in earnings per share from 410,5c to 488,9c. A total dividend of 159c (142c) has been declared.

The directors say the group is poised for further acquisitions as the cash surplus increased by R127 million to R200 million during the year.

The cash pile yielded interest income of R17,5 million, against interest payments of R11 million previously.

Govt cash lost in failed business ventures

By Helen Grange
Pretoria Bureau STAR 13/5/92

The Government has lost R327 106 of the R61,3 million in taxpayers' money it ploughed into 113 private business ventures since 1989, according to a Department of Trade and Industry report.

Two of the 21 projects now completed with the aid of Department of Trade and Industry non-repayable grants were cancelled, losing R259 984 and R67 122 respectively.

One project failed as it was overtaken by technological developments and the other because it lost a key employee and investment was withdrawn.

However, in his latest assessment of the scheme, in which R40 million a year over five years was earmarked for the electronics industry, Trade and Industry director-general Dr Stef Naude said the results were positive.

"Industry is reacting very favourably to the incentive, and results show a probable positive return on the grants as measured in tax returns," he said.

The 21 projects completed have used R4,8 million of the Government grants, and eventual tax returns on this investment is expected to be about R2,8 million a year.

189 D

Since the grant scheme began in 1989, 212 applications for grants had been received, but only 113 had been approved.

Dr Naude has stated that SA had the "dubious reputation" of being the sixth largest importer of electronics products in the world, and that the grant scheme was aimed at addressing the problem of poor growth in the manufacturing sector.

Stop give-aways by Govt – petition

By Helen Grange
Pretoria Bureau

18.9D

STAR 13/5/92

A petition has been launched by industrialists to oppose the Government's policy of giving confidential non-repayable grants to businesses in the electronics sector.

Martin Creamer of Engineering News, the petition motivator, slammed the Department of Trade and Industry for giving "something like R103 million for what is believed to be 113 commercial projects".

He said the practice had incurred the wrath of 1 300 members of industry who had signed the petition calling on Finance Minister Derek Keys to stop "what is direct Government intervention in the economy".

"The department is continuing and the talk is that the cash give-away scheme may even be expanded. May it be emphasised that these grants are give-aways and not loans," charged Mr Creamer.

Reacting coolly to Mr Creamer's campaign, Trade and Industry technology director Dr Hennie Smith said the grant scheme, far from being interventionist, was a desperately needed stimulant for South Africa's flagging manufacturing sector — and a positive step toward boosting the country's export market.

He confirmed that the Government was considering expanding the three-year-old grant scheme to other sectors of the economy in view of the encouraging results so far.

"I must emphasise that the government is not permanently subsidising otherwise failed businesses. It is an upfront 'leg-up' programme needed by manufacturing industry now that the Government is lowering tariff protection.

"It is the first real positive development in industrial policy implemented by the Government, and it is anticipated that it will more than recover its investments by way of taxes once beneficiaries begin to prosper," he said.

Dr Smith added that the policy of "trade liberalisation" by means of confidential non-repayable grants was practised by governments throughout the West.

In line with the international trend, the South African Government decided in 1989 to earmark R40 million per annum over five years to assist local manufacturing industry, and so far, results were positive.

The reason for confidentiality was that new businesses could not afford to have details of their innovation made public, as their competitive edge would then be lost. However, the Government was prepared to name its beneficiaries and the grants given once the projects were completed. (See accompanying article).

NuWorld (189D) cuts margins to gain sales

STAR 14/5/92

By Leigh Hassall

Small electrical appliance manufacturer, Nu-World Holdings, has reported a 14 percent increase in interim earnings per share to 4,2c (3,7c) off a 17 percent rise in turnover.

The increase in sales during the six months to end-February was achieved at the expense of margins as the pre-interest margin reduced slightly to seven percent of sales (eight percent).

Nu-World director, Jeffrey Goldberg, says that while the local market was growing rapidly through Eskom's electrification scheme, "it remains fiercely competitive and extremely price-sensitive".

Mr Goldberg adds that export sales to West Africa, Australia and the UK, which account for about 15 percent of turnover, improved steadily and future prospects in this market were good.

Government's tax-based export incentives boosted export potential by allowing competitive pricing with low-cost producers such as China.

A rise in operating income of four percent to R1,35 million (R1,3 million), slightly lower interest payments and a reduced effective tax rate contributed to a 16 percent rise in net income to R540 000 (R467 000).

Long-term debt is provided by low-interest loans from the Industrial Development Corporation. This provides considerable interest savings as Mr Goldberg estimates that the effective interest charge last year was only 12 percent.

ABS Holdings pins hopes on improved second half

DUMA GQUBULE

189D

A SQUEEZE on margins and a slower than expected rate of new business growth have contributed to computer services group ABS Holdings showing a 12,6% decline in attributable earnings for the half-year to end-March.

Attributable earnings went down to R764 000 from the previous year's R874 000 or 3,1c a share (3,6c). The company does not declare interim dividends.

ABS executive chairman James Fitzgerald said the results reflected the current business climate, where buying decisions were taking longer to reach fruition.

Fitzgerald said he was still hoping that a second half turnaround would enable the group to meet its earlier forecast of real earnings growth.

"In previous years the second half has always been the stronger period for ABS. Last year two-thirds of net income before tax was earned in the second half," he said.

BDay 15/5/92

"Barring unforeseen factors, we expect earnings for the remainder of the year to significantly exceed those of the first six months."

Turnover increased by 6% to R21,5m (R20,3m), but tighter margins reduced operating income by 8% to R2m (R2,2m).

Fitzgerald said the group had invested in its outsourcing business and was well positioned to take advantage of the expected upturn in business activity.

REUNERT FM 15/5/92

Acquisition spending (189D)

Restructuring at Barlow Rand's Reunert, which involved substantial spending on acquisitions, makes it difficult to gauge the underlying performance of the electronics and electrical group.

Since its September year-end, Reunert's GEC SA operation has taken control of Tele-

RESTRUCTURING PAYS OFF

Six months to	Mar 31 '91	Sep 30 '91	Mar 31 '92
Turnover (Rm)	760	850	1 087
Operating inc (Rm) ..	50	78	96
Attributable (Rm)	26	48	37
Earnings (c)	84	153	117
Dividends (c)	22	59	27

FOX FM 15/5/92 (189D)

phone Manufacturers of SA by increasing its shareholding from 50% to 67% and pushed up the interest in cable manufacturer ATC from 55% to 71%. Subsidiary GEC Alsthom SA bought Electric Lamp Manufacturers of SA, Associated Glass Works and local lamp production operations of Thorn EMI.

Acquisitions are the result of moves to rationalise activities in key markets. Further consolidation is expected.

MD Tony Ellingford says acquisitions cost about R50m in the first half. This was more than offset by a positive operational cash flow of R125m. End-March net cash was R81,5m, compared with R52,5m at year-end and net borrowings of R75m at the end of financial 1990.

Acquisitions helped push up turnover 43%. Operating income nearly doubled to R96m, with a healthy increase in margins from 6,5% to 8,8%. Despite a jump in effective tax rate, attributable earnings rose 39%.

Higher contributions from operating companies, focus on margins, further interest income and the benefit of more rationalisation will ensure further improvement in earnings in the second half, says Ellingford.

However, he cautions that a more even spread in Reunert's business cycle will result in EPS growing at a significantly lower rate than the interim 38%. "Earnings for the full year are still anticipated to show satisfactory growth," he says.

Even if earnings in the second half only match last year's, the full-year improvement will still be close to inflation, at around 14%.

Interim performance is a considerable achievement for such a diverse industrial group in highly depressed markets. Not surprisingly, interest in the share has picked up strongly in recent weeks and it is at a 12-month high of R25.

Simon Cashmore

ALTRON FM 15/5/92

Cash injection helps (189D)

The R100m cash injection from the sale in November of 60% of listed UK electronics firm Telemetrix and rationalisation of other offshore operations has already begun to make its mark on performance.

Though earnings growth of 19% in the year to February was almost in line with the contributions from major listed operating subsidiaries — Altech, Powertech and Fintech, whose results were discussed last week — interest savings at the holding company enabled management to be more conservative in its provisions for tax.

Earnings would have grown more but for this, says deputy chairman Charles Stride. Borrowings at Altron dropped from R160m to R60m in the last quarter.

ON TARGET

Year to Feb	1991	1992
Turnover (Rbn)	2,7	2,6
Pre-tax profit (Rm)	289	312
Attributable (Rm)	78	93
Earnings (c)	411	489
Dividends (c)	142	159

Earnings will benefit more this financial year when the group will have the advantage of reduced borrowings for a full 12 months.

Altron still holds 7% of Telemetrix and the value of this stake has appreciated considerably.

Since the transaction, which led to Telemetrix's local listing, the share has climbed on the JSE from 165c (it was offered to shareholders in Altron and its pyramid Ventron at 140c) to around 325c.

While debt fell at the holding company, the two main contributors, Altech and Powertech, continue to enjoy considerable cash reserves.

Altron's net consolidated year-end re-

FM 15/5/92 (189D)

serves shot up from R71m to R198m. As a result interest charges of R11m in financial 1991 turned into a positive R17,5m. This R28,5m turnaround is nearly double the gain in attributable earnings.

Altron chairman Bill Venter, whose family trusts now control Telemetrix, says the local group is well placed to meet SA's future communications, power distribution and information technology needs.

But with economic recovery this year likely to be slight, if at all, sales and margins at operating subsidiaries will remain under pressure.

The share is around R62, up by more than a quarter since January. With a p:e of 12,7 it is rated slightly ahead of pyramid Ventron and operating subsidiaries Powertech and Fintech. However, the rating is well behind that of the Altech subsidiary, which reflects an earnings multiple of 24,4. For investors looking to support one of Venter's groups, Altron is probably the most sensible vehicle.

Simon Cashmore

ELECTRONICS INDUSTRY

Keeping secrets

FM 22/5/92 (189D)

Why is the Department of Trade & Industry so secretive about the recipients of millions of rands in development grants it awards to the electronics sector? The department argues that SA needs a vital R&D programme and that, of necessity, it should be in secret. Critics say big electronics firms control where the money goes, that government is breaking international trading rules by subsidising manufacturers, and that the secrecy increases the chances of waste and fraud.

Of 113 grants to 71 firms and R61,3m in taxpayers' money allocated since October 1989, the identities of the recipients of only 23 projects involving R5,1m have been revealed in the department's latest report. Included is R327 000 paid to two projects that were later cancelled. One was abandoned because it was overtaken by technological developments; the other was cancelled when it lost a key employee and investment funds were withdrawn.

Under the scheme, recipients' identities are revealed only when the final payment is claimed from the department at the end of the project or on cancellation. The allocation of funds — managed by the Industrial Development Corp — and the initial secrecy surrounding the recipients have caused controversy since the Innovation Support for Electronics programme began.

Government pays half of the R&D costs of electronics firms that propose "meritorious projects." The aim is "to promote technology development for new products for the purpose of import replacement and/or export

Cont →

FM 22/5/92 (189D)

achievement."

Department statistics show that government's effective contribution to R&D has been 38%, not 50%, because only the costs of salaries and materials consumed — and not capital expenditure — are subsidised.

The most vociferous critics are in the engineering sector. A petition with more than 1 400 signatures has been sent to President F W de Klerk and Trade & Industry Minister Derek Keys calling for the names of companies that are, in effect, being financed by competitors' taxes.

The petition was organised by the weekly *Engineering News*. Editor Martin Creamer asks why the payouts have to be secret. "If taxpayers' money is being used, taxpayers have a right to know who is using it. We have had too many examples of corruption lately, with two characteristics common to all: secrecy and large sums of money at the disposal of officials."

Hennie Smith, head of the department's technology division, argues that the confidentiality does not differ materially from similar schemes in Britain, France and others countries. It helps local industry to gain a competitive advantage, he claims. "Keeping R&D under wraps is the only way to retain that advantage. Because some of the firms involved are small, to release their names is to tell competitors exactly what they are involved in." Electronics Industries Federation president Dirk Desmet agrees. "The very nature of R&D is secrecy." The federation represents most major suppliers and industry associations. "There are checks and balances built in. We at the federation have satisfied ourselves that the selection process, as well as the system of disbursements, is fair and above board."

Smith distinguishes between a leg-up — which is how he characterises the scheme — and a permanent subsidy. "The purpose is to stimulate technology. Thereafter, each project will either thrive on its merits or die."

The International Freedom Foundation's Warwick Davies-Webb points out, however, that subsidised products could run into export problems. Under Gatt an importing country can impose countervailing duties on products that have received a government subsidy.

None of this addresses a deeper question. With all the demands on the Budget for education, health and other needs, why is government giving money to companies in an industry where SA clearly has no comparative advantage? But that's probably a question for another petition. ■

Weak prices sap earnings at Lydenburg

JONO WATERS

WEAK platinum prices helped push Lydenburg Platinum's earnings a share down 34% to 61c from 92c in the six months to end-April.

Lydenburg, in which Old Mutual has a 64% stake, derives most of its income from its 8,4% interest in Rustenburg Platinum (Rusplat) which in turn cut its interim dividend for the six months to end-December 1991 to 87,5c (125c) a share. BDay

Lydenburg has declared an interim dividend of 52c a share, down 32% from 75c. 22/5/92

The market value of Lydenburg's listed investments fell to R861m (R864m). The company's net asset value fell to R59,47 (R60,20) a share.

Income before taxation dropped to R8,84m (R13,3m), and income after taxation was down 34% to R8,83m (R13,3m).

A special dividend was received from independent gold producer Knights, which boosted Lydenburg's attributable earnings to R10,2m (R13,3m).

This special dividend was not included in the figure of earnings a share.

Major restructuring for electrical group

BDay 22/5/92 (189D)

DUMA GQUBULE

SWISS-based Asea Brown Boveri (ABB) — the world's largest electrical group — and Powertech have disclosed details of a major restructuring of the Altron subsidiary's 50%-owned Brown Boveri Technologies (BBT).

The deal, the price of which has not been disclosed, involves the purchase by ABB of the former BBT industry division from BBT and the formation of two separate companies — a new jointly owned company called ABB Powertech and ABB Industry, which will become a wholly owned subsidiary of ABB SA.

ABB is not planning new investments in SA as it believes it has sufficient local commitments.

At a news conference yesterday ABB executive vice-president Arne Bennborn said new investments would depend on future developments in SA. The changing political landscape and the imminent lifting of Nordic sanctions had prompted the restructure.

ABB Powertech, which will operate exclusively in the growing power transmission and distribution field, will be managed by Powertech.

Its turnover is expected to be about R300m in its first year.

ABB Industry, which was expected to have turnover of about R130m in its first year, would be managed by ABB SA.

It would concentrate on the industrial electrical business. The company was established to allow ABB direct access to major capital projects such as Columbus and Alusaf. Capital equipment supplied in these projects would have a significant import content.

Bennborn said the move would enable ABB to serve the region's needs. From the beginning of the month ABB had centred its sub-Saharan Africa corporate headquarters in Johannesburg. It intended to use the SA substation and overhead line activities as the regional "centre of excellence", particularly for creating a southern African grid network.

Powertech executive chairman Peter Watt said the main payoff for his company would be renewed access to new technologies. ABB, which employed 215 000 people in 140 countries, had an annual turnover of nearly R100bn.

All the new technologies flowing from its R7bn-a-year research and development budget would be available to ABB Powertech when sanctions were lifted.

Watt said BBT had not received any new technologies or products from ABB since sanctions were imposed in 1987. Most of ABB's centres of excellence, which developed new technologies, had been based in staunchly anti-apartheid Sweden.

In line with Powertech's strategy of concentrating on the power transmission and distribution market (which ABB Powertech would serve) rather than the industrial electrical business, Powertech would relinquish control of its former industrial electrical division, BBT Industry.

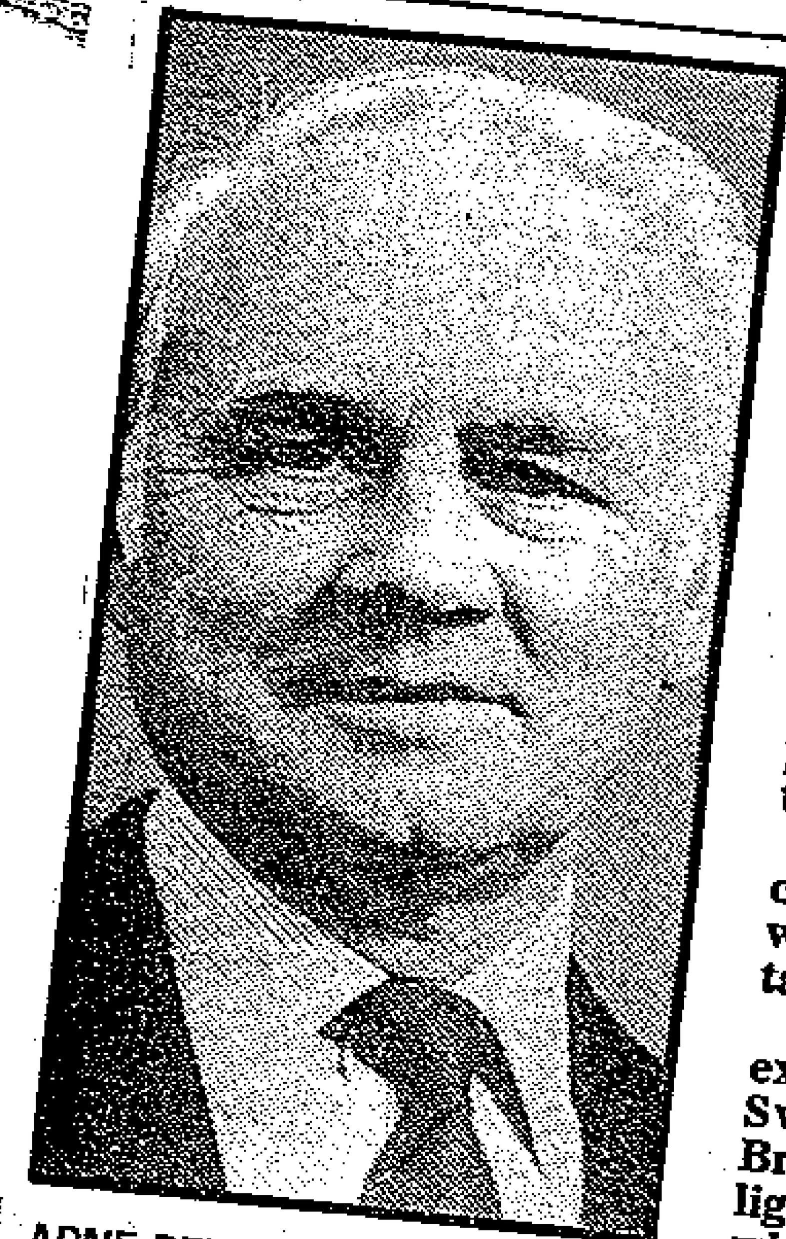
Powertech would lose the R130m turnover from this division, but Watt expected this to be replaced fairly rapidly by increased export activity and new products. The effect on Powertech's NAV and EPS was expected to be negligible.

SUNDAY TIMES, Business Times, May 24, 1992

Scandinavians in a rush to catch the African boat

S/Times (BUSS) (189D) ~~...~~ ~~...~~

24/5/92



ARNE BENNBORN: SA in top 20

By JULIE WALKER

THE apparent desire of Scandinavian countries not to miss the post-sanctions boat back to South Africa poses the question: what are they so afraid of missing?

Norway and Sweden claimed this week that there were few reasons to maintain economic sanctions

Arne Bennborn, Swedish executive vice-president of Swiss group ABB Asea Brown Boveri, cast some light on the puzzle this week when SA group Powertech and ABB announced a restructure.

Powertech holding company Altron sought a link with Asea in 1979, but lost out to Anglo American Industrial Corporation. Seven years later it had a second bite at the Asea cherry when Amic accepted Ventron and Altron scrip for its holding.

Pressure on Swedes to disinvest five years ago meant Asea and Powertech had to interrupt their links. Powertech established a technical relationship with Swiss Brown Boveri. Conveniently, Brown Boveri merged with Asea to become the world's largest electrical group, ABB.

ABB Powertech — formerly BBT — will operate almost exclusively in power transmission and generation.

Another company, to be wholly owned by ABB South Africa, is ABB Industry. The juiciest bait lies in projects such as Columbus and Alusaf, to which ABB will have direct access. Until now, BBT handled such projects on a marginal commission basis.

ABB Powertech and ABB Industry should achieve sales of R300-million and R130-million respectively in the first financial year.

Mr Bennborn says SA should be counted among the top 40 countries in the world, which account for 95% of the world's economic activity. The spice of sub-Saharan Africa lies in its potential as a relatively undeveloped area.

He has a graph showing electrical generating capacity per capita in each country against gross national product.

Obviously, wealthier countries have more power, but Mr Bennborn will not concede that anyone predicted the rapid climb of many of the newly industrialised nations in the past 20 years. The theory is that SA and Southern Africa are next for the boom.

PETER WATT: We can make it

People

Soft loans to poor countries in the region are likely to be the only means they have of paying for infrastructural development initially. But electrification will be among the priorities. It is hoped that Scandinavian donors will be at the fore.

Powertech executive chairman Peter Watt says his company has the skills and the capacity to manufacture the requirements for electrification. ABB has established the marketing channels.

Mr Bennborn says capital and resources are easily transferred, but people make ventures work. SA has the best level of education in the region and will help to bring about a power grid.

● *Denmark is also keen to return to SA — its Lego group is being relaunched next week. Finnish mining equipment companies are also opening their doors in SA — see page 5.*

Jasco Electronics hit by recent acquisitions

B/Day 27/5/92 (189D)

DUMA GQUBULE

JASCO Electronics, hit by losses incurred by three recently acquired companies, suffered a 71% plunge in attributable earnings for the year to end-February.

Earnings tumbled by a similar ammount to 4,5c (16,4c) and the directors have passed the dividend.

MD Peter Rush said the decline in earnings was mostly because of poor performances from the company's recent acquisitions. The group's core operations had continued to trade profitably, and this had been reflected in the 12,5% increase in group turnover.

Drastic steps had been taken to bring the operations to profitability. Restructuring, downsizing and amalgamation of the loss-making operations were some of the measures taken to restore the group to its profitability.

One operation had been disposed of to prevent further losses.

Legal action had also been taken against former managers of one of its divisions who had caused substantial losses by setting up their own operation as a direct competitor.

Turnover increased 12,5% to R72,3m (R64,2m last year), but operating income fell by 48% to R3,7m (R7m) as the losses incurred by the new acquisitions took their toll.

Confident

Attributable income came to R1,31m (R4,5m), in spite of a drop in the tax rate to 18% from 24%.

The bottom line was also affected adversely by an 88% increase in finance charges to R2,06m (R1,1m), reflecting the additional capital that had been required to finance the acquisitions.

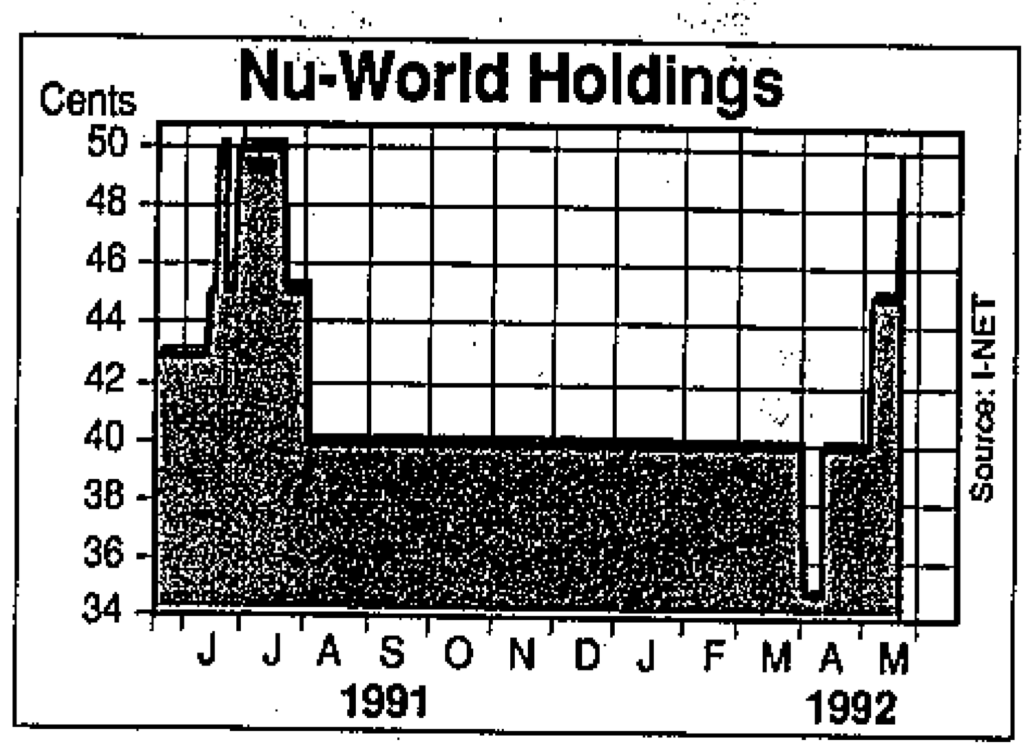
Rush said he was confident that better utilisation of working capital and higher cash flows would reduce gearing from 103% to below 70%.

NU-WORLD FM 29/5/92

Set for recovery (189D)

Domestic appliance manufacturer Nu-World looks set to recover some of its recent earnings shortfalls. After two consecutive declines in annual earnings, taxed income rose 16% to R540 000 at the February interim with EPS 13,5% up. The second half traditionally accounts for the bulk of Nu-World's

FM 29/5/92 (189D)



Activities: *Makes and distributes domestic electrical appliances and wiring accessories.*
Control: *Directors 75%.*
Chairman: *J A Temple; MD: M S Goldberg.*
Capital structure: *12,8m ords. Market capitalisation: R6,4m.*
Share market: *Price: 50c. Yields: 5,2% on dividend; 23,1% on earnings; p:e ratio, 4,3; cover, 4,4. 12-month high, 50c; low, 35c. Trading volume last quarter, 860 000 shares.*

Year to Aug 31	'88	'89	'90	'91
ST debt (Rm)	0,5	3,0	1,8	2,5
LT debt (Rm)	0,4	1,8	4,0	5,8
Debt:equity ratio	0,16	0,95	0,69	0,89
Shareholders' interest	0,45	0,33	0,33	0,34
Int & leasing cover	29,9	5,4	3,2	2,4
Return on cap (%)	37,5	22,8	16,7	14,9
Turnover (Rm)	19,0	25,7	35,1	40,4
Pre-int profit (Rm)	2,9	3,5	3,2	3,3
Pre-int margin (%)	15,3	13,7	9,0	8,1
Earnings (c)	14,3	16,6	13,9	11,5
Dividends (c)	4,3	4,3	4,3	2,6
Net worth (c)	27	27	49	58

business as winter fuels demand for a wide range of heaters, electric blankets and humidifiers.

Two major factors have improved prospects. The recent merger of Nu-World's main rivals, Tedelex's Haz and Lion Appliances, helped the group to increase market share and last year's internal restructure is already improving productivity and quality.

MD Michael Goldberg expects rationalisation of the small electric appliance industry to stabilise pricing and improve margins. In the past four years operating margins have nearly halved to 8,1%. Margins at the interim were down half a percentage point on the previous mid-point, at 7%.

The restructure at Nu-World, which involved a cut in headcount by almost a quarter to around 525, consolidation and upgrading of plant at the two factories near Sandton, and increased focus on quality control, is expected to make a significant impact on earnings this year.

Though a major upswing depends on recovery in the local economy, exports are an important avenue for growth. Sales to Europe, the Middle East and Africa already account for 10%-15% of turnover and Goldberg says the demise of sanctions has swelled volumes substantially. The group's relatively low production costs give it an important edge in highly competitive international markets. Export incentives have also helped to peg the effective tax rate at around 35%.

While Nu-World has begun to benefit from changes at operating level the balance sheet still looks strained. Year-end working

FM 29/5/92 (189D)

capital as a proportion of turnover grew from 24% to nearly 27%, largely as a result of stock holdings growing by a third. Cash generated from operations was only a tenth of the previous year.

Financial director Alan Lipchin acknowledges that gearing is high but points out that almost all long-term borrowings (R5,8m at year-end) are from the Industrial Development Corp (IDC) at interest rates of 5%-14%. The effective average rate on this debt last year was 11,6%, he says.

"Though gearing is high we consider it safe and would not have geared so highly had IDC funding not been available," says Lipchin. He adds that net borrowings are expected to be cut by year-end. Finance charges accounted for nearly 40% of operat-

Nu-World's Temple ... *happy with high gearing*

FM 29/5/92 (189D)

ing income at the interim. Despite this debt burden earnings growth appears likely, particularly if exports continue to do well.

At 50c, the share has picked up 15c since its 12-month low in April and reflects an earnings multiple of 4,3. Dividend yield, as a result of an increase in cover from 3,2 to 4,2 times, is a slight 5,2%. With stability returning to the domestic market and attractive export prospects the share has the makings of a recovery stock. *Simon Cashmore*

TELEMETRIX

(189D) FM 29/5/92

A broad-based international hedge

Activities: *The UK group has subsidiaries in the US and Europe and designs, makes and distributes a wide range of electronic systems, products and components.*
Control: *W P Venter family trusts (42%), Altron (7%).*
Chairman: *A S Walsh;* **CE:** *T M Curtis.*
Capital structure: *86m ords. Market capitalisation: R267m.*
Share market: *Price: 310c. Yields: 1,0% on dividend; 3,5% on earnings; p:e ratio, 28,6; cover, 3,5. 12-month high, 325c; low, 165c. Trading volume last quarter, 1,1m shares.*

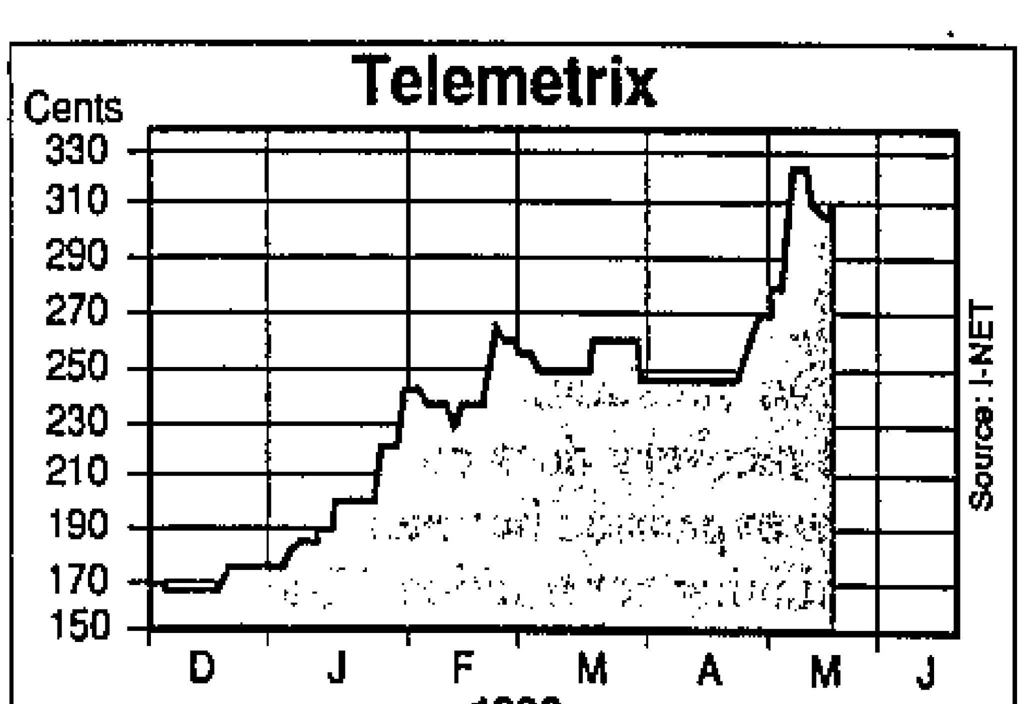
Year to Dec 31	'90	'91
ST debt (£m)	2,8	2,0
LT debt (£m)	7,2	6,3
Debt:equity ratio	0,56	0,27
Shareholders' interest	0,40	0,45
Int & leasing cover	7,8	6,5
Return on capital (%)	11,5	13,5
Turnover (£m)	72,5	83,7
Pre-int profit (£m)	4,2	5,3
Pre-int margin (%)	5,8	6,3
Earnings (p)	2,0	2,1
Dividends (p)	0,6	0,6
Net worth (p)	14	16

The listing in November of Telemetrix, formerly the offshore subsidiary of the Altron electronics group, gives investors an opportunity to participate directly in the fast-moving international electronics market.

The UK group, which is listed in London, has subsidiaries in the US, Germany and Norway and also runs manufacturing plants in Hong Kong, the Philippines and mainland China. Since 1988, when Altron took control of what was then an ailing computer equipment manufacturer, Telemetrix has returned to profitability and grown considerably. Interests are broad in terms of both technology and geographic location — the US is the largest market, followed by the UK and then continental Europe.

While operational reorganisation continued last year, it was among shareholders and directors that the biggest changes took place.

A renounceable share offer at the time of the Johannesburg listing resulted in Altron reducing its stake from 67% to 7% in return for R70m. Altron's pyramid, Ventron, passed up the offer. As a result the family trusts of Altron founder Bill Venter now hold the biggest stake in Telemetrix (42%), followed by Altron (7%) and Old Mutual (6%).



Arthur Walsh, a long-time GEC executive and recently MD at Northern Telecom Europe, took over as chairman while former Unitech director Tim Curtis was appointed CE. Former chairman Cyril Newnham resigned while previous CE Roy Cotterill remains on the board. Walsh's appointment is regarded by analysts as something of a coup and the changes to management are seen as part of the transition from concentrating on recovery to establishing itself as a substantial niche player in the global electronics market.

While the international electronics business has a reputation for high growth, it is — in line with the worldwide economy — dogged by recession. To achieve success in this volatile sector companies need to be alert to the potential of new technologies and sufficiently nimble to exploit these opportunities and keep abreast of further changes.

It was US-listed datacommunications company GTI, in which Telemetrix holds 65%, which provided the bulk of earnings growth last year. Fuelled by the success of its Valor networking firm GTI pushed up operating profit 79% to US$6,7m from turnover that climbed 44% to $77,9m. EPS rose 55%.

Rapid growth in the local-area networking industry has created strong international demand for Valor's products and the firm has expanded manufacturing operations in the Pacific Rim, where it now employs 4 000 people. Valor is expected to be an important contributor to earnings at GTI and consequently Telemetrix this year.

UK subsidiary Trend Communications, which supplies communications and analytical equipment, did less well and reported a second consecutive operating loss — £1m (1990: £600 000) — with turnover dropping £4m to £22m. Norway's Rasterex is said to have maintained market share but no details are given of its financial performance.

Semiconductor manufacturer Zetex also had a difficult year, operating profit slipping £300 000 to £1,1m from turnover slightly down at £12,1m.

Despite disappointing performances in Europe due mainly to recession, the strong contribution from GTI in the US did much to polish consolidated results. Compared with restated figures for 1990, operating profit climbed nearly a quarter to £5,3m on turnover that rose more than 15% to £83,7m.

A climb in interest charges (largely as a result of the funding of the acquisition of Valor in 1990), larger minority interests and an increased issued equity pegged EPS growth at 5% to 2,1p. The dividend was again 0,6p or an equivalent share offer.

Strong cash flow and lower working capital did much to strengthen the balance sheet. Net borrowings fell by 40%-plus to £4,8m, with gearing down from 56% to 27%.

Though the world recession continues to depress markets, management is confident that the group, having been restructured to improve its focus, is well positioned for further organic and acquisitive growth. Earnings this year should continue to benefit from high demand for networking equipment from the GTI stable in the US as well as the extensive reorganisation of UK operations.

Telemetrix's potential for high growth and rand hedge qualities have ensured strong support for the share on the JSE. The pre-listing offer was 99,7% subscribed and the counter has climbed from an opening price of 165c to around 310c. While the share has much going for it, an earnings yield of 3% looks expensive.

Simon Cashmore

NAMFISH/NAMSEA FM 29/5/92

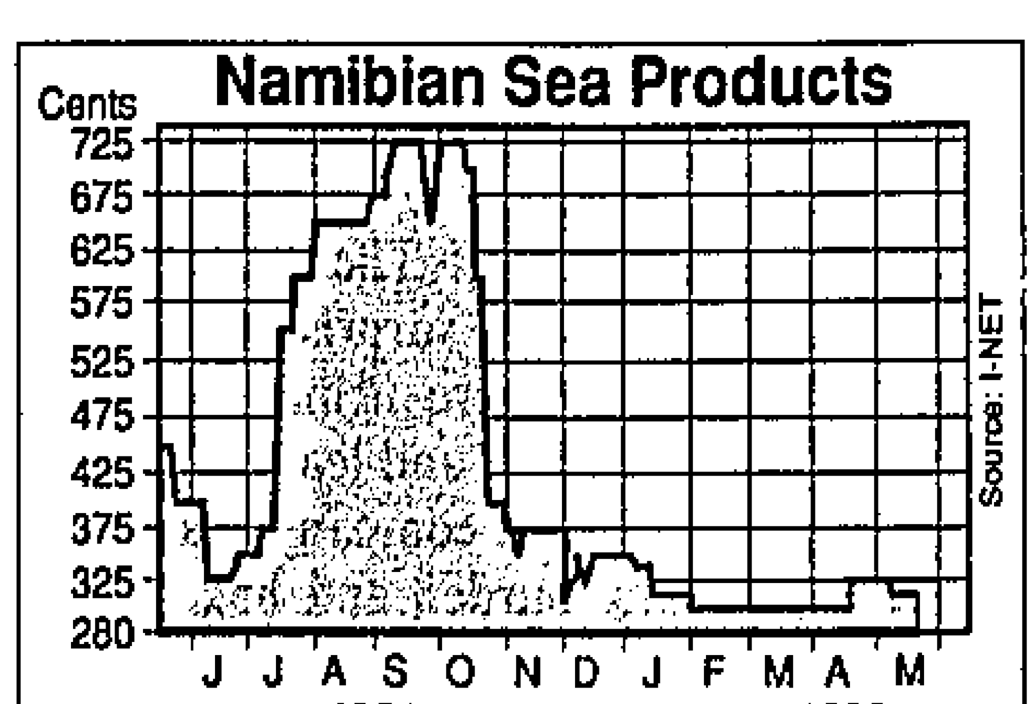
Missing the boat?

Namsea
Activities: *~~Catching and~~ processing fish.*
Control: *Arun Holdings (26,4%) and Natfish (16%).*
Chairman: *L A Eldoy.*
Capital structure: *10,9m ords. Market capitalisation: R33,7m.*
Share market: *Price: 310c. Yields: 3,2% on dividend; 14,9% on earnings; p:e ratio, 6,7; cover, 4,6. 12-month high, 125c; low, 300c. Trading volume last quarter, 124 000 shares.*

Year to Dec 31	'88	'89	†'90	'91
ST debt (Rm)	3,4	0,9	—	—
LT debt (Rm)	2,3	—	0,3	—
Shareholders' interest	0,55	0,68	0,79	0,77
Return on cap (%)	50	49	34	4,5
Turnover (Rm)	13,8	8,1	17,1	39,7
Pre-int profit (Rm)	13,6	8,9	4,2	3,4
Pre-int margin (%)	96	154	21	8,6
Earnings (c)	230	164	67	46
Dividends (c)	200	155*	—	10
Net worth (c)	333	267	205	537

† 15-month trading period.
* Excludes special dividend 55c (1988: 20c).

The market seldom misses the boat but on this occasion it may have. If fishing in Namibian waters improves even slightly Namfish



Move to end electronics duties attacked

MELANIE SERGEANT

GOVERNMENT has been urged to rethink a decision to scrap all duties on a broad range of electronic components — including many which are locally manufactured. 61 Day

In a speech to the Electronic Industries' Federation's first birthday function this week, Altron's Bill Venter said the February 7 decision to scrap duties contravened an official report on tariff structure changes approved by the Economic Advisory Council. 29/5/92

In the speech — delivered by federation president Dirk Desmet because Venter was ill — he said: "This required government to consult with industry before announcing changes." (189 D)

Also speaking at the function, Trade and Industry Department representative Hennie Smith said that the SA industry had experienced a negative growth of 0,8%.

He said government could restrict imports or raise costs of imports through tariff protection, but this could affect the competitiveness of products internationally.

Price cutters at war with licensed dealers

S/Times (BUSS) 31/5/92 (189D)

By DON ROBERTSON

AUTHORISED dealers in electronic goods are in a bitter battle with unauthorised traders whose grey market now amounts to about 50% of sales.

Authorised dealers claim their unauthorised counterparts cannot provide sufficient after-sales service, giving products a bad name.

The unauthorised dealers, however, claim the hostility is because of their lower prices — in some cases 30% less than authorised dealers.

The row culminated in an advertised warning this week by dealers in Minolta, Nashua, Olivetti, Panasonic, Sanyo and Toshiba products.

Fines

They warned buyers of faxes, answering machines and cordless telephones that all equipment must meet Post Office requirements.

They said only authorised dealers were allowed to modify and maintain these products to meet requirements. They listed 14 other companies they claimed were not allowed to modify the machines.

"Users of non-licensed equipment risk questionable after-sales service, heavy fines, lightning damage, possible disconnection of the apparatus and suspension of their telephone services."

Most of the unauthorised, or so-called parallel importers, dispute these allegations. Several say they have licences that meet Post Office specifications.

Some say they will take legal action against the signatories to the advertisement.

But several licensed dealers threaten to prosecute unauthorised traders.

Unauthorised traders sell brand-name products, imported from America, Hong Kong and Singapore, for 30% less than charged by accepted dealers. For instance, a popular fax machine, the Panasonic KX50, sold by parallel importers and equivalent to the Panasonic 20-50, could cost R1 650 at a discounter. The price is R2 089 at a dealer who buys from an authorised importer.

Neal Quirk, managing director of OfficeMart, says that in March his company sold 300 of the KX50 faxes and none has been returned.

OfficeMart has its own technicians and back-up service as well as spare parts.

Remez, a parallel importer which claims to have introduced telephone attachments such as answering machines to SA, says it has 63 licences from the Post Office, 22 of which relate to Panasonic products.

Remez sales and marketing executive Niel Gibb says his company imports small quantities to suit the market and offers full service by 18 technicians.

He claims his service is better than that offered by some retail chains.

Stuart Reaper, general manager of Fax Shop, says that in today's competitive market, many unofficial distributors offer continuity of supply and service. That worries official distributors.

Videos

Mr Reaper says: "This probably accounts for certain official distributors losing their market focus and concentrating their efforts on attacking the credibility of the unofficial distributors.

"The approach of certain official distributors lacks substance, credibility and momentum and is contrary to sound marketing principles."

The grey market extends to TV sets, audio-video equipment, calculators, telephones and other electronic devices.

The Business Equipment Association (BEA), which represents authorised distributors, says parallel imports increased during sanctions. That was a free-for-all era, but many complaints have been received by unhappy customers who bought "unauthorised" products.

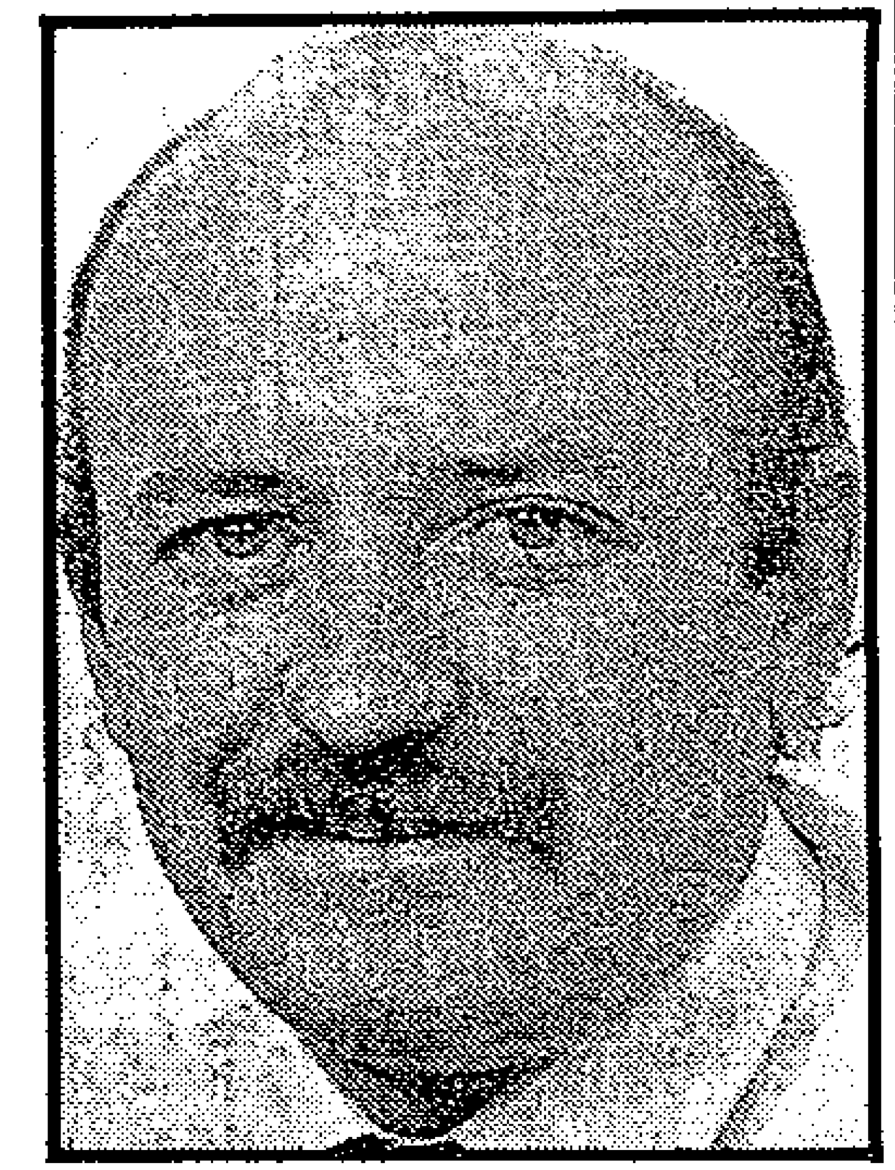
Accounts

BEA executive director Les Wood says that not only does the sale of these products affect their good name, but telephone subscribers could have their service disconnected if they do not use licensed goods.

The cost of having telephone attachments linked to Telkom is high and has to be passed to buyers.

More important is the fact that grey market telephones have to be modified to meet Post Office requirements. This is illegal if done by a non-licensed dealer because it contravenes patent and copyright laws.

Dennis Hurrell, general manager of comunication policy and regulating at the Department of Posts and Telecommunications and a signatory to the advertisement, says the use of unlicensed telephones or faxes has caused "a large problem in the market".



NEAL QUIRK: OWN TECHNICIANS

He says it could result in people being unable to dial the correct number, speech levels may not be up to requirements and increased telephone accounts could result.

Unlicensed telephones cannot be legally conected to Telkom, says Mr Hurrell.

Some grey market dealers are granted a licence, but they fail to install the necessary modifications.

Product manager of the telecommunication division of National Panasonic George Barbaressos says Japanse machines have been specifically modified for SA conditions. Any SA distributor making similar modifications does so illegally.

"We sell two cordless telephones, but there are more than 15 Panasonic models on the market."

City firm leads the way with exports

(1890) [redacted]

S/Times (Cape Metro)

EXPORTS are flowing from the Cape Town factory of Control Instruments Manufacturing (CIM), which boasts one of the most modern and sophisticated industrial instrument factories in the Southern Hemisphere. 7/6/92

Following a major reorganisation, CIM has re-entered the export market by promoting high quality instruments in the most lucrative market sectors.

The result is that 95 percent of the sales made by Griffiths Industrial, CIM's agent in Boston, Massachusetts, are in high quality, stainless steel process gauges and a wide range of specialist gauges designed for the US market.

CIM has also been successful in obtaining orders direct from overseas original equipment manufacturers, such as an American company which manufactures a special manifold for checking airconditioning and refrigeration gases.

"We developed a range specifically for this application, supplying a glycerine-filled gauge with an external zero adjustment," said CIM managing director Bernhard Veller.

"However, this contract did not fall in our lap.

"We obtained it on quality and service rather than price, and were faced with stiff opposition both from American manufacturers and suppliers from Europe, Taiwan, Italy and Korea."

As CIM is 100 percent locally owned, it is not subject to any export restriction imposed by an overseas parent company and had every intention of becoming a major player in exporting industrial instruments — with South America, Europe and the Far East as its next target markets.

The company sees one of the major benefits of international competition as that of ongoing evaluation of product quality and technical capability, so helping its customers in South Africa.

"We do not intend to fall into the trap of supplying export markets to the detriment of our local customers," said Mr Veller.

MK training claim

STEPHANE BOTHMA

JANE's Defence Weekly believes some members of the ANC's military wing, Umkhonto we Sizwe, are receiving military training in India — in Transkei army guise.

This was done to avoid potential embarrassment to India, the defence magazine's SA correspondent Helmoed-Romer Heitman wrote in the latest edition. B/Day 18/6/92

Heitman wrote that a problem affecting integration of ANC personnel into the SADF was insufficient military training and experience. The ANC, therefore, was sending personnel on courses in various countries.

The ANC last night denied that members were receiving training in India in Transkei Army guise.

A spokesman confirmed ANC members were receiving training in various countries.

Order against Numsa march

SUSAN RUSSELL

BARLOW Group subsidiary Barlow Appliance Company yesterday obtained an interim interdict in the Rand Supreme Court prohibiting the National Union of Metal Workers (Numsa) from associating itself with a march planned for today in support of workers dismissed during an illegal strike.

The Kew company dismissed 600 workers in September 1989 after an illegal strike and the matter has been the subject of arbitration proceedings between the union and management. B/Day 18/6/92

Yesterday's order granted by Judge C Plewman also prohibits the union from instigating, encouraging or associating itself with any conduct which is in breech of the arbitration agreement.

The union has been interdicted from publishing or disseminating statements to the effect that the dispute was adjudicated in any forum other than by an independent arbitrator who was appointed by agreement between the two parties. (189C)

Numsa has also been interdicted from publishing or disseminating statements which claim that the dismissals were unlawful or unfair.

In terms of the order the union may not encourage, incite or associate itself with any conduct amounting to a boycott of the company's products.

Nor may it associate itself with calls for the reinstatement of the dismissed workers.

Dismissed workers demonstrated at the opening of Codesa II last month protesting agianst the involvement of Barlow Rand CE John Hall in the national peace accord.

COMPANIES

Toco offers dividend in cash or extra shares

BDay 22/6/92 189C

EDWARD WEST

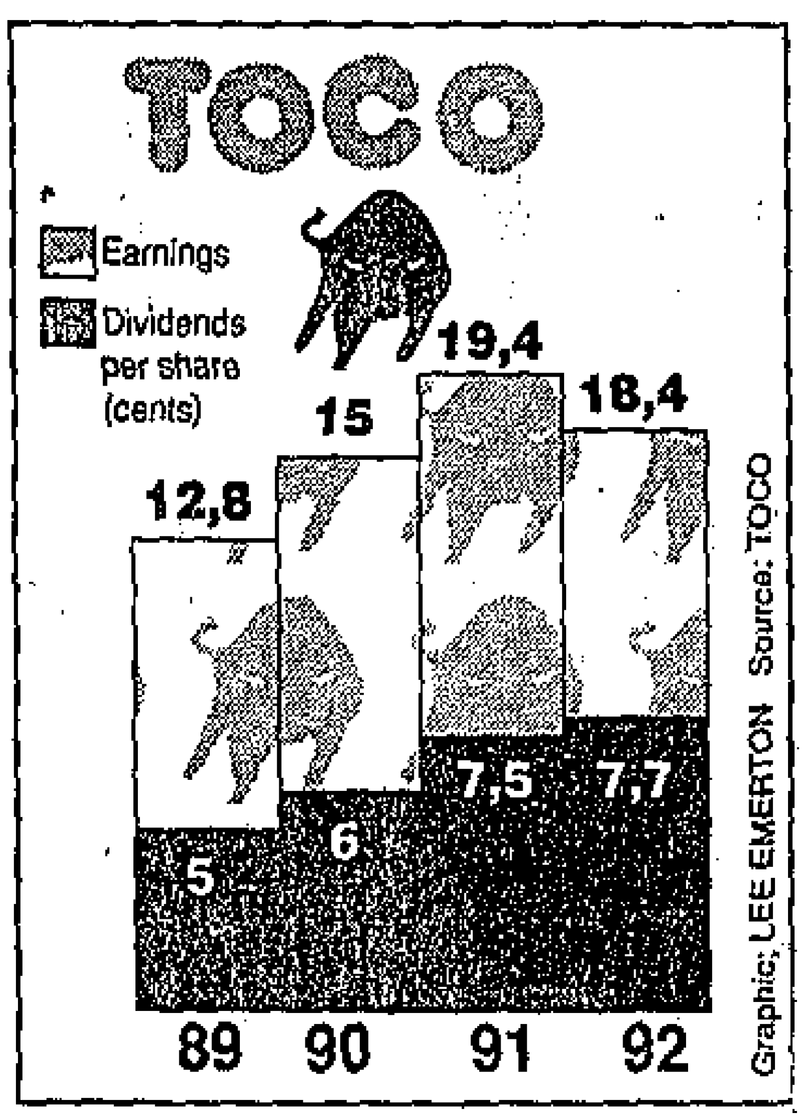
INDUSTRIAL manufacturer and supplier Toco has increased attributable income by 14% to R14,4m (R12,6m) in the year to March 1992 and has forecast further growth in the coming year.

However, a 10% increase in the number of weighted shares in issue to 74-million (67-million) arising from acquisitions diluted the budgeted attributable income, lifting earnings only 3% to 19,4c (18,8c) a share.

A final dividend of 5c a share was declared. Dividends for the year, increased marginally to 7,75c (7,5c) a share with dividend cover stable at 2,5 times.

Chairman Paul Todd said shareholders would be offered the option of receiving cash or 5 new ordinary shares for every 100 held for the final dividend.

MD Adrian Goodman said an improved product mix, coupled with a productivity drive resulted in operating income rising 20% to R20,6m (R17,2). Sales increased 17% to R153,6m (R131,3m).



He said a policy of seeking growth from existing operations — which included automotive refinishing, special steels, building, lifting and gasket products — supplemented by strategic acquisitions, saw operating income more than double since 1988.

Interest paid fell to R2,6m (R3m). Tax, at a rate of 12%, amounted to R2,2m (R2,6m). The acquisition of outside shareholders' interests in the automotive and building divisions accounted for the disappearance of attributable profit from associate companies in the income statement.

Goodman said modernisation, streamlining and staff training meant Toco was well placed to continue trading profitably. Only the steel division operated below budget during the year.

But the recent introduction of new ranges in southern Africa exclusively via Toco would help reverse this trend, said Goodman.

Results were also starting to flow from negotiations to obtain access to proprietary technologies of world leaders in Toco's fields of activity.

The most important success so far involved worldwide manufacturing and export rights to a parking system designed by New York-based Park Plus. Export orders worth R30m had been received.

This and other export initiatives would help keep the tax rate below 20%.

NORVIC FM 26/6/92 189C

Raising equity funds

Loss-making Norvic Manufacturing, the former shopfitting arm of Checkers listed on the DCM in January 1990, intends to hold a rights issue to recapitalise. This comes after a R1,4m interest-free loan from Siltek MD Mike McGrath bailed Norvic out of its liquidity problems.

The issue is essentially part of a rescue operation and, as such, the Securities Regulation Panel has ruled that no offer to minorities need be made. However, the company had made a claw-back offer to minorities to buy shares from new controlling shareholder McGrath.

He gained control in Norvic after former chairman and MD Antonios Kreouzis defaulted on a loan he received from McGrath. Kreouzis had put up the 9,7m shares he held in the company as security for the loan. With Kreouzis' shares, McGrath holds 67,8% of Norvic's issued share capital.

Acting MD of Norvic George Nel says Kreouzis was suspended by the board earlier this year and has since left the company. The SA Police's PR division confirmed that the Commercial Crime Unit was investigating charges concerning allegations of fraud.

Kreouzis, who earlier this year promised, but failed to deliver, a statement to the *FM* through his attorney regarding alleged irregular use of funds and a possible conflict of interest in his business, declined to make any comment.

McGrath appears to have shown a keen interest in the affairs of Norvic for some time. It is believed he helped Kreouzis to secure control of Norvic in a hostile bid early

Norvic's McGrath ... *in control*

in 1991 by selling shares to Kreouzis. He also offered advice to Kreouzis on how to run the business after assuming control, according to memos shown to the *FM*.

Under the recapitalisation of Norvic, and to prevent the company's liquidation, McGrath has personally guaranteed Norvic's bank loans in addition to the R1,4m he has injected into the company.

At the December interim, Norvic showed an accumulated loss of R4m, with shareholders' funds down from R3m a year ago to just R226 000. According to a document sent to shareholders, further losses and erosion of shareholders' funds have occurred since the interim.

McGrath's R1,4m loan, if passed at a shareholders' meeting on July 10, will be converted into additional share capital by issuing 70m new shares at 2c each. In terms of the claw-back offer, minorities will be offered shares in Norvic at 2c each in the same ratio as the new shares issued to McGrath — that is 725 new shares for every 100 held.

Assuming the new shares had been issued for a cash consideration of R1,4m on January 1 1991, Norvic calculates the interim loss per share of 17,1c would be reduced to a loss of 2,6c, while net worth would have improved from December's 1,6c to 2,2c.

Still, it seems that only a shareholder with considerable faith in the managerial ability of Norvic's new directors and new majority shareholder — or a minority who wants to speculate — would consider the offer. Directors say additional contracts have been secured to make better use of capacity and potential acquisitions are being examined. But they are up against Norvic's poor track record, which has seen the share price languish at 1c for most of the year. *Shaun Harris*

Shot in the arm for E Cape

CT 29/6/92

189C

Own Correspondent

JOHANNESBURG. — The decision by a major Belgian company, Omega Total Energy Components (Otec), to relocate its entire manufacturing operation to East London would involve a multi-million rand investment which would provide a boost to the Eastern Cape motor industry and create thousands of jobs.

A statement yesterday said the company produced co-generators which could supplement electricity needs of an entire industrial complex or of an urban area, either independently or in a link-ip with the national power supply grid.

Company spokesman Demir Fumic said last night he was "flabbergasted at the response" after an earlier fact-finding mission to the country.

"We have had talks with the authorities in the Ciskei, Transkei and Namibia, as well as with hospitals and major industries such as the SA Breweries. We are happy and pleased with the response."

Otec would be approaching Mercedes-Benz and the Delta Motor Corporation for the possible supply of motors for the generators and would cooperate with Eskom, Fumic said.

He added that the export potential was huge, and said the company already had received queries from Angola, Mozambique, Zimbabwe and Australia.

Maxmech turns losses around

(184C)

EDWARD WEST

MAXMECH Mechanical Seals increased attributable profits to R48 000 in the year to-end February 1992, from the R559 000 loss reported the previous year, in spite of difficult trading conditions, today's published results showed.

This translated into earnings of 1c a share compared with the loss of 11,2c a share reported the year before. BDay 30/6/92

Turnover rose to R4,8m (R4,5m) while operating income improved to R315 000 profit from a R203 000 loss.

Management planned to continue reducing costs and improving profit margins, directors reported.

JASCO FM 3/7/92

Expensive lesson (189D)

Activities: *Makes and markets a broad range of electronic and related products.*
Control: *Directors 50,5%, Delta Electrical Industries 20,7%.*
Chairman: *J A Sherry; MD: P J Rush.*
Capital structure: *28,9m ords. Market capitalisation: R10,1m.*
Share market: *Price: 35c. Yields: 12,9% on earnings; p:e ratio, 7,8. 12-month high, 85c; low, 27c. Trading volume last quarter, 70 000 shares.*

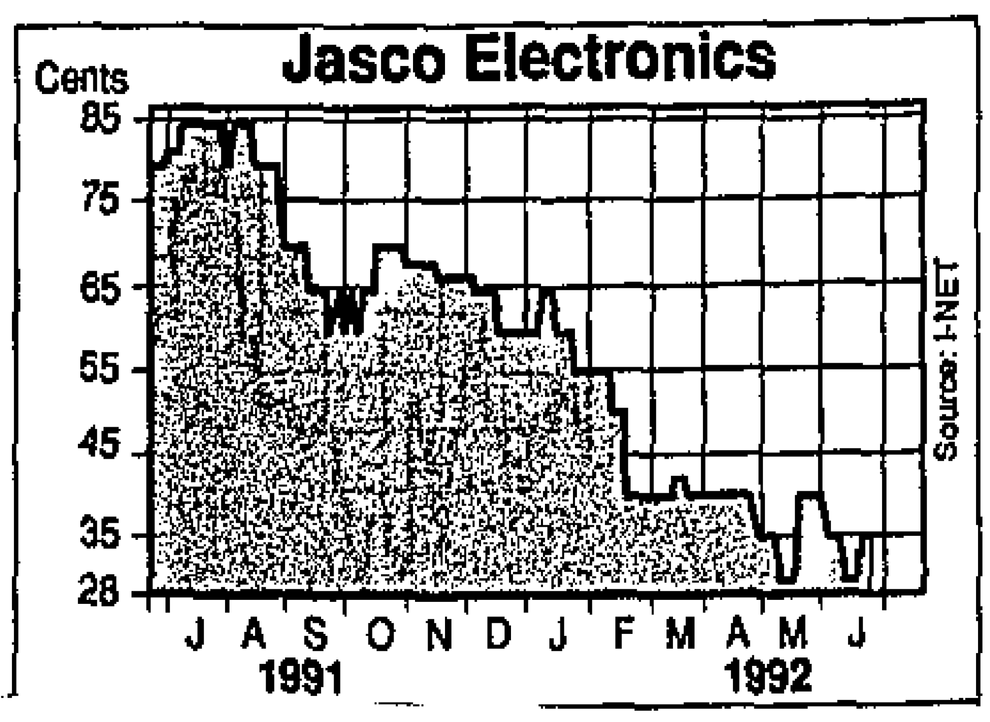
Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	3,7	2,8	0,6	4,6
LT debt (Rm)	0,2	0,2	5,8	5,7
Debt:equity ratio	0,34	0,34	0,61	1,03
Shareholders' interest	0,49	0,39	0,33	0,30
Int & leasing cover .	86,1	5,0	6,4	1,8
Return on cap (%) ..	19,6	26,3	22,8	11,2
Turnover (Rm)	36,3	54,5	64,2	72,3
Pre-int profit (Rm) ...	3,4	5,6	7,0	3,7
Pre-int margin (%) ..	9,5	10,2	10,9	5,1
Earnings (c)	9,7	12,8	16,4	4,5
Dividends (c)	2,9	3,5	4,0	—
Net worth (c)	35	33	35	34

In the previous annual report Jasco chairman John Sherry claimed his only disappointment about the 1991 financial year was the share price, which a year ago was trading at around 80c.

Much has changed since then, and, in hindsight, the market was right to be cautious about the counter. In Sherry's words, the wheels might not have come off at Jasco, but the group certainly suffered a derailment.

In the 1992 year operating income nearly halved, despite a 13% climb in turnover. After interest and tax, earnings were down more than 70% — resulting in EPS falling from 16,4c to 4,5c and the dividends being passed. An extraordinary charge of R1,5m left the group with an accumulated loss of R131 000. The operating margin and return on equity, at 5% and 13% respectively, were by far the lowest since Jasco listed in 1987.

Sherry holds himself responsible for the results — a refreshing change from the excuses often trotted out by underperforming management — and says he ignored clear signals that all was not well. He claims that if he had taken action to curb expenses, the



FM 3/7/92 (189D)

group would have achieved budgeted profit.

Jasco's problems are similar to those that have beset many small electronics groups that came to the market in the late Eighties. After a few years of steady growth, fuelled by acquisitions, management discovered that some of its purchases were incurring losses. Costs — particularly people costs — outstripped requirements and short-term debt ballooned.

In an effort to remedy the situation, management sold R&D firm Janed and merged the operations of instrumentation supplier Ilsa and communications company Pasco with Jasco's SA Scientific and Procom subsidiaries. SA Scientific, together with Jasco International, Skypage and Special Cables, turned in profit and stood up to the recession well, says Sherry.

Jasco has instituted legal action against four former managers at Pasco for allegedly breaching their fiduciary duties by setting up a rival company.

Rationalisation of operations, including cutting staff from 350 to below 300, is expected to curb costs and heighten efficiencies. Considerable improvement in asset and cost controls will be needed if the balance sheet is to recover. Sherry is optimistic the measures implemented will reduce gearing from the year-end 103% to around 70% at the end of this year.

Some shareholders are likely to be uncomfortable with the R3m contingent liability arising from tax deductions by subsidiaries relating to investments in film ventures that may be disallowed by the Receiver. No provision has been made for this liability but management believes most of its deductions will be approved.

Another concern is the high extraordinary charges. In the past five years, annual extraordinary write-offs have averaged nearly R2m and amount to 78% of total net income for that period.

Management expects much better earnings this year but EPS are unlikely to match the financial 1991 level. Investors should avoid the share until management proves it can put its house in order. *Simon Cashmore*

COMPANIES

ICL bucks sliding industry trend

DUMA GQUBULE

MALBAK subsidiary ICL SA has bucked the trend of declining margins in the information technology industry and reported excellent results for the half year to end June. BDAY 13/7/92

The unlisted company, which is owned by Malbak and ICL (UK), increased turnover by 29% in a market where real revenue growth is hard won due to falling prices. This coupled with a reduced operating cost base enabled the company to show a significantly higher after-tax profit.

Actual turnover and profit figures were not disclosed, but ICL was one of the top five computer companies in the country, financial director Bill McFarlane said.

McFarlane attributes his company's success to its access to world class products sourced through ICL (UK) — the only profitable European computer company — and Japan's Fujitsu, which has an 80% stake in ICL (UK). Together, the two companies form the world's second largest computer company.

McFarlane said ICL provided solutions to customers within its niche markets which were retailing, local authorities, financial sevices and manufacturing.

Last year the company took steps to reduce overhead costs. Gross operating costs in the first six months this year were 1% lower than the previous year's figure. Tight working capital controls contributed significantly to improved performance.

The restructuring saw the company placing greater emphasis on solutions and services. In the new direct catalogue sales division, business had doubled over the past 12 months.

There was considerable success in the financial services industry with sales of a locally developed electronic point of sales terminal. The retail and local authorities divisions also performed well.

McFarlane said business was excellent in Botswana, Lesotho, Swaziland, Namibia and Mozambique which had self-sufficient ICL companies within their territories.

The growth this year was organic, but McFarlane said ICL was actively seeking suitable acquisitions and joint ventures to expand all areas of business.

McFarlane anticipates that market conditions will remain exceptionally difficult in the second half of the year. "But we are confident that as a result of the actions we have taken, we will manage to achieve our budget for the year."

Technology in line for a booster

S\Times (Buss) 19/7/92

189D

By ZILLA EFRAT

TECHNOLOGY development may be in for a boost.

South Africa spends R40-million a year to promote innovation in the electronics sector — way below the support given in other countries.

A Department of Trade and Industry (DTI) discussion document now being circulated could change the picture.

The 12-page glossy document looks at whether the Government should stimulate technology development to promote economic growth. It pinpoints three areas of possible government involvement.

It says the innovation support for electronics programme (ISE), in operation for more than two years, could be extended to other industrial sectors.

Trend

The buying power of the public sector could also be applied with a greater focus on product development.

The Government could also identify technology programmes which involve the private sector and SA's strong technology infrastructure.

DTI Director-General Stef Naude says there is an international trend for governments to foster technology.

Government support for research and development in industry ranges between 0,1% and 0,2% of gross domestic product in Organisation for Economic Co-operation and Development (OECD) countries.

In terms of SA's GDP, the equivalent amount that should be available to stimulate innovation in the private sector would be R260-million to R520-million.

International trade is dominated by technology-intensive products and trade in primary products is becoming less important.

Manufacturers compete with existing products in established markets. These are protected by patents and licensing agreements usually preclude exports.

Product innovation or differentiation is the key to achieving international market share and finding new markets.

The document says the Government can accelerate industrial growth by lowering the risk and cost inhibiting companies from investing in R&D.

This could take the form of partial support to private-sector technology development projects. It could result in increased fiscal revenue.

The document says government support of an up-front activating nature must be distinguished from the continuing subsidies which keep activities artificially profitable

Small firms without a product development record could receive support through joint ventures with approved partners.

Rail

This will encourage the private sector to make better use of SA's strong science and technological infrastructure — the science councils, universities, technikons and certain State corporations.

The document says public-sector institutions can indentify their requirements in advance and place contracts with companies to develop technology. This will give industry an advantage in international markets because the development costs will have been covered.

March...........................	242	6,5	1 560	178,70	27 722	32 708	7 455	2016	2,1

Mystery British buyer eyes Tek

Business Day Reporter (1891)

A UK electronics company is reported to be in the process of buying troubled East London-based Tek Industrials (TI), SA's largest manufacturer of printed circuit boards.

Tek Corporation, TI's holding company, said it and co-owner Siemens had been involved in negotiations for the past six months. B10A4

The media would be informed at a later date, Tek said. 22/7/92

But a source close to the company said the takeover would mean a change in focus, enabling TI to produce for the international market.

It was also agreed with the potential buyer that 90 workers would be sacked at the end of this month.

☐ It has been disclosed that poor consumer confidence and the economic downturn have forced Tek to retrench about 146 workers at East London subsidiaries Tek Appliances and Tek Electricals.

'Converter' knocks platinum

B10A9 22/7/92

MERVYN HARRIS

YET another claim of a platinum-free catalytic converter for motor cars put the skids under the metal's free market price yesterday, pulling the price down almost $10 to a London afternoon setting of $380,90.

The decline came despite the fact that the announcement by the Japanese National Institute for Resources and Environment of a palladium-based catalyst referred only to diesel catalysts.

The news was also dismissed as of little significance to platinum by both Ayrton Metals and Johnson Matthey, Reuters reported. Platinum depends on catalysts for about 40% of total world demand.

Ayrton MD Brian Nathan said diesel catalysts were already based on palladium rather than platinum and rhodium, while a Johnson and Matthey spokesman said the announcement was "not dramatically new or a possible product".

The news was the latest in a string of such announcements over the last few years which have adversely affected the price of the metal. There were three such announcements in 1991.

These included the development of a converter by Nissan which was of limited application while that of Isuzu was applicable only to diesel. A third involved a manganese-based converter.

The platinum market faced its biggest scare in the late 1980s when Ford announced the development of a platinum-free converter, sending the price of the metal into a free fall.

Analysts said a feature of all the announcements was that while they had pulled the market down, they had little or no effect on the use of platinum or rhodium in catalysts.

Moreover, industry sources remain confident that platinum and rhodium are essential ingredients in efforts to meet stricter clean air standards enforced in Europe and the US.

Datakor's re-rating justified

(1891)

STAR 23/7/92

By Leigh Hassall

Electronics group Datakor provides proof that the increased tradeability of a healthy company's shares causes the share price to rise to a fairer value.

Datakor shares are usually thinly traded, but the past two weeks have seen active trading, resulting in a 14 percent gain. The price has jumped from 185c just over two weeks ago to its current twelve-month high of 210c.

All this in an industrial market which has dropped six percent over the same period.

Market analysts are at a loss to explain who is releasing the trickle of shares to the market.

The major shareholder, Sankorp, has reportedly said it will reduce its holding within the next six months to increase tradeability. But market sources say Sankorp has not yet released any shares.

One analyst says the recent availability of shares could be a ploy to improve the price of the counter before a major block is released.

No matter who is selling, buyers are snapping up the shares as they were (and still are) widely regarded as being undervalued.

The company is financially sound and has enjoyed a 15 percent compound growth in revenue in the past three years.

In the year to March 1992, the return on capital employed rose from 31,4 percent to 45,6 percent.

The market expects Datakor to increase its earnings per share in the current financial year by 20 percent to 30c.

At the current price of 210c, the share has an earnings yield of 12 percent (sector average: nine percent) and a dividend yield of 5,2 percent (3,2 percent).

ALTECH (189D) FM 24/7/92

Healthier mix of business

Activities: *Develops, makes and supplies electronics and telecommunications systems.*
Control: *Altron 53,3%.*
Chairman: *D C Snedden.*
Capital structure: *10,5m ords. Market capitalisation: R1,28bn.*
Share market: *Price: R122. Yields: 2,4% on dividend; 7,2% on earnings; p:e ratio, 13,9; cover, 3,0. 12-month high, R125; low, R85. Trading volume last quarter, 27 000 shares.*

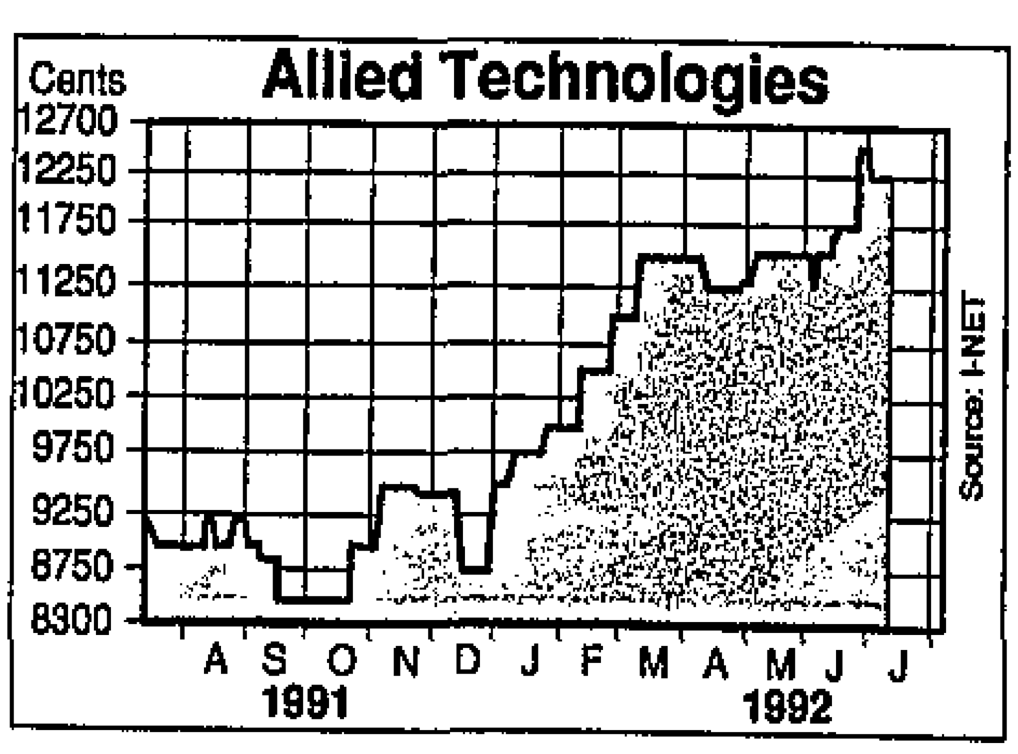
Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	0,2	0,1	—	0,1
LT debt (Rm)	1,0	0,4	0,4	0,9
Shareholders' interest	0,58	0,59	0,61	0,64
Return on cap (%) ..	25,1	25,9	21,3	17,9
Turnover (Rm)	754	793	926	930
Pre-int profit (Rm) ...	138	134	127	120
Pre-int margin (%) ..	18,0	16,9	12,5	11,4
Earnings (c)	884	834	822	880
Dividends (c)	268	268	268	297
Net worth (c)	3 006	2 850	3 444	4 038

Speculation about a possible international expansion has fuelled interest in Altron's electronics and electrical subsidiary Altech. Its share gained nearly R10 in the past month to reach a four-year peak of R125.

Executive chairman Don Snedden says Telemetrix is Altron's vehicle for international acquisitions but Altech might be interested in joint ventures in the US, Europe and Africa in particular. French telecommunications giant Alcatel, a minority shareholder in Altech, is the most likely candidate for partnerships.

Altech, a major supplier to Telkom, Armscor, Transnet and local government, was hit hard by cuts in State spending in the late Eighties. Management steered the group to new markets offering greater potential for growth and profitability. The transition has been difficult and costly. In the past three years Altech's work force was cut by nearly a fifth to 4 500, the operating margin has narrowed from 18% to 11,4% and pre-interest income fell from R138,3m to R120,4m.

But accounting policies remained conservative. Snedden points out that operating income has been diluted by substantial restructuring and product development costs, with spending on technology development last year exceeding R100m. Costs were written off as they were incurred.



Altech's Snedden ... *would consider joint ventures abroad*

"We could have dressed up the bottom line by leaving some development costs on the balance sheet, and treating the restructuring charges as an extraordinary item but we prefer to deliver quality profits," says Snedden. With most of the restructuring and development spending done, Snedden is confident of a turnaround at operating level this year.

Net cash holdings at year-end rose by more than R70m to R244m and interest income more than doubled to R32m. But several large development projects and strategic acquisitions being considered could dent Altech's cash pile this year. Altech also benefited from government export and sponsorship incentives. These kept the effective tax rate below 40%, a level unlikely to change for some time.

The group now has a much healthier spread of business. Telkom and Armscor last year accounted for less than half of Altech's revenue, against more than 70% a few years ago. Both are expected to remain large buyers of telecommunications equipment and military electronics systems from Altech and management believes there could soon be an upswing in Telkom's expenditure on its public network. But the group is looking to new markets, especially in the commercial sector, for long-term growth.

The crux of Altech's diversification strategy is to develop "African solutions for Africa." By combining technology from leading international groups, notably Alcatel, with local expertise and resources, Altech intends to be the leading supplier of electronics systems and services that meet specialised needs of sub-Saharan Africa. Target markets are rural communications, health care, energy distribution, education and electronic detonation systems for mines.

The diversification should ensure earnings growth this year. However, the new ventures are not likely to trigger a major improvement in profitability and earnings until there is an upswing in capital investment in regional infrastructure.

The share is discounting much of the growth prospects. Potential investors should wait until there are signs that Telkom might resume substantial telecommunications expenditure or that Altech is starting to reap the benefits expected from its heavy investment in technology development.

Simon Cashmore

AFCOL FM 24/7/92

Falling hard

Activities: *Makes furniture and household appliances.*
Control: *SA Breweries 65,6%.*
Chairman: *L van der Watt; Joint MDs: T Eccles & K Roger-Lund.*
Capital structure: *24,5m ords. Market capitalisation: R202m.*
Share market: *Price: 825c. Yields: 6,4% on dividend; 12,9% on earnings; p:e ratio, 7,8; cover, 2. 12-month high, 1 500c; low, 850c. Trading volume last quarter, 125 shares.*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	2,6	2,7	2,3	2,5
LT debt (Rm)	92,6	96,7	92,8	107,3
Debt:equity ratio	0,35	0,34	0,39	0,40
Shareholders' interest	0,57	0,54	0,51	0,51
Int & leasing cover .	4,4	3,5	2,8	2,2
Return on cap (%) ..	11,8	12,9	14,8	9,2
Turnover (Rm)	567	701	780	792
Pre-int profit (Rm) ...	48,2	58,4	64,2	49,8
Pre-int margin (%) ..	8,5	8,3	8,2	6,3
Earnings (c)	170,0	190,3	163,1	106,1
Dividends (c)	85	95	81,5	53,0
Net worth (c)	1 086	1 160	980	1 095

The bigger they are, the harder they fall. Afcol is a big business. With a turnover in 1992 of nearly R800m, and a payroll of almost 8 000, it dominates the furniture sector. And it has fallen hard.

The annual accounts reveal the full extent of the sombre news: the 1992 year was Afcol's worst since 1987. EPS fell to 106,1c, down 35% from 1991 and 44% off the peak achieved in 1990. Not surprisingly, the dividend was slashed for the second successive year — this time to 53c, a level last seen five years ago.

It looks as though there's more bad news ahead. Chairman Laurie van der Watt says there is a close correlation between private

Continued

KNJ/SUKHULU FM 24/7/92

Prospects of barter (189D)

Sukhulu Holdings' reverse listing into KNJ Holdings could be interesting, with the merged entity offering investors exposure to

FM 24/7/92 (189D)

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*

Make use of planning strategy to increase your capital gain

STAR 25/7/92

FOOTSTEPS TO FORTUNE

RICHARD *Cluver*

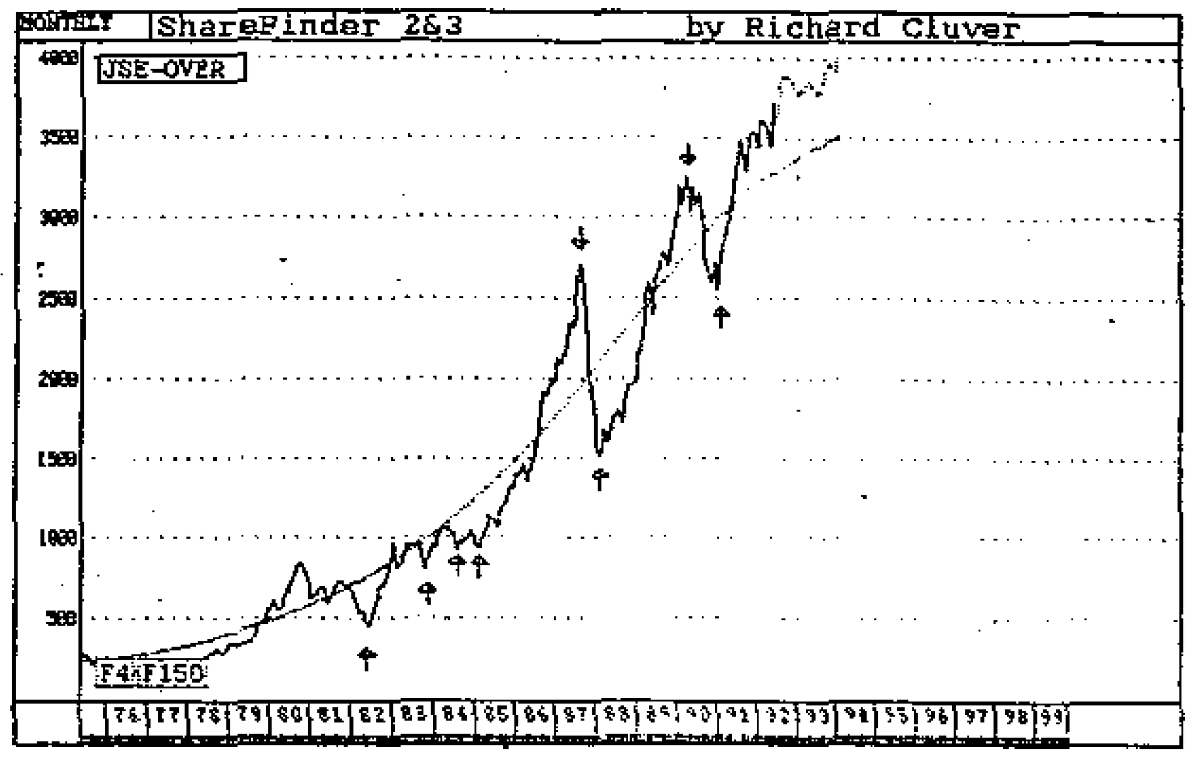
IF you listen to the campaigns of the unit trust marketers, the path to fortune is the monthly instalment, for with it comes that instant panacea, rand-cost-averaging which, they argue, allows one to ignore market ups and downs. Well yes ...

Consider my long-term graph of the JSE Actuaries Overall Average. It is plotted on a basis of month-end prices which in fact makes it very much a replica of the average "general fund" which is invested in a wide spread of shares.

On to it I have overlain an average line which plots a moving average of the buying price one would obtain were the index in fact the selling price of a unit trust and one were buying into it on a regular monthly basis.

31-day call

Four distinctly different investment strategies are possible. Let us start each one on January 1 1982 and assuming we have R100 a month to invest, run computer models of each one from then to the present.



□ Rand cost averaging:
Unit trust salesmen constantly extol the virtue of investing a fixed sum every month. Had one done so one would have invested a total of R13 000 to date and the current value would have been R33 988. That is an attractive overall growth of 161,44 percent.

□ Averaging at the bottom:
This strategy would have one investing R100 a month in the bank on 31-day call and buying every time the index line cuts below the average line, continually investing R100 a month throughout the time the index is below the average. Once the index line cuts above the average line, one ceases buying units and diverts the monthly R100 once again into the bank call account.

Such a strategy would by now have won you a 188,43 percent capital gain. This strategy is, in other words, 16,72 percent more efficient than rand cost averaging.

□ Buying only at the bottom:
Refining the above strategy, one might save the monthly R100 in a call account and, ideally by using computerised share market analysis techniques, attempt to make lump sum buys at the precise moment when the the market reaches the bottom of each cycle — the points indicated by the bottom line of arrows in my graph. In practice it is very hard to precisely hit these bottom points, but not at all difficult to average in at the bottom by splitting your money into three or four lots and buying at timed intervals when you think the bottom has been reached.

The result of buying in at the bottom and staying in for the rest of the ride would have been a 235,5 percent capital gain. That is, in other words, 45,9 percent more efficient than rand cost averaging.

□ Buying at the bottom and switching out at the top:
It stands to reason that the most profitable strategy of all would be to not only buy in at the bottom, but to attempt to switch out every time the market peaked. Since the unit trusts permit their customers to switch around within their family of funds at an up-front charge of just one percent, it is practical to switch to a gilt fund whenever the market peaks and switch back to a general fund whenever the market hits bottom. In between times one would, of course, continue saving R100 a month in a call account.

The result of this fourth strategy would be a remarkable 585,5 percent capital gain. It would, in other words, be 263 percent more efficient than rand cost averaging.

FundFinder 2

Past experience has taught me that advocating this buy-at the-bottom, switch-at-the-top strategy invariably brings forth criticism from the unit trust industry which, understandably shudders at the prospect of vast numbers of investors simultaneously liquidating their units. Their response has always been that it is fine in theory but it cannot practically be done. I am accordingly delighted to be able to now retort that it can.

To prove it I have created a very simple computer programme, FundFinder 2, which anyone can operate and which tells you precisely when to buy and when to sell.

Next week I will explain how you can pick out market tops and bottoms with considerable accuracy.

□ **Footsteps to Fortune is a serialisation of Richard Cluver's latest book "How To Make a Millio" w h, together with his o s, "Making Money With tuals" "Investment Without ears" and "Advertising For Free" is available from The Promotions Department, The Daily News, Box 47549, Greyville 4023. They are priced at R40 each inclusive of postage and VAT. Demonstration disks of his ShareFinder sharemarket analysis computer programmes cost R35.**

IGI Life's new angle on RAs

STAR 25/7/92

If you thought until now that retirement annuities are a standard package, IGI Life has a new angle on it with its Domestic Provider policy.

The Domestic Provider, launched last year, is aimed principally at looking after the late life needs of domestic workers, but it can have — and is having — a wider application.

IGI Life's MD, Paul Cushway, says the Domestic Provider may be viewed as an alternative to the standard RA as it can incorporate some of the RA features — notably the post-retirement income — but has greater flexibility in line with the circumstances of the average domestic worker or small business employer.

Among the package's flexible components are the fact that it can be transferred from one employee to another and also contains a provision for access to cash to provide for an employee's emergency needs.

Another important way in which it offers more than the typical RA is that it makes provision for money for retirement as well as funeral benefits and basic accident benefits.

The policy is unique in that it comprises an owner (the employer) and a second life assured (the worker). This means that the employer has a savings scheme held on behalf of the employee and a small amount of life cover, whilst the employee enjoys a range of other insurance benefits.

Innovation support scheme could be broadened

BDAY 30/7/92

WHERE most other countries have developed strategies to foster development and growth in their electronic industries, SA has lagged.

Altron group executive director David Jacobson says SA should follow examples set by First World nations to develop to its full potential.

"Government's goal is to grow the economy through increasing exports, but to achieve this it must create a climate conducive to technology and other development; it must be an enabler to ensure companies, entrepreneurs and others are encouraged to produce goods for home and export markets alike."

Restructuring

A fundamental restructuring of the economy will be needed if SA is to become a significant exporter of manufactured products.

While the Industrial Development Corporation/Trade and Industry Department innovation support scheme for electronics is relatively small, it is important, and could be broadened to include other industries, he says. Government should not be intimidated by negative publicity surrounding the scheme or attempts to force disclosure of beneficiaries and projects before these are ready for market.

"Government and industry must change their way of thinking in order to facilitate growth in the electronics sector."

To create a climate conducive to technology development (TD), a senior government post should be created so that co-ordination of all strategies — including grants, tax incentives, government procurement strategies and export incentives — is handled at the highest level.

It is vital that government-supported R & D organisations work with and assist industry rather than attempting to become businesses in their own right.

"One suggestion would be for the internal expenditure on TD in these laboratories to be matched by these labs contracting development work to industry so that they forge closer links with industry. This would go a long way to stem the one-way stream of funds into these organisations."

As things stand, SA industry generally spends less on TD than its counterparts abroad. One reason for this is that SA's industry is still young by comparison. "However, throughout the world, science and technology has moved to centre stage, with more companies having realised that knowledge-based companies are the key to economic growth.

"Now innovation requires company structures that recognise the importance of TD as well as pre- and post-TD marketing. This could change the way many SA managers and executives perceive the role of science and technology development.

18/D

Flair

"While most focus on short-term profits and compete on cost with largely undifferentiated products rather than with products of top quality and flair which could command greater profit margins, the new way of viewing TD worldwide could change this."

Some SA companies are flexible and have initiated group-wide TD programmes, but others remain trapped in conventional thinking. "The latter is not too surprising because it really does take significant intelligence and foresight to compensate for a lack of exposure to and experience in TD," Jacobson says.

R&D should be encouraged to build export-led economy

BIDAY 30/7/92

IF SA is to have an export-led economy, it is necessary to have products developed locally in an environment where research and development (R & D) is encouraged, says Plessey-Tellumat group MD John Temple.

While systems like double tax benefits are slow and cumbersome, and the Trade and Industry Department/Industrial Development Corporation's (IDC's) innovation support scheme for electronics is a small effort, other options should be studied.

"It's important to build up the home market for products, and an industrial policy which provides some protection to encourage local products would definitely help," Temple says.

Plessey is spending about 11% of total turnover or 30% of its profits on R & D. "As we increase our R & D expenditure it's possible to tackle more projects, and the success rate increases as a proportion of the total number of projects tackled."

Broadcasting transmitters developed for the SABC are being exported to England, and are currently on show at a major fair in Amsterdam. "Then there's the 33Ghz Datalink, a short-haul telecommunications link covering 132 phone channels via microwave radio. *About 100 of the systems have* been sold in SA and a fair number in England." (189D)

A product which enjoyed IDC support is a mine hoist monitor, a microwave device for positioning a mine skip. Nine SA mines have bought this product, now being marketed in Canada.

'Export or die' a fact of life in SA

BIDAY 30/7/92.

189D

Reports by MELANIE SERGEANT

ONE of the fastest growing industries during the 80s, electronics has not escaped the global recession.

In SA, the electronics industry has had to face the challenges of political change as well as those of recession.

The growth of the country's electronics industry was driven largely by the desire for self-sufficiency born of sanctions-created anxieties.

Siemens joint MD Geoff Hainebach says: "Today, no customer — not even the state — is prepared to pay a premium for local products unless they offer added value.

Limited

"However, for most products, competitive manufacture is not possible with a market limited to that of SA alone.

" 'Export or die' is more than just a slogan: it has become a fact of life for this industry."

However, competing for exports, especially against the highly automated plants in Europe and North America, is very difficult.

Nevertheless, the Siemens plant at Waltloo near Pretoria has been successful.

More than half its output is exported.

Exports range from system-level equipment to full exchanges and component level products like connector blocks and relays.

Hainebach says: "Because of budget cuts in SA, products shipped to Telkom and authorities within SA's ambit have fallen to less than one third of the peak reached during the mid-80s."

Low-density communication is being eyed by Siemens and many other large local electronics players as an area for future growth.

Grinaker Electronics MD Sybrand Grobbelaar says: "The shortage of qualified manpower and SA's isolation forced the electronics industry to focus on internal markets, mostly regulated by the major users, to ensure continuity of supply.

"Now we're in the transition period ... with the prospects of free international trade, but only the multinationals see this change as a major benefit as they gear up to export freely to SA.

"It's an opportunity for the SA electronics industry as it can now negotiate more balanced agreements which will also open new marketing channels for SA products."

Generally, the SA industry believes it does not have and cannot produce competitive products. "I believe we have many products which are very competitive internationally," says Grobbelaar.

"However, the local industry must compete with industries from other countries where the electronics sector has been identified as a growth industry, and receives full support at all levels from respective governments.

"SA is more focused on supplying raw materials than manufacturerd goods, and the latter will have to take a higher profile to succeed.

Progress

"The SA electronics industry, which now has the Electronics Industries Federation as its representative body, should now make progress towards getting a higher profile locally."

Grobbelaar is convinced that opportunities exist in SA and in Africa, because these markets require different solutions from those developed for many countries abroad. "Our own innovation and engineering resources can play a significant role, and specific adaptations to existing products can create unique products for this market."

GEOFF HAINEBACH

Having historically supplied products to local and international defence markets which are now stagnant, Grinaker has identified new markets to which to apply its expertise.

"This includes expansion into mining electronics, with other developments involving a vehicle tracking system, a corona discharge detector for high voltage power installations and trunked radio systems."

He says that with parastatals such as Eskom, Telkom, Transtel and SAA becoming involved in Africa, they will draw on SA expertise to assist them, and that this will benefit the local electronics sector.

Local interest must be generated to lure foreign investment

BDAY 30/7/92

(189D)

THE year-old Electronics Industries Federation has presented an industry strategy to state bodies.

Federation spokesman and Spescom MD Tony Farrah says: "The next step is to implement the various parts of the strategy."

With federation members on board, the Industrial Development Corporation's (IDC's) standing committee on electronics has working groups looking at various aspects of the strategy.

"Items include studying where the local industry has core competence, local competitiveness, and projects which can be done on an international scale.

"Specific topics such as tariffs are also being studied," says Farrah.

Change

A major effort is being made to change investor feelings towards the sector. "Let's face it, before we can expect any foreign interest in this sector, we need our own financial institutions and investor public to take an interest."

Farrah says it is vital that investors start looking beyond existing standard investment mechanisms. "They need to start looking at 'riskier' ventures because these are the areas which will provide real growth for our economy in the future," he says.

Although the industry is going through tough times, having to adapt to major cutbacks in government and parastatal spending, most major players are adapting well and some interesting developments are taking place.

Many local groups are moving away from their traditional markets.

Crucial areas in which the electronics sector must play a pivotal role in SA's growth lie in health care, education and communications systems — to name a few.

Vibrant

"It's recognised that we must have a vibrant electronics sector to ensure we can develop products for these markets and once the products are available, they are often suited for export to other countries in Africa.

"Africa is often considered 'insignificant' by most of the world's major electronics groups, so the local players perceive it as a perfect market for their products.

"This extends to other developing nations around the world where specific products are required to suit specific market needs."

August 4 1992

Cafca's export plan bears fruit

BDAY 4/8/92 (189D)

DUMA GQUBULE

CENTRAL African Cables (Cafca), the Harare-based and JSE-listed company, has reported a marginal increase in turnover in the half year to June as a group action plan to improve exports bore fruit and compensated for a collapse in the Zimbabwean market.

The electrical cable manufacturer's turnover advanced a slender 2,4% to Z$56,3m from Z$54,8m in the same period last year.

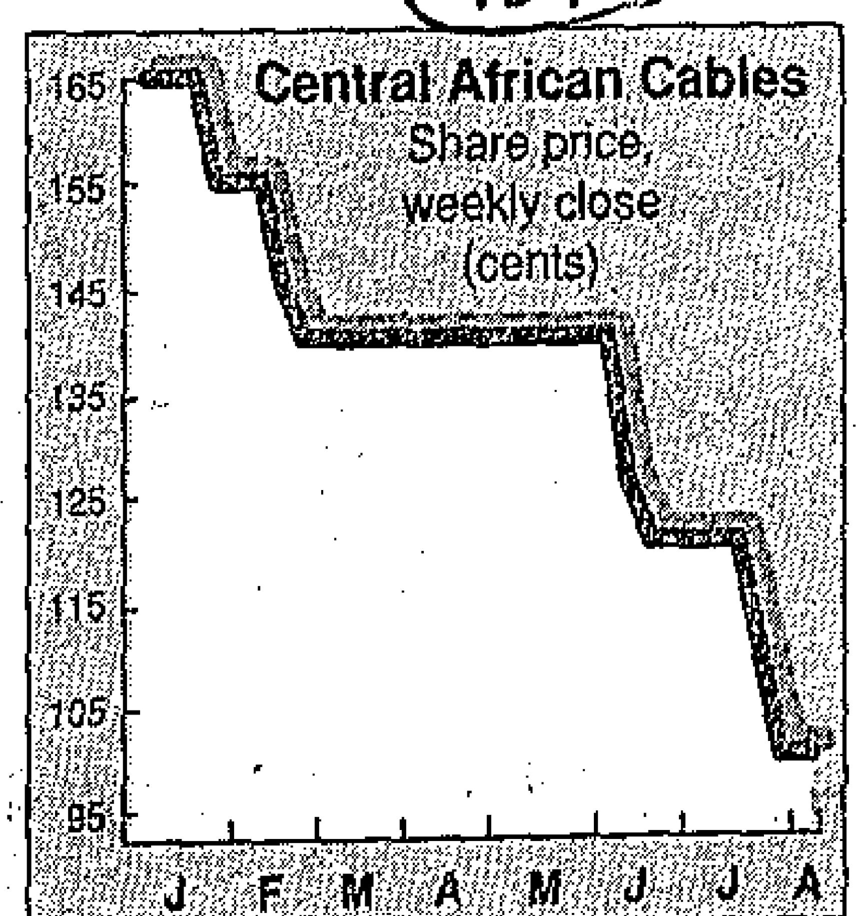
A breakdown of turnover showed exports more than doubling to Z$13,6m (Z$5,9m) — nearly a quarter of total turnover — while domestic sales declined by 13% to Z$42,7m (Z$48,9m).

The operating margin narrowed, due to a different product mix and market profile, and pre-tax profit dropped by 8% to Z$13,6m (Z$14,8m).

A marginally lower tax rate resulted in after-tax profit slipping only 1% to Z$8,6m (Z$8,7m).

Earnings a share came to 28,1c (28,4c) and the interim dividend payout was held at 7c a share.

Cafca, which had been on a five-year winning streak which saw turnover and attributable profits increase more than five-fold, finally succumbed to Zimbabwe's worst recession.



Graphic: RUBY-GAY MARTIN Source: I-NET

The price control-regulated group saw sales volumes on the domestic market plunge by 56% compared with the same period last year.

Total volumes decreased by 40%, the compensation being made being in export markets, and a large price increase at the end of last year resulted in a slight increase in turnover.

Group secretary Alastair McFarlane said five key strategies would be followed in the next six months, namely the pursuit of exports, asset managment, the continuing move to world class manufacturing, a higher customer service profile and addressing the total cost base.

He said it was proposed not to follow the official pricing formula, which, in the short term, would impact negatively.

Trimmer CI's earnings burgeon

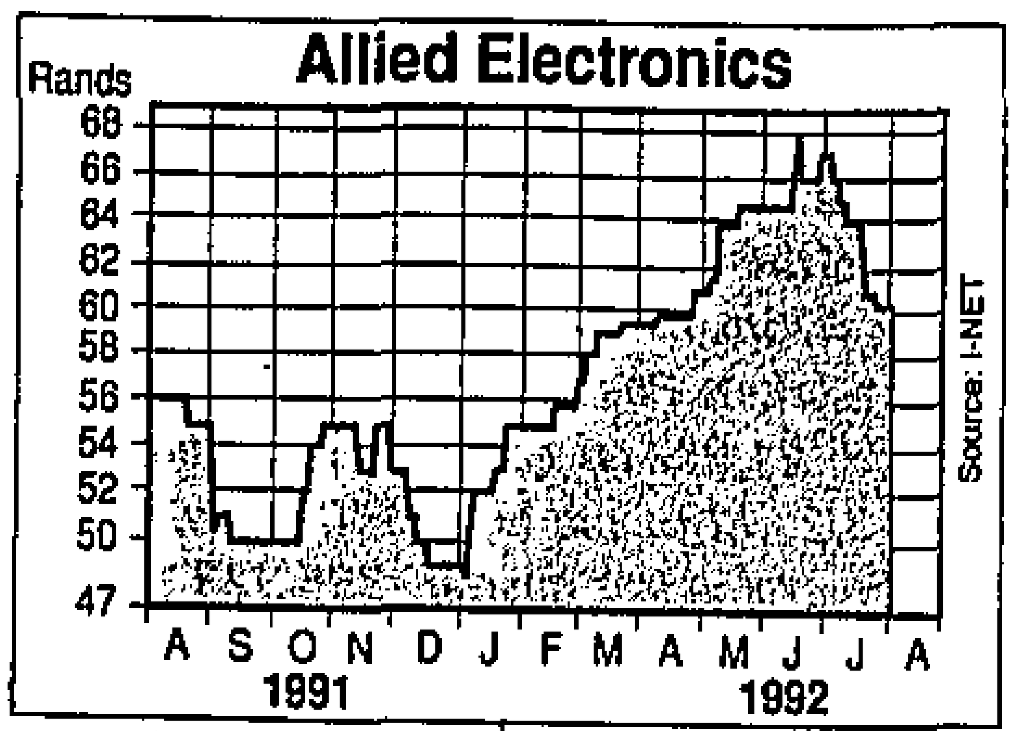
189D

DUMA GQUBULE

ELECTRONICS group Control Instruments (CI) has reported a slight increase in turnover in the year to June, but a reduction in the group's level of gearing and a better second half lifted attributable earnings to R288 000 from R5 000 last year. BIDAY 7/8/92

Turnover advanced 2% to R66,3m (R65,1m) in spite of the group disposing of certain of its operations. Operating profit showed a marginal decline to R3,4m (R3,6m). Net gearing fell to 25% (47%) and the resulting lower interest payments lifted attributable earnings to R288 000, or 0,4c a share. No final dividend was declared.

The directors said trading conditions remained difficult but exports had shown continued growth.



ALTRON FM 14/8/92

189D

Liquidity surge

Activities: *Professional electronics, telecommunications, power electrical and information technology. Holds Altech (53%), Powtech (63%) and Fintech (78%).*
Control: *Ventron 53,6%.*
Chairman: *W P Venter.*
Capital structure: *19m ords. Market capitalisation: R1,15bn.*
Share market: *Price: R60,50. Yields: 2,6% on dividend; 8,1% on earnings; p:e ratio, 12,4; cover, 3,1. 12-month high, R67; low, R48,50. Trading volume last quarter, 52 000 shares.*

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	127,7	141,8	7,0	5,0
LT debt (Rm)	11,3	14,2	29,0	26,4
Debt:equity ratio	0,14	0,11	—	—
Shareholders' interest	0,45	0,45	0,53	0,56
Int & leasing cover	18,6	7,7	27,0	—
Return on cap (%)	18,2	17,9	20,3	18,3
Turnover (Rm)	2,15	2,63	2,66	2,65
Pre-int profit (Rm)	243	254	300	295
Pre-int margin (%)	10,7	9,6	10,8	10,4
Earnings (c)	406	303	411	489
Dividends (c)	123	123	142	159
Net worth (R)	14,67	14,09	16,51	19,47

The strengthening of Altron's balance sheet has been an important factor in management's efforts to keep earnings growth abreast of inflation. Net interest income of R17,5m in 1992 — the first positive interest contribution since financial 1988 — enabled an 8% climb in pre-tax earnings, despite lower operating income and turnover. The effective tax rate fell and earnings rose by almost a fifth.

Interest charges fell in the last quarter with the inflow of R100m mainly from the sale of most of Altron's stake in UK-based Telemetrix. Financial director John Sayers says cash inflow this year will benefit from lower interest charges for the full 12 months. Though the consolidated net cash balance rose from R150m to R278m at year-end, most of it was held by subsidiaries. The top company held about R130m debt for most of the year.

The sale of 60% of Telemetrix's equity — to shareholders in Altron and its Ventron pyramid — with the local listing of the UK firm, helped to bolster Altron's balance sheet while improving the focus and freeing an important asset for shareholders, says Sayers. Since its JSE listing in November, Telemetrix, which retains its UK listing, has enjoyed strong investor support. The share has climbed from 165c to about 380c. Market value of Altron's 7% stake in Telemetrix more than doubled to nearly R23m.

FM 14/8/92

Management is confident the benefits of the Telemetrix transaction will more than offset the reduced earnings contribution from the UK firm.

But turnover and operating margins will remain under pressure. Altech and Powertech, which last year contributed 53% and 30% of earnings respectively, have done well to withstand the recession and curtailment of large capital spending by traditional customers. The group has diversified, locally and abroad, and invested heavily in new technology. However, a significant upswing in earnings will depend on resumption of major capital investment and growth in the economy.

Information technology group Fintech is still in a recovery phase, having doubled earnings last year. It could enjoy further real growth this year but its contribution to Altron is likely to lag the other subsidiaries.

Tight financial and asset management, with the refocusing, strong liquidity and numerous long-term contracts of the major subsidiaries, have enabled the group to outperform many competitors. It will do well out of a resumption of large-scale spending in communication, power distribution and information technology. Earnings growth this year should keep pace with inflation.

The share remains one of the best-rated counters in the electronics sector. It looks expensive but promises good returns in the longer term.

Simon Cashmore

STAR 20/8/92

Delta Electrical disappoints

By Stephen Cranston (189D)

Delta Electrical Industries had a disappointing six months to June.

Earnings per share rose just one percent to 26,3c, with the dividend maintained at 9,5c.

MD Ewan van Zyl says most operating companies experienced a further decline in trading volume.

But group results were satisfactory in the circumstances as a result of action taken to reduce costs and control working capital.

Operating income fell by two percent to R21,3 million and income before tax was down one percent to R21 million.

Net income rose four percent to R13,4 million, but because of a rise in outside shareholders' interest, it was held down to to R10,8 million.

Improvements at the troubled Delta Cables operation are taking longer than expected.

Delta EMD continued to increase its penetration of export markets and holds a full order book.

The board has approved capital expenditure for the first phase of an expansion of the Nelspruit plant which will ultimately lead to the full use of the designed capacity of 20 000 tons per annum of electrolytic manganese dioxide.

COMPANIES

Decline gets to Delta Electrical

DUMA GQUBULE

DELTA Electrical Industries has finally succumbed to the economic recession and reports virtually unchanged results for the half year to end-June. (189D)

The company had managed to increase earnings by an average 30% over the past five years, but reported a 2% decline in operating income to R21,3m (R21,7m). Turnover was not disclosed.

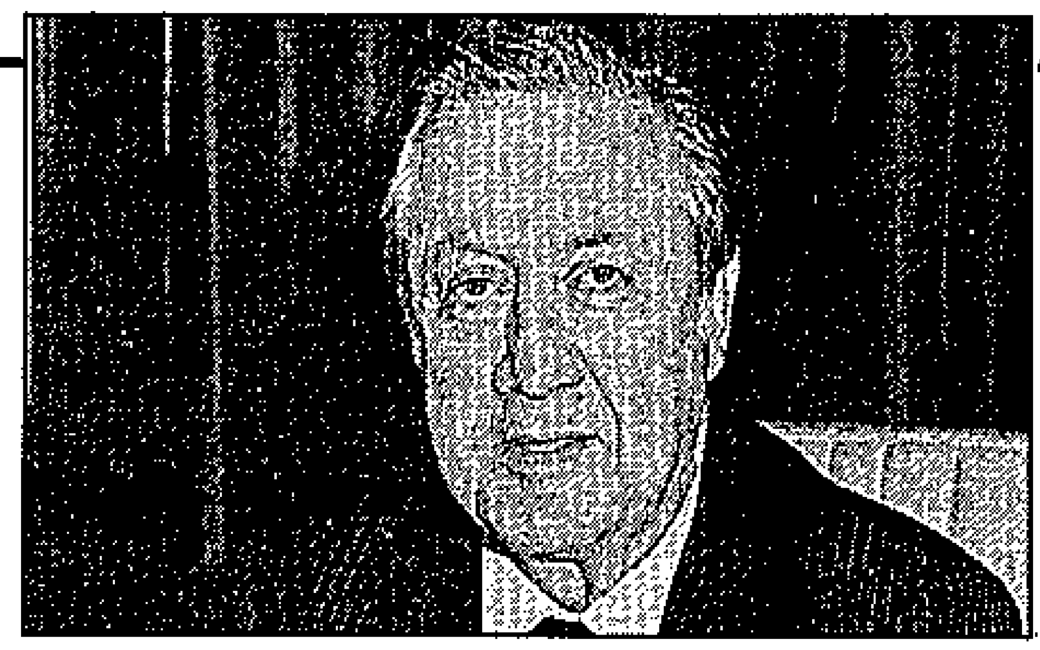
Attributable income was up only 1% to R10,8m (R10,7m), or 26,3c (26c) a share. An unchanged interim dividend of 9,5c was declared. BDAY 20/8/92

MD Evan van Zyl said most of the group's operating companies had experienced a further decline in trading volumes. The group's results had been satisfactory as a result of action taken to reduce costs and control working capital.

He said the group's electrical repair businesses had held steady, despite depressed conditions in their main markets, the gold mines and heavy industry.

Delta EMD, which manufactured electrolytic manganese dioxide used in dry cell batteries, had also held steady because it had been running at full capacity for most of the year.

The subsidiary, which had significant exports, had been unable to increase turnover and had decided to invest in a new plant in Nelspruit which would increase capacity by 40% over the next year.



Picbel's Jan Pickard snr ... *one more deal?*

FM 2/8/92 189D

POWERTECH/PICBEL 189D

FM. 2/8/92

Looking for sparks

Picbel, Pichold and Picapli shareholders must again fasten their seatbelts and hope that this time the cautionary announcement will be the precursor to an agreed transaction. Powertech is presumably negotiating with the Pickards for their white goods maker, Picapli.

At first glance, Powertech's compatability with the relatively small manufacturer of KIC domestic refrigeration and cooking products and importer of domestic washing machines, seems remote.

Powertech is involved with hi-tech power and communication cables; power generation, transmission and distribution; energy management and control, and lighting and electrical accessories.

It is a giant in these fields and has few local competitors of any size. Potential for related growth by acquisition is therefore limited. Its organic growth is restricted in the sense that it depends heavily on economic conditions — as indicated by flat results in its 1992 year ended February.

But Powertech boasts a strong balance sheet; it has no debt to speak of and at its last year-end had cash and marketable securities of R50m.

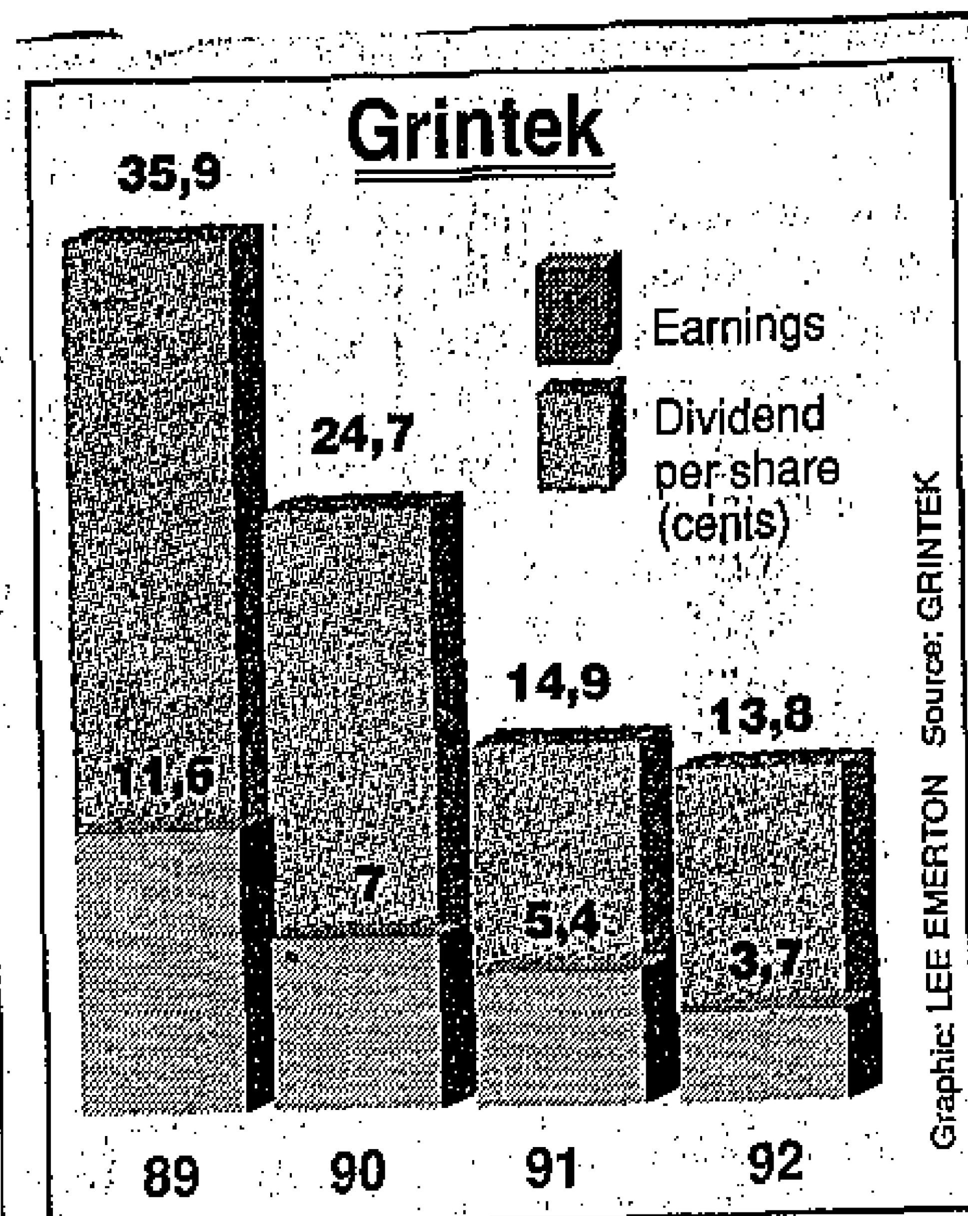
Powertech's interests do not extend into the consumer market to any significant degree. Its purchase of Picapli as part of a diversification programme could make sense, even more so when the long-awaited electrification programmes make more progress. There is a large, untapped market for KIC's products, waiting for homes to be electrified so refrigerators, cooking appliances and washing machines can be acquired.

At June 30 last year Picapli's gearing was still excessive at 130%, though Picapli MD Ed Teare says it has improved since then. Picapli does need a well-heeled big daddy to remove this strain.

Powertech could swallow it without blinking; at Picapli's current 80c price, market capitalisation is about R20m.

Teare says Picapli has fared relatively well in the recession, much better, he says, than the furniture industry, for instance. Still, EPS will evidently be down in the 1992 year. A fall of, say, 25% in EPS to about 40c would give a p:e of only 2,0. Apart from a tough couple of years (1989/1990), Picapli has been a successful operation, especially from a marketing standpoint. Perhaps the Pickards could motivate a better p:e — but are they in a position to bargain hard?

Gerald Hirshon



Lacklustre Grinel pulls down Grintek

189D

DUMA GQUBULE

ELECTRONICS holding company Grintek reported a 7% decline in profit on a 15% increase in turnover to R1,24bn for the year to end-June.

This was on the back of another poor showing from unlisted Grinaker Electronics (Grinel), which suffered from severe cutbacks at major clients in the defence industry. BDAY 27/8/92

The Anglovaal subsidiary's 92,5%-owned Grinel saw its earnings halve to R5,9m despite a marginal increase in turnover to R259m. The performance wiped out an impressive showing from 59%-owned computer subsidiary Siltek, which, on Monday, reported a 30% increase in earnings to R36m on a 19% increase in turnover to nearly R1bn.

Chairman Jack Saulez said Siltek had performed well in a very competitive envi-

☐ To Page 2

Grintek

BDAY 27/8/92 189D

☐ From Page 1

ronment. However, Grinel, which supplied communications equipment for Armscor, the defence force and export markets, had been adversely affected by the worldwide decline in defence requirements.

Grintek's operating profit increased by 6% to R74,2m (R69,8m). Lower income from investments and higher interest payments (R4m was used to buy Siltek shares) resulted in a virtually unchanged pre-tax profit of R81,2m.

After-tax profit was up 3% to R44,6m (R43,1m), but higher profit for outside shareholders resulted in a 7% decline in attributable earnings to R26,8m (R28,7m), or 13,8c (14,9c) a share. The total dividend was cut by nearly a third to 3,7c (5,4c).

During the year an extraordinary item of R13,7m was written off. This included goodwill of R10,6m, a R400 000 loss on the disposal of investments and costs of R2,7m incurred in the closing down of unprofitable divisions the previous year.

Saulez said Siltek and Grintek had budgeted for improved profit this year and he was confident they would continue to compete effectively in their markets.

Grinel had made good progress in developing solutions to satisfy needs in commercial markets to replace business lost due to defence cutbacks.

FM 28/8/92 (189D)

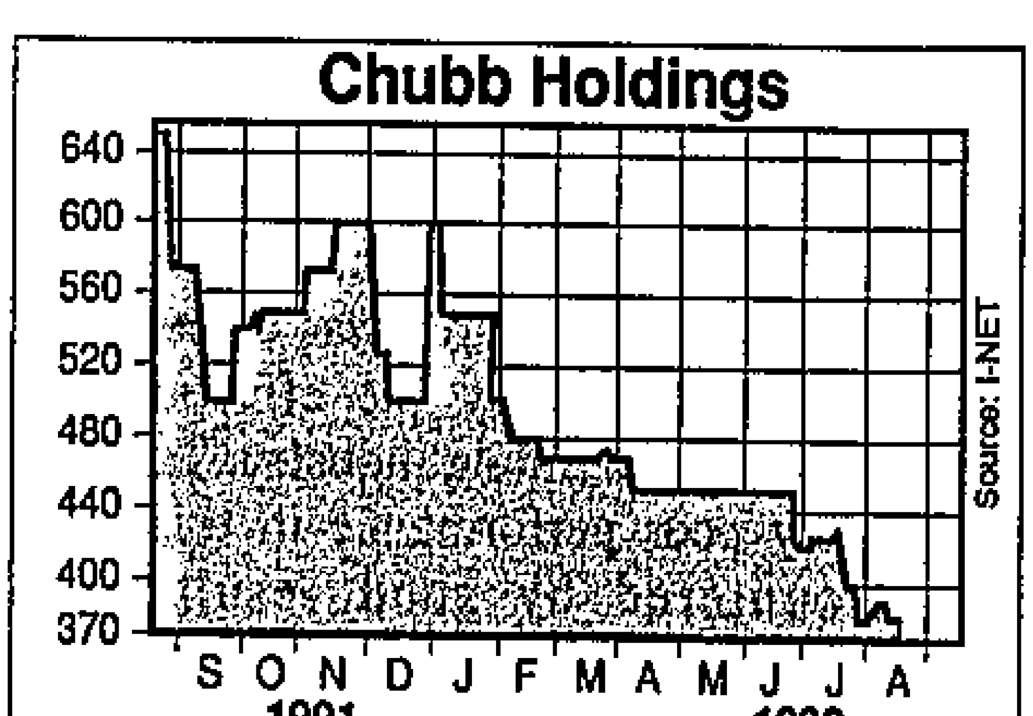
CHUBB

More building needed

Activities: *Manufactures, distributes and services security products.*
Control: *Racal Electronics 67,8%.*
Chairman & CE: *D Ackerman.*
Capital structure: *5,53m ords. Market capitalisation: R22m.*
Share market: *Price: 390c. Yields: 6,4% on dividend; 32% on earnings; p:e ratio, 3,1; cover, 5. 12-month high, 700c; low, 380c. Trading volume last quarter, 80 500 shares.*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	8,5	14,9	8,0	3,6
LT debt (Rm)	3,3	8,5	6,1	4,1
Debt:equity ratio	0,23	0,59	0,31	0,04
Shareholders' interest	0,39	0,36	0,42	0,46
Int & leasing cover	5,75	3,34	3,12	3,23
Return on cap (%)	23,1	15,0	19,0	16,0
Turnover (Rm)	122	144	173	167
Pre-int profit (Rm)	15,8	13,5	16,5	13,6
Pre-int margin (%)	13,0	9,4	9,6	8,2
Earnings (c)	145,5	98,6	137,9	124,9
Dividends (c)	42	25	28	25
Net worth (c)	487	591	641	725

Increased company robberies provided Chubb with a respite of sorts in an otherwise bleak year. Chubb's electronic division, which includes its armed response activities, increased trading profit by 26%, despite a 2% turnover drop. Improved margins resulted from the rationalisation of certain operations.



Chubb's Ackerman ... *margins should widen*

FM 28/8/92 (189D)

Electronic division activities, which also includes the manufacture, installation and service of electronic alarms, intrusion detection equipment and surveillance equipment, dominated 1992 group trading, accounting for roughly 70% of the R13,6m group trading income.

However, installation of electronic alarms in the domestic market was depressed, resulting from the drop in households' disposable incomes.

Last year's 9% EPS decline emphasises the group's sensitivity to building activity. Chairman Dirk Ackerman notes it is difficult to sell locks if houses are not being built, explaining the plummet in the physical security division's trading profit to R1,4m (1991: R6,1m).

Given the high operating gearing, this division will return to dominance when the inevitable affordable housing programmes are realised. Rationalisation in the financial and retail industries also hit the division. However, Ackerman says the division's export activities into Africa and Europe continued to improve, partially alleviating the decline in local demand.

The fire division's trading profit dropped to R2,4m from R2,6m, through price cutting, a diminishing market size and government spending cutbacks. Fierce competition in the maintenance of fire extinguishers worsened problems. Turnover at the division increased to R36,7m (R35,6m), helped by the introduction of new foam products.

Ackerman reckons opportunities to increase volumes this year are limited, but predicts margins should widen through improved productivity, asset management and cost control.

As finance director Justin Williamson says the group is expecting to increase real EPS this year, the 32% historical earnings yield is probably a little bearish, particularly given the inevitability of affordable housing projects.

William Gilfillan

Electronics chief has four-point plan

DUMA GQUBULE

GENWEST MD Dirk Desmet, recently re-elected president of the Electronic Industries Federation, has outlined a four-point plan for the year ahead to ease the industry's re-entry into the global marketplace.

Desmet will be responsible for lobbying government departments.

He said yesterday the federation's role was to steer government departments in the right direction.

The first issue to be addressed was ensuring electronics manufacturers were able to adapt to the change from a siege economy to an open export economy.

(189D)

Next was to ensure the change was managed without trauma.

Third was the need to secure for the local industry the same incentives overseas companies enjoyed.

Finally, Desmet said, the industry had to look at developing a competitive edge.

Export order for Spescom

(189D)

DUMA GQUBULE

SPESCOM Electronics has been awarded ~~the first~~ phase of a multimillion-rand export order by an undisclosed West African country for its in-house developed and manufactured prepayment electricity meter.

Marketing director Johann Leitner said he believed the export order was the largest for locally developed prepayment metering systems. BDay 2/9/92

If successful, the order would result in R30m worth of export orders over the next 18 months.

GCL takes full brunt of slump

CT 3/9/92 (88) (A9D)

Own Correspondent

JOHANNESBURG. — Construction and electronics holding company Grinaker Holdings suffered a loss of R1,2m on a turnover of R2,2bn in the year to end-June as the group's construction interests bore the full brunt of the downturn in the industry.

The Anglovaal subsidiary's 93%-owned Grinaker Construction Limited (GCL) reported a loss of R17,2m.

Chairman Jan Robbertze described the performance as the group's most disappointing year in a decade. GCL had suffered the full brunt of the sustained downturn in civil engineering volumes and margins, the effects of political unrest on residential property values in certain areas, and escalating bad debts.

Grinaker's turnover advanced by 6% to R2,2bn. But operating profit plunged 61% to R39,6m from R120m. Pre-tax profit fell by a similar percentage to R45,6m (R116m).

After payments of R25m in tax and R26m to outside shareholders, a loss of R1,2m — compared with a profit of R38m last year — was attributable to ordinary shareholders. This was equivalent to a loss of 3,3c (108,7c) a share. The final dividend was passed and the interim payout of 5c was the total for the year.

Robbertze said there had been sound performances from some of GCL's businesses, but serious losses in other divisions — including civil engineering, cement brick and paving — had eroded profits.

Considerable retrenchment costs had been incurred as 2 000 employees were laid off.

The value of serviced residential property had been written down by R9,1m in view of the decline in land values in unrest areas and the lack of business confidence due to political instability. A provision for bad debts of R11,5m had also been made and both amounts had come from profits.

Top companies lose millions

ARG 3/9/92 (189) (20)

Business Staff

LOSSES running into millions of rand have been reported by two leading industrial companies employing hundreds of people in Cape Town — Northern Engineering Industries and Grinaker, the construction and electronics group.

Both companies were hard-hit by the economic downturn in the first half of the year.

● See page 19.

d. Reuter

CT 1/29/92 (18D)

Philips may close SA plant

JOHANNESBURG. — Philips South Africa, one of the country's largest television producers since TV was introduced in 1975, is considering closing its local manufacturing plant in favour of importing — owing to a flood of cheap imports since last December.

Chief executive officer of Philips SA, Mr Bruce Mackenzie, yesterday blamed the removal of tariff protection for electronic components last December by the Department of Trade and Industries for creating a loophole which allowed "virtually anyone" to import cheap sets in a semi-knocked-down form from the Far East. — Sapa

palace

Kopp Electronics weathers tough times

B/Day 15/9/92

DUMA GQUBULE

KOPP Electronics' attributable profit declined by a fifth to R652 000 in the year to end-June as a return to full tax and higher finance and overhead costs wiped out an 18% advance in turnover to R32,4m.

Executive chairman Albert Kopp said the electronics industry reflected the tough trading conditions which continued to restrain the economy. Against this background, it was pleasing to report an 18% increase in turnover, he said. (1892)

Operating income, under pressure from increased operating costs, rose by 9% to R1,8m. Finance costs increased to R498 0000 (R392 000) and pre-tax profit advanced a slender 3% to R1,3m.

The company returned to full tax from paying 35% last year and attributable profit declined by 21% to R652 000, which was equivalent to 6,2c (7,8c) a share. The dividend was maintained at 2,5c a share.

Kopp said the group had acquired new agencies and developed new products and was well positioned for an improvement in earnings in the year ahead.

FM 18/9/92 (~~189E~~) (189D)

EUREKA FM 18/9/92 (189D)

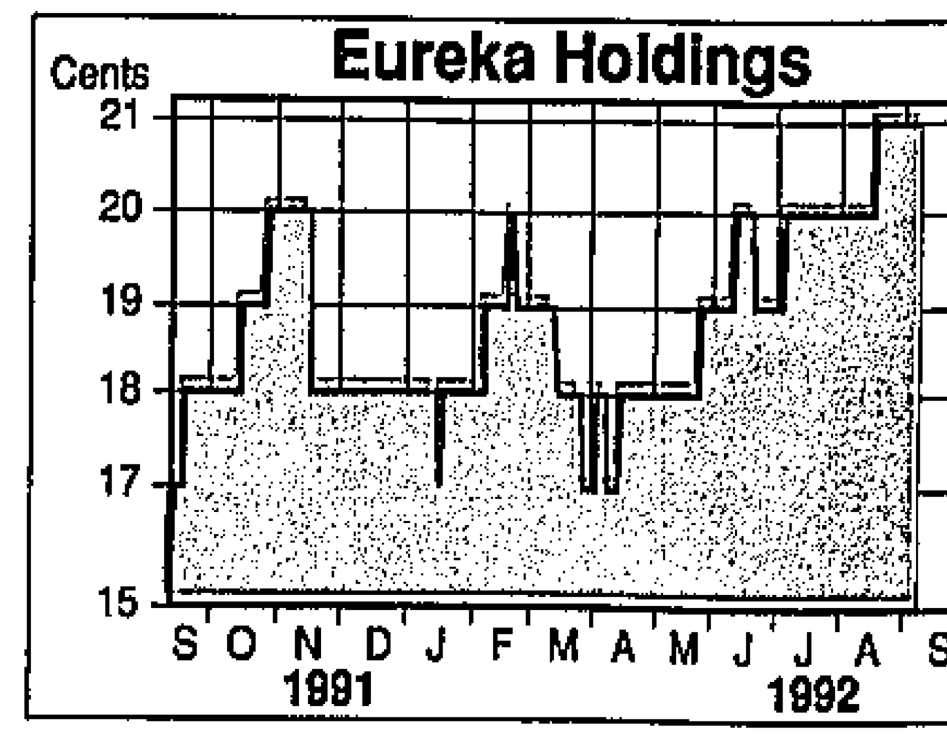
Not there yet

(~~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 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

continue-P

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

Eureka's Price ...
more fixing needed

FM 18/9/92 (~~189C~~) (189D)

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

FM 18/9/92 (189D)

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

Fintech shows improved bottom-line performance

BDAY 23/9/92 (189D)

DUMA GQUBULE

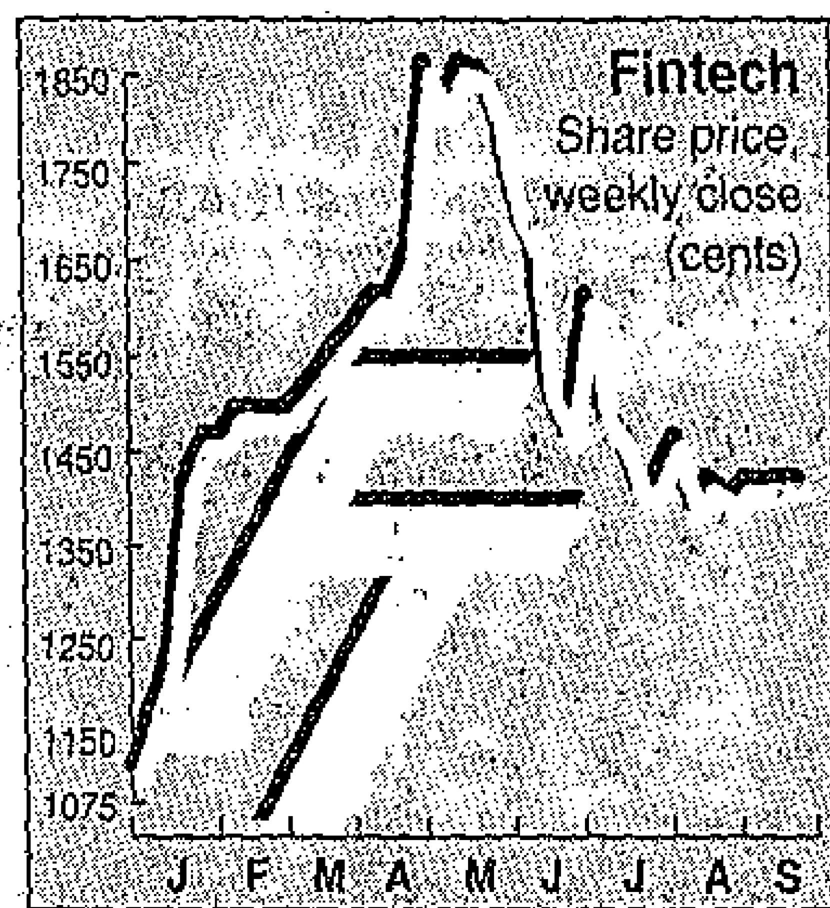
FINTECH, the Altron group's information technology subsidiary, has upped attributable earnings by 32% to R9,9m for the half year to end-August despite declining profitability in its its core businesses.

A surge in profit from Technologies Acceptances (TA), the group's in-house finance company, lower payments to outside shareholders and preference dividends in a subsidiary were the reasons for the improved bottom-line performance.

Executive chairman David Redshaw said the sound growth in earnings reflected the steady progress achieved by the group in its ongoing rationalisation programme.

He expected earnings growth for the full year to be at least equal to that of the first half.

Turnover advanced by 4% to R285m from R275,6m. A squeeze on



Graphic: RUBY-GAY MARTIN Source: I-NET

margins resulted in a 11% decline in operating income to R10m (R11,3m).

Redshaw said turnover and operating profit had been constrained by delayed deliveries of autoteller machines (ATMs) from subsidiary NCR.

Fintech paid R1,7m to its tax equalisation account, created to minimise potential future disruptions in earnings as a result of the progressive utilisation of the group's assessed losses of about R50m.

After-tax profit declined by 11% to R8,7m from R9,8m.

TA's contribution to earnings, which are not consolidated because its business is so different from the rest of the group, jumped by 59% to R4,3m (R2,7m).

Outside shareholders' interest and preference dividends in a subsidiary absorbed R3m compared with R5m last year.

Attributable earnings came to R9,9m (R7,5m), which was equivalent to 85,3c (65,6c) a share. The company does not pay a single dividend at the end of the year.

The delays in delivering ATMs were due to unprecedented demand worldwide for new fourth-generation ATMs. He said the substantial backlog of deliveries would be eliminated in the second half of the year as additional production facilities reached full efficiency.

COMPANIES

Jasco Electronics back on track

DUMA GQUBULE

JASCO Electronics, recently hit by losses incurred by three acquisitions, has staged a recovery and reports an 82% increase in earnings to nearly R1,5m for the half year to end-August. (189D)

MD Peter Rush said the improved results reflected favourably on the directors' resolve to rectify the lapse in profitability.

An unprofitable acquisition had been sold and staff at another subsidiary reduced. Cost-cutting measures applied throughout the group were paying off.

Turnover increased by only 2% to R36,5m (R35,8m). Cost-cutting measures and prudent working capital management resulted in a 36% increase in operating income to R2,9m (R2,1m).

Finance costs were virtually unchanged and pre-tax profit jumped by 68% to R1,9m (R1,1m). The tax rate fell to 21% from 27% due to assessed losses and export allowances. Attributable profit soared by 82% to R1,5m (R814 000), equivalent to 5,1c (2,8c) a share. BIDAY 24/9/92.

The directors of the company said they were confident second-half earnings would at least match those of the first half and that dividend payments would be resumed.

The group's operating divisions had promising order books, and several export contracts had reached delivery stage.

FINTECH FM 25/9/92 (189D)

Recovery continues

Altron information technology subsidiary Fintech has maintained the strong recovery it began a couple of years ago, despite difficult trading conditions and major delays in the delivery of large numbers of ATMs to several financial institutions.

With extensive restructuring of operations and streamlining of the financial structure behind it, Fintech improved attributable earnings 32% to nearly R10m in the six months to end-August.

EPS climbed 30% to 85,3c and executive chairman Dave Redshaw is confident this improvement will be maintained, if not bettered, for the full year.

Dividends, 40c a share at year-end, could climb even higher if the board, as indicated last year, eases dividend cover — it was 4,3 times in financial 1992. Gearing has been brought down from 38% to 21%.

Redshaw says delays encountered by subsidiary National Data Systems in delivering NCR ATMs to, among others, Absa, FNB and Nedcor restrained group turnover (up 3,5%) and operating income (down 11,3%) and were partly responsible for operating margins narrowing from 4,1% to 3,5%.

These delays were caused by the high worldwide demand for the new NCR ATMs and Redshaw expects the backlog will be eliminated in the second half.

He predicts operating margins for the full year will match last year's 5,5%, though fast-declining computer equipment prices are placing increasing pressure on this ratio. National Data Systems — with XeraTech, Intertech-Systems, STC Business Communications and Technology Acceptances — were the main contributors to earnings.

EPS were also curtailed by about 22c/share because of a further provision of R844 000 to Fintech's tax equalisation fund. Contributions to this fund are expected to reach about R10m by year-end and are in-

FM 25/9/92 (189D)

tended to smooth Fintech's tax burden when tax losses are exhausted. Redshaw expects Fintech will become liable for tax within two years.

Though this measure is not popular with some analysts, it should ensure a steady and, judging by recent performance, consistent improvement in earnings. *Simon Cashmore*

Berzack unfazed by lower earnings

189D

BDAY 25/9/92

DUMA GQUBULE

COMPANIES in the Berzack/Elcentre/Voltex group have all reported reduced earnings for the year to June.

Four months after Berzack Brothers acquired control of the Elcentre electronics group — holding company for Voltex and Sanlic — joint MD Myron Berzack said management had turned around the group's local operations and taken steps to staunch the haemorrhage from Voltex's UK-based electrical and cable company Bennett & Fountain (B & F).

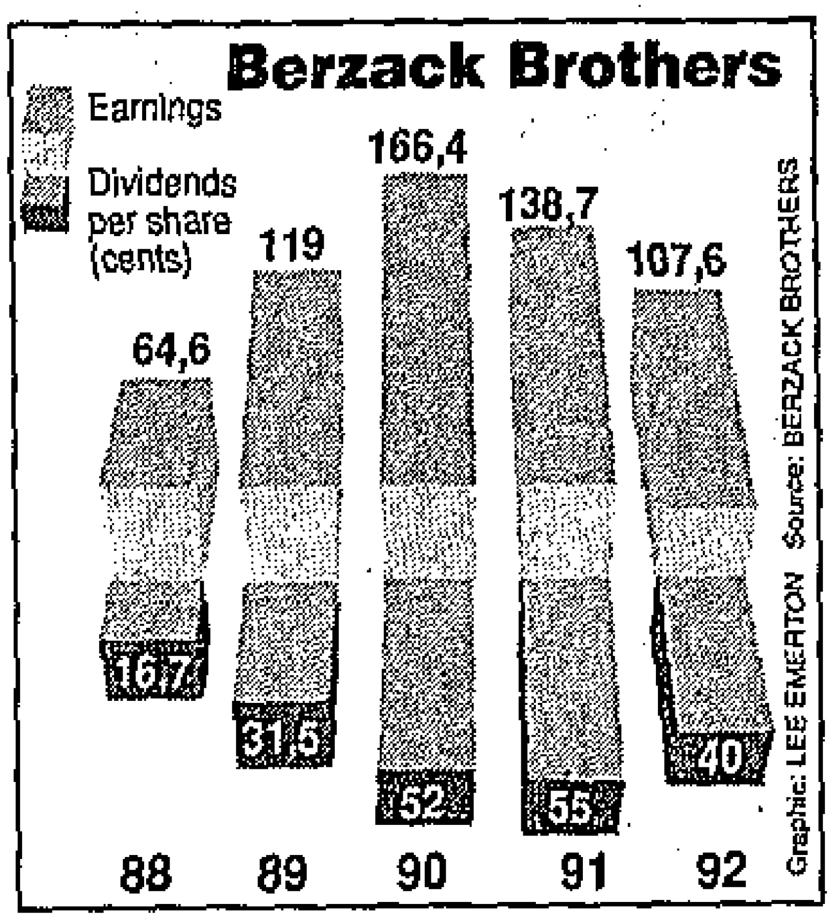
He was satisfied with the progress made, particularly with the second half improvement by the companies.

Cabling company Voltex, the mainstay of the group's operations, marginally reduced turnover to R1,2m (R1,3m). Lower trading margins resulted in a 28% drop in operating income to R92m from R127,7m. Net finance costs absorbed R33m (R43m) and pre-tax profit fell 30% to R58,9m (R84,3m).

Attributable income declined by 16,7% to R66,3m (R79,6m), equivalent to 15,8c (19c) a share. The second half contribution to earnings was 8,8c compared with 7c at the interim stage.

The total payout was 6,75c a share compared with 8,25c last year.

Berzack said Voltex's local operations increased earnings by 3% to 17,7c a share, with 10,8c generated in the first half against 6,9c at the interim stage. Voltex was hit by the recession in the UK, impacting severely on B & F, which showed a loss of R15m, an effective R9,1m in Voltex's hands.



There was little prospect of an early recovery in the UK, but stringent controls would ensure the loss would not recur.

Sanlic Hardware, a distributor of locksmith supplies and electrical accessories, reported a loss of R1,5m (or 2,5c a share) on a turnover of R48,6m (R54,4m), compared with a loss of R5m last year.

Berzack said the company had embarked on a policy of even tighter working capital management and operating expenditure control to restore the group to profitability.

Moving up the line to investment holding company, Elcentre, which holds 52% of Voltex and 81% of Sanlic, reported 30% lower earnings of 42,6c and an annual dividend of 25,5c (36c) a share.

Berzack Brothers' results were not comparable with last year's figures because the company's interest in other group companies had been altered.

Berzack said Voltex, as the key income producer in the group, would clearly exert the most influence on future performance.

Powertech results hit by labour disruptions

(189D)

BIDAY 28/9/92

DUMA GQUBULE

POWERTECH, the Altron Group's power electrical subsidiary, has posted a 9% decline in attributable earnings to R18,7m for the half-year to August.

This was after a crippling strike which cost the steel and engineering industries an estimated R1bn in lost turnover and the sale of a division which had contributed R130m to Powertech's turnover last year.

Executive chairman Peter Watt said Powertech's earnings would have been comparable to those of previous years without the negative labour disruptions.

Powertech was affected by the sale of its former Brown Boveri Technologies Industry division earlier this year. This was the main reason for the group's 8% decline in turnover to R556,6m (R605,2m).

However, Watt said the sale did not have a significant impact on earnings. The proceeds from the sale strengthened Powertech's balance sheet, with cash holdings increasing to R69m from R38m.

After-tax profit fell by 14% to R27,7m from R32,1m. Payments to outside shareholders absorbed R9,6m and income from associated companies was R557 000.

Attributable earnings came to R18,7m (R20,4m), equivalent to 13,8c (15,2c) a share. The group declares a single annual dividend at the end of its financial year.

Watt said the time was ripe for pursuing exports throughout sub-Saharan Africa.

Willard Batteries had benefited from its share of the group's capex programme and significantly improved its export competitiveness. New plant and equipment had been installed at Aberdare Cables to meet international cabling specifications.

Apparently alluding to an expected deal with white goods manufacturer Picapli, Watt said Powertech was evaluating a significant investment in consumer products. This market was expected to receive a major boost when the mass housing and electrification drive got under way.

He expected the group to pick up some of the work lost during the strike and said it would probably earn as much in the first half as it had in the first.

Once the country returned to a more stable position, the group would benefit from the implementation of social upliftment and infrastructural development programmes, said Watt.

Cullinan explains massive losses

(1891)

EDWARD WEST

CULLINAN Holdings has blamed its massive losses in the year to end-June 1992 on non-recurring costs and interest payments on short-term debt rather than on operational inefficiencies. B|DAY.

Cullinan is involved in electrical contracting, ceramics and property after disposing of its African Cables, Cullinan Beaching Clays and Cullinan Minerals operations in the past year. 28/7/92.

Although turnover improved 10% to R462,2m (1991: R419,1m), operating income plummeted to R4,7m (R9,9m). The turnover of discontinued operations dropped to R47,3m from R247,3m in 1991.

Interest payments of R21,9m and "exceptional charges" of R17,8m resulted in a net loss after income from discontinued operations of R33,5m.

Attributable income for discontinued operations fell to R1,7m from R5,9m in 1991. The dividend was passed. Losses a share amounted to 230,4c compared with the restated loss a share of 2,2c in the 1991 financial year.

The 1991 annual report reflected earnings a share at 70,7c.

Chairman Alan Clark said the remedial action initiated by the group in the first half of the year indicated the need for a complete restructuring and a reduction of short-term borrowings.

Gearing had already improved, but debt levels were still unacceptably high.

Four-point plan for SA next year

STAR 30/9/92 (189D)

New president of the Electronics Industries Federation (EIF) Dirk Desmet has outlined a four-point plan aimed at easing SA's re-entry into a global export economy.

Mr Desmet, managing director of GenWest Industries, was re-elected to the executive committee, with vice-presidents Geff Hainebach, managing director of Siemens, and committee newcomer Tony Farah, chairman of the Spescom Electronics Group.

"Our primary task now is to get SA elecronics manufacturers back into the world marketplace, strongly and competitively," says Mr Desmet.

The issues the EIF will address:

- That the electronics industry in general is able to adapt to the changed environment in which it now operates in — that is, from a siege economy to an open export economy.
- Change must be managed without trauma.
- A level playing field for local industry in order for it to compete at an international level.

"Overseas companies in developed and developing countries have a backbone of incentives for export marketing, research and development and for starting enterprises. This allow them to compete aggressively in SA and elsewhere.

"If SA does not institute similar incentives, we will be at a strong disadvantage at home and abroad. An enormous amount of planning must be done if we are to satisfy our own markets and get vital leverage into export markets.

"We have to look at developing a competitive edge not necessarily based on cost but also innovations in niche market."

This would be of particular importance, since SA's ability to be cost competitive in a global market was severely restricted by its relatively expensive and unproductive labour force and by the "enormously high" cost of capital.

Recent research by the EIF puts locally manufactured goods at a 36 percent cost disadvantage against foreign products.

Altech earnings hit by strike

(1890) CT 30/9/92

From DUMA GQUBULE

JOHANNESBURG. — The second largest industrial strike in the country's history affected the performance of Altech, the electronics and telecommunications group in the Altron stable.

But the group has reported virtually unchanged earnings for the half year to end-August.

Executive chairman Don Snedden said the National Union of Metalworkers of SA's 24-day strike in the steel, engineering and allied industries during August had been the biggest in the sector.

One in five working days had been affected by industrial unrest and stayaways and Altech's profits and output would have increased if there had been no labour disruptions, he said.

Turnover was up 5% to R478m (R453m) and net income before tax advanced 2% to R74,7m (R73m) — but about a fifth of this figure would have been earned in interest from the group's huge cash mountain of R242m. Last year Altech's R245m cashpile (at end-February) earned R32m in interest.

A higher tax charge left shareholders' earnings, at R44,5m (R44m), slightly ahead of the previous year's figure and earnings a share came to 410,3c (408,5c). The group declares a single annual dividend at the end of the year.

Snedden said business indicators were looking up. Order books were up 18% and at record levels, proving that the group's diversification into new markets and products was bearing fruit.

A World Bank tender had been secured in the central African Republic of Burundi.

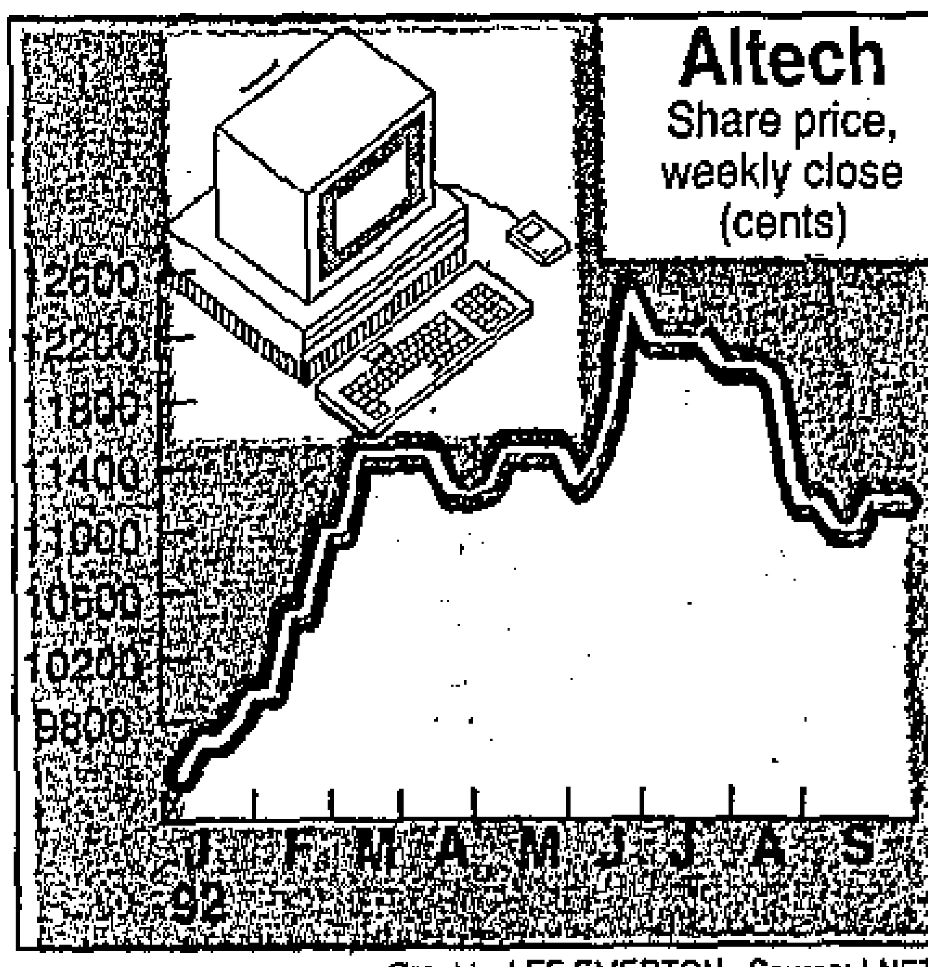
Altech was also involved in negotiations with other African countries with a view to establishing joint venture companies to assist in the planning and operation of their networks. Sneddden said Telkom had advised Altech of its intention to acquire networking equipment from the group for a new digital mobile cellular network which would result in substantial orders over the next two years.

Advance planning for the network, estimated to cost between R400m and R800m, had already begun. Altech would share the business with Siemens, he said.

Altech steady, despite strike

BDay 30/9/92

DUMA GQUBULE



Graphic: LEE EMERTON Source: I-NET

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☐ To Page 2

Altech

BDay 30/9/92

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☐ From Page 1

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WHITE GOODS FM 2/10/92

So long to CFCs

189D

Faced with international pressure and rising environmental requirements for its exports, local industry is slowly becoming more environment-friendly.

The latest example is white-goods manufacturer Tek Appliances. Last week, its freezer-making facility in the Natal Midlands near Ladysmith moved a step closer to full chlorofluoro carbon (CFC) substitution.

This puts the company well ahead of the Montreal Protocol timetable, which requires CFC-free refrigerator units by 1997, according to production executive Bill Cummings. The protocol, which SA signed in 1987, sets

FM 2/10/92 189D

a schedule for eliminating materials that are believed to contribute to global warming and depletion of the ozone layer.

CFCs, once hailed as a wonder chemical, have been used extensively in refrigeration since the mid-Sixties. But the chlorines released by CFCs were eventually identified as contributing to the weakening of the ozone layer, the thin oxygen-based gas ring in the earth's outer atmosphere that filters out the sun's harmful ultraviolet rays.

Refrigeration applications for CFCs include forming the bubbles in the rigid polyurethane insulation foam that encases modern refrigeration units, a process that uses the blowing agent CFC11. Overseas chemical companies still are testing substitutes for CFCs that can make these bubbles. CFCs also were used in refrigeration compressors, though CFC-free substitutes now have been found.

For now, Tek has temporarily replaced CFC11 with a substitute that has a much lower potential for depleting the ozone.

Until last week, the blended formulation that includes the blowing agent was shipped to the factory from the coast in drums. But now the company has commissioned a bulk storage system that allows for more efficient tanker transport and handling of the imported material.

The real significance, however, is that the bulk facility means the factory will be ready to use a CFC-free blowing agent when it becomes available.

SA is a small fry in world refrigeration terms — one Italian factory produces 300 000 units a year, equal to SA's total output — so the country's efforts won't make or break the ozone layer. But if they do help, it will be a bit easier to take the higher prices that CFC-substitutes will surely entail. ■

TELEMETRIX FM. 2/10/92

Below the belt

(189P)

Interim results announced by UK-based electronics group Telemetrix will have surprised and disappointed many investors. Local investors have chased the share since its JSE listing in November.

They were attracted by the opportunity of investing directly in the international electronics industry, the track record of Altron executive chairman Bill Venter (whose family trusts hold 42% of the equity) and the rand hedge potential. The counter was issued at 140c and soared to a high of 410c a few months ago.

Against that background, the loss for the six months to end-June comes as a rude shock.

The deficit resulted from an above-the-line provision of £2,9m, primarily for future costs relating to the proposed closure of Telemetrix's UK defence business.

Charles Stride, deputy chairman of Telemetrix and Altron (which cut its interest in Telemetrix from 67% to 7% at the listing), says UK accounting policies required the provision above the line. Had SA accounting policies been followed, he says, the provision would have been below the line. Stride describes the provision as nonrecurring and highly conservative. By year-end the defence operations will be either closed or sold; in the latter case the write-off could be much less than the provision.

DEFENCE CUTS

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (£m)	42	42	47
Operating inc (£m)*	2,5	2,0	0,7
Attributable (£m)	1,1	0,7	(1,4)
Earnings (p)	1,3	0,8	(1,6)

* After exceptional costs.

Stride believes enthusiasm for the share remains well-founded, particularly with the good performance of US subsidiary GTI. Setting aside the exceptional provision, earnings before interest and tax rose 29%, on a 12% rise in turnover. Had the provision not been taken, EPS would have risen from 1,3p to about 1,8p.

Stride is confident the disposal of the loss-makers will improve profitability in the second half. At the time of the listing it was hoped that the defence electronics industry would soon recover. It's now clear that spending in this sector in most parts of the world will be depressed for a long time. Stride says other operations are performing well and a strong earnings improvement is expected in the second half.

After shedding 30c in recent weeks, the share is trading at 330c and remains the most highly-rated counter in the electronics sector. The poor interim results may take some of the sheen off the share, but a sustained rerating does not seem justified at this stage.

Simon Cashmore

ABACUS FM 2|10|92

Refinancing needed

Activities: *Manufactures hollow and solid wooden doors, portable radio and hi-fi sets, distributes branded products and owns properties.*

Control: *IGI Insurance.* 1891D

Chairman: *T G Coulson.*

Capital structure: *87,8m ords. Market capitalisation: R5,3m.*

Share market: *Price: 6c. 12-month high, 25c; low, 4c. Trading volume last quarter, 687 000 shares.*

Year to Feb 28	**'89**	**'90**	**'91**	**'92***
ST debt (Rm)	34,6	56,6	55,6	44,8
LT debt (Rm)	50,2	66,7	8,0	8,5
Debt:equity ratio	48,9	402,2	122,7	149,4
Shareholders' interest	58,9	16,1	34,4	27,5
Int & leasing cover	7,8	—	—	—
Return on cap (%)	6,7	(2,2)	0,2	(17,7)
Turnover (Rm)	187	225	205	200
Pre-int profit (Rm)	19,9	(4,3)	0,239	(19,0)
Pre-int margin (%)	10,6	(1,9)	0,1	(9,5)
Earnings (c)	13,2	(9,7)	(4,1)	(32,6)
Dividends (c)	7,3	—	—	—
Net worth (c)	101,3	18,2	17,7	33,6

* 13-months to March 31.

The chickens have come home to roost for this hapless company. Its name, formerly Interboard, was changed to Abacus (ironically, a word describing a calculating frame used before the adoption of the nine figures and

zero) in November 1990. But all the ills of that unhappy company continue to bedevil it. 1992 is the third successive year Abacus has returned a loss, this time 32,6c ~~a share~~ or a cool R19m. (1891D)

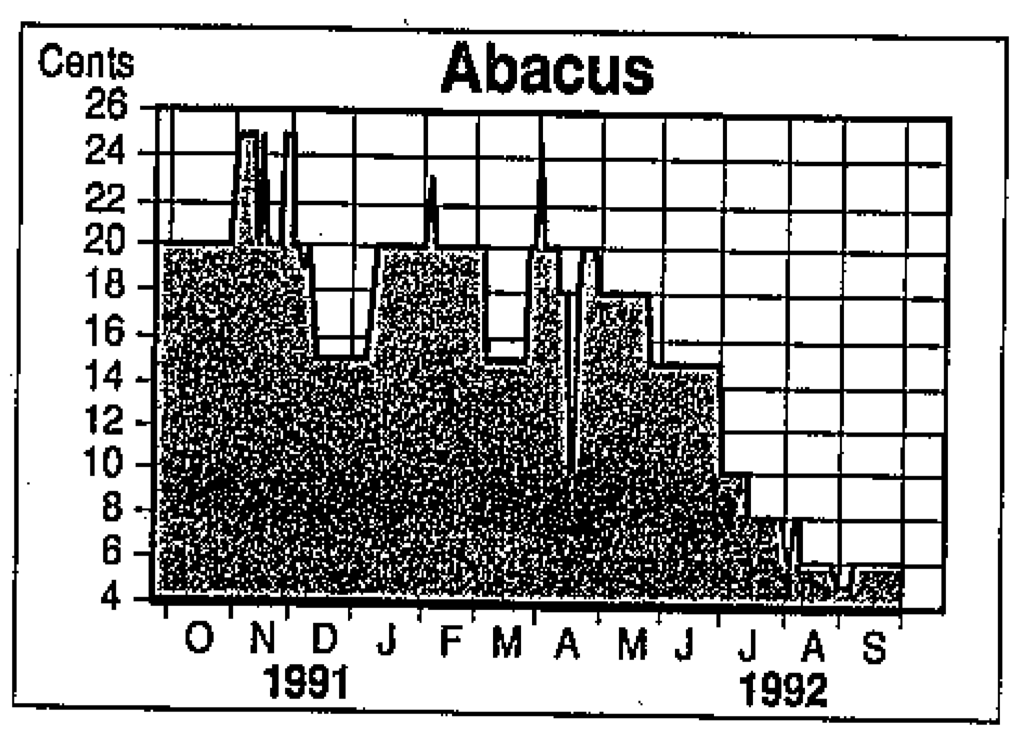
And what a year it was, ~~as management~~ scurried around trying to plug holes in a decayed wall! Chairman Trevor Coulson sets out the various actions for shareholders: 130m shares held under attachment by the Reserve Bank (no reason given but shareholders can guess) were converted into redeemable prefs and redeemed at par; R16m was raised through a rights offer of ordinary shares and convertible debentures.

Abacus sold its 61,3% share of Audiobuild and then acquired Audiocor and Audiobuild's trading divisions. Through a complicated procedure in which the aggregated acquisition value of Audiocor and its trading divisions was distributed to Audiobuild shareholders (other than Abacus), the company became a partly owned subsidiary of IGI Insurance. Commercial properties and forestry lands were sold and Robecor and Zadco trading divisions were sold.

Abacus's business now comprises Bruply Doors and Tempest Radio & Hi-Fi, along with five industrial properties, two of which, in Wadeville, are untenanted.

The big question for shareholders is: where is the company going? Coulson says the manufacturing divisions are now stabilised and operating efficiently. Bruply holds a significant share of the SA door market and is well positioned to benefit from any increase in building activity. The same applies to Tempest, the largest SA manufacturer of radios and hi-fis. It has well established brand names, a good distribution structure and a substantial share of a depressed market.

Coulson concedes that the high interest rate burden is aggravating the difficulties and says "further cost containment will be necessary if the present recession continues."



But the most significant sentence in his statement is that "attention is being given to the financial structure of the group." Not a moment too soon. IGI has provided financial support to the company in the past and it contributed the bulk of the funds called for in the recent rights issue. Nevertheless, Abacus remains grievously under-capitalised and the major shareholder is in danger of being accused of doing little more than moving the deck chairs around.

Having saved the company once, it is now

Continue →

(1891D).

urgent that IGI and its directors on the board of Abacus pay attention to the needs of their continuing stewardship. *David Gleason*

FM 2/10/92

POWERTECH (189D)

Looking downstream

Powertech's share price has leapt 60c to 400c in the past couple of weeks, possibly in anticipation of the power engineering group's imminent entry into the consumer market.

The Altron subsidiary is understood to be negotiating to take control of white goods manufacturer Picapli — both have cautioned their shareholders. However, some analysts believe the share price is being fuelled by recent political developments that could lead to large-scale spending on social upliftment programmes. That would benefit Powertech considerably.

Whatever the reason for the share's surge, sentiment towards the counter is unlikely to have been harmed by the publication this week of Powertech's interims. Despite the present clamp on infrastructural spending, attributable earnings fell only 9% in the six months to end-August. Management attributes all the R1,8m drop in earnings to the effects of mass action and labour unrest. Had this not happened, earnings would have matched last year's attributable income of R20m (15,2c a share), says executive chairman Peter Watt.

Turnover at the half-year was down 8%, largely because of the sale of the industry division of subsidiary Brown Boveri Technologies to long-standing partner ABB of Switzerland. Though operating profit has not been disclosed, it is likely that margins narrowed and earnings were buoyed by interest income. Management acknowledges that price increases had to be minimised.

LABOUR STRIFE

Six months to	Aug 31 '91	Feb 29 '92	Aug 31 '92
Turnover (Rm)	605	547	557
Pre-tax income (Rm)	59	64	50
Attributable (Rm)	20	23	19
Earnings (c)	15,2	17,1	13,8
Dividends (c)	—	9,7	—

Strong financial management, a consistent feature of Powertech in recent years, continues to benefit the balance sheet. Cash holdings at the interim nearly doubled to R69m — though this was bolstered by the inflow, close to the halfway stage, of undisclosed income from the sale to ABB.

It has long been recognised that Powertech is well-placed to capitalise on a resurgence of infrastructural spending, particularly in mass housing and electrification. While it should benefit from large-scale projects now on the drawing board, such as those at Alusaf and Columbus, management has sought to counter the effects of the recession. Target markets have been better defined, expenses further curbed, production efficiencies improved and substantial investment has taken place to open new markets at home and abroad. Watt says these developments, and closer ties with ABB, should enable growth in exports throughout Africa.

FM 2/10/92 (189D) FOX

He confirms management is evaluating a significant investment in consumer products. Like Powertech's traditional lines of business, the market for white goods would get a major boost once large-scale mass housing and electrification projects get under way, he says.

The market appears to support Watt's assessment. The appliance business could be a lucrative addition to Powertech's portfolio. The share is approaching the 12-month high of 425c reached in June. With good management and diversification, a serious erosion of earnings has been avoided. However, investors should recognise that a return to good earnings growth is likely only once the economy begins to recover or if government embarks on large social upliftment programmes.

Simon Cashmore

ALTECH FM 2/10/92 (1891)

Diversification continues

Diversification into new areas of private-sector work, away from key long-term contracts with Telkom and Armscor, was a costly exercise for Altech and carried through in the face of stiff competition.

Turnover in the six months to end-August edged up 5,5%, but EPS grew a mere 0,4%. Though pre-tax income rose 2,4%, executive chairman Don Snedden says margins and operating income — not disclosed at the interim stage — were maintained at previous levels. This suggests that interest earned (also undisclosed) declined, apparently because of the recent decline in rates.

Nevertheless, the balance sheet remains strong. The cash balance grew 7,5% since year-end to R242m. Snedden says some R50m-R60m of this will be invested in new grassroots ventures before the year-end. Acquisitions will always remain possible, and management is talking to several parties.

The electronic systems division remains the largest activity, contributing some 61% of group turnover, Snedden says the new Altech — whose focus is on "African solutions for Africa" — is aiming to develop its distribution and, in particular, its industrial division.

Though dependence on Telkom has been lessened, Snedden sees its role increasing again as capex restrictions are eased. Exports have traditionally represented a small proportion of group turnover but, after investing heavily into this arm of the business, he is bullish about the prospects this avenue holds.

He says the outlook for the second six months is encouraging. The problems associated with industrial unrest and political stayaways in the first half are not expected to be repeated.

While trading profit is showing little or no growth, Altech now has a healthier spread of

SMALLER SPARKS

Six months to	Aug 31 '91	Feb 29 '92	Aug 31 '92
Turnover (Rm)	453	477	478
Pre-tax profit (Rm)	73,0	79,6	74,7
Attributable (Rm)	42,7	49,4	43,0
Earnings (c)	408,5	471,6	410,3
Dividends (c)	—	297,0	—

continue →

FOX FM 2/10/92 (1891)

business and the benefits of its new ventures should start to filter through by year-end. But the impact on earnings and profitability is unlikely to be substantial until there is a noticeable improvement in general business conditions.

At R112, down from a R125 high three months ago, Altech sits on a p:e of 12,7 and a dividend yield of 2,7%. The share may be on the expensive side, especially if it proves unable to return to its historical earnings growth pattern. *Marylou Greig*

STAR 5/10/92

Altron's Fintech stars

By Sven Lünsche 189D

Improved cash resources and a steady performance by its Fintech subsidiary boosted Altron's earnings by eight percent in the six months to August.

Attributable income improved from R45,1 million to R48,8 million — equal to a rise in earnings per share from 237,6c to 256,9c.

Turnover fell slightly from R1,33 billion to R1,32 billion, while pressure on margins reduced operating income to R130,4 million (R148,4 million).

However, significantly higher interest income of R12,8 million (R7 million), coupled with lower interest payments to outside shareholders, lifted earnings at the attributable level.

The higher interest income was mainly due a significant improvement in Altron's cash resources from R77 million to R209 million.

Fintech was Altron's star performer, boosting earnings by 30 percent and reducing the gearing level to just over 20 percent.

The directors say the export drive of all divisions has shown early success, with Altech recently winning a World Bank-financed telecommunications contract in central Africa.

Providing that no further deterioration in the economy occurs, Altron expects to maintain first-half earnings for the rest of the year.

Ventron Corporation, which derives its income from its 53,6 percent stake in Altron, lifted attributable earnings from R24 million to R26 million in the interim period.

Industrial unrest fails to upset Altron

1891D

DUMA GQUBULE

HIGH-TECH holding company Altron, hit by industrial unrest and mass action at two major subsidiaries, has upped its attributable earnings by 8% to R48,8m for the half-year to end-August.

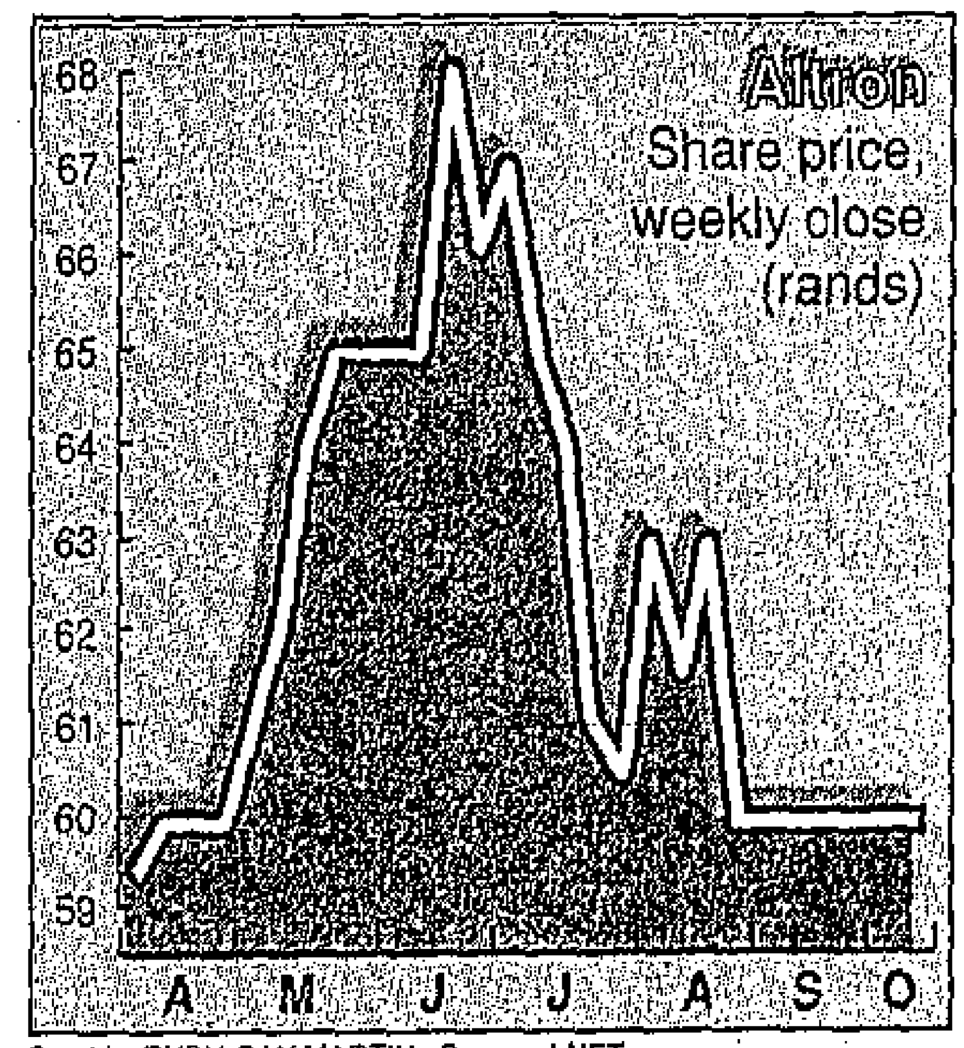
A good performance from information technology subsidiary Fintech and higher interest income on the group's soaring cash pile — which more than doubled to R209m — were the main reasons for the increase.

The two factors offset a lower profit contribution from power electrical subsidiary Powertech and virtually unchanged earnings from electrical and telecommunications group Altech, which both suffered industrial unrest, mass action and continuing recessionary conditions.

Executive chairman Bill Venter said Altron's principal listed subsidiaries had produced sound performances notwithstanding countrywide labour disruptions.

These influences in a severely depressed economy, which had caused a regrettable drop in already poor productivity levels, were grounds for real concern in respect of job creation in the country, he said.

While turnover remained steady at



Graphic: RUBY-GAY MARTIN Source: I-NET

R1,3bn, pressure on margins resulted in an 8% drop in operating income to R130,4m from R141,5m. After significantly higher interest income of R12,8m (R7m), pre-tax profit came to R143,2m (R148,4m).

After-tax profit, at R88,9m, was 2% down on the previous year's figure of R90,5m. Lower payments to outside shareholders and an increased contribution

☐ To Page 2

Altron

B/Day 6/10/92.

1891D

☐ From Page 1

from a non-consolidated subsidiary — the Fintech group's in-house financing arm, Technology Acceptances — lifted attributable earnings to R48,8m (R45,1m).

Earnings a share came to 256,9c (237,6c). The group declares a single annual dividend at the end of the financial year.

Deputy chairman Charles Stride said R100m received in November, after Altron reduced its stake in UK electronics group Telemetrix, and improved working capital management throughout the group, had resulted in a sharp increase in cash balances to R209m (R77m).

Venter said Altron's export drive was showing encouraging prospects with Altech having secured a major contract in central Africa.

He was confident the group's performance would be sustained in the second half, with earnings expected to at least match those of the first six months.

New blasting system

BDAY 7/10/92 (189D)

DUMA GQUBULE

ELECTRONICS and telecommunications group Altech is making a bid for a niche market potentially worth hundreds of millions of rands in the mining industry.

Executive chairman Don Snedden said the group had invested R60m in plant and equipment to manufacture a revolutionary electronic blasting system for the gold and platinum mining industry. The first electronic detonators would be in production by April or May 1993, he said.

Industry sources said yesterday there were about 800 000 blasts a day on the country's gold and platinum mines which cost an estimated R600m a year. Export opportunities would also be enormous, they said.

A number of companies — including AECI, Sasol, Plessey, the CSIR and the IDC — were also in the race to develop a more efficient blasting system based on electronics rather than explosives currently supplied by AECI, said Snedden..

He said a more accurate and reliable blasting system would result in significant cost savings. Although it was not practical to expect the whole industry to adopt the technology immediately, the companies developing the new system could gain a large slice of the market if the cost savings were as significant as many believed.

Snedden said the potential market was so huge that no single operator could be expected to capture the entire market as no mine would rely on one source.

Industrial spying case cracked by two firms

1891E

BDay 8/10/92

EDWARD WEST

NEI Africa subsidiary Ical and Lurgi SA trapped a British citizen trying to sell information, on behalf of a Lurgi employee, about a multimillion-rand claim by Ical for a Mossgas contract.

NEI MD Lawrence Hyslop said Ical had been approached by David Mossman, MD of a British engineering company, who offered to sell information which he claimed would benefit Ical's negotiations in settling the claim.

Hyslop said Ical initially thought the proposal a hoax, but after being supplied with some information, decided to approach Lurgi — to whom Ical was sub-contracted on the Mossgas contract — as it was clear the information had emanated from Lurgi.

The two companies decided to co-operate to find the source of the leaked information which amounted to industrial espionage, he said. A Lurgi spokesman said a team of private investigators had been employed over a two-month period, operating in the UK and SA.

The investigators discovered that Mossman was being supplied information from SA by a Lurgi employee. Mossman arrived in SA last weekend in an attempt to conclude an agreement to provide the information ilegally to Ical.

A meeting between Mossman and an Ical representative took place where sound and surveillance equipment had been set up.

At Mossman's request, said the Lurgi spokesman, another meeting had been set up for last Monday between Mossman and Ical, supposedly to sign an agreement.

The police were called to help arrest Mossman on Monday and, once he had signed the document, police identified themselves.

The Lurgi spokesman said Mossman and a Lurgi SA employee had signed statements admitting their involvement.

No arrests or charges had been made, as an internal investigation was still under way. However, the Lurgi SA employee's contract was terminated and Mossman was allowed to return to the UK.

The SAP yesterday declined to comment in the absence of a charge being laid. Sources said if prosecution followed the investigation, the two men could be the first to be charged in terms of recently promulgated Corruption Act.

Malbak to delist Tedelex

Malbak, which holds 96 percent of Tedelex, has announced the delisting of its consumer electronics subsidiary as its huge losses will demand drastic rationalisation measures. STAR 9/10/92

Minority holders will be offered 200c a share — 67 percent avove the market price.

For the year to end-August Tedelex reports a 32c a share loss, compared with a profit of 44c in 1990-91. (189D)

The group blames the poor results on the economic recession and the high level of illegal imorts. — Finance Staff.

Tedelex to delist after R19,5m loss

B/Day 9/10/92 189D

DUMA GQUBULE

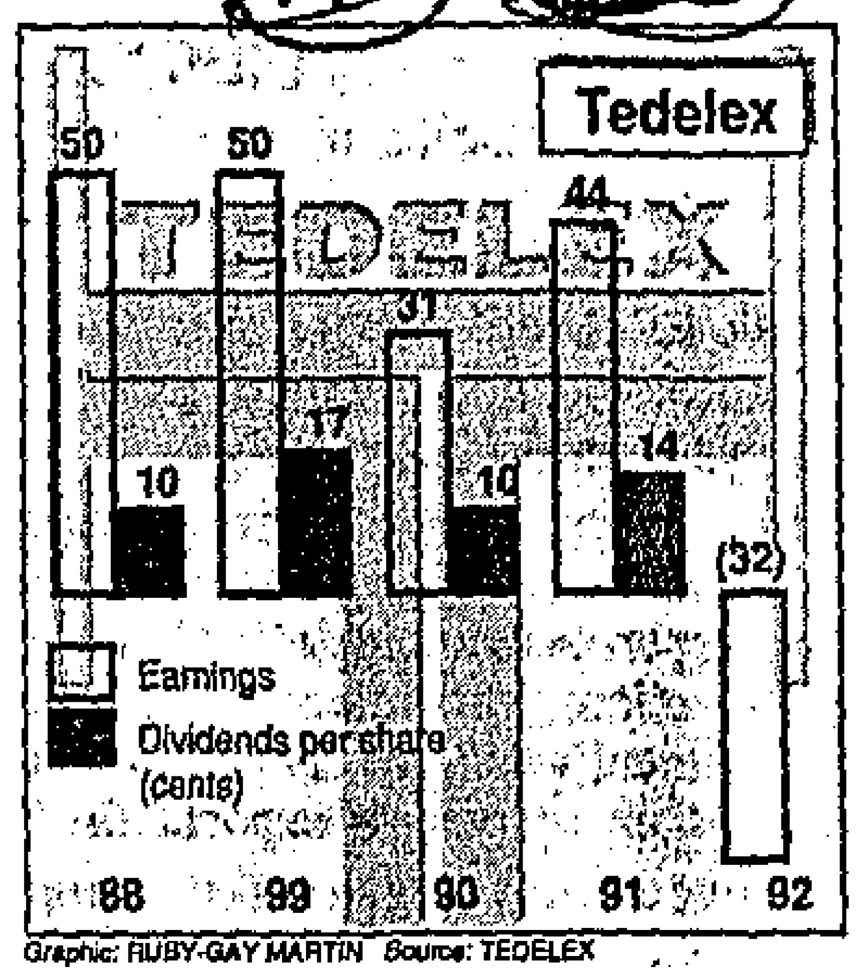
BATTERED by a flood of "illegal" imports, consumer electronics group Tedelex yesterday announced it was to delist, having suffered an attributable loss of R19,5m for the year to end-August.

It also disclosed that holding company Malbak would buy out minorities, who are to be offered 200c a share compared with yesterday's closing price of 120c.

Chairman Jack Cohen said the market had, over the years, repeatedly asked Malbak, which had a 96% stake in Tedelex, why it was maintaining the listing.

With the currently depressed state of the industry and the drastic rationalisation required at Tedelex, it seemed propitious to terminate the listing. Trading conditions had deteriorated further during the second half of the year. The position had been aggravated by a high level of duty evasion and illegal imports, as well as the parallel importation of established international branded goods.

Turnover had declined by 18% to R412,8m (R511,9), but intense competition in an unwilling marketplace had forced the company to cut margins to an unacceptably low level to maintain some marketshare, Cohen said. An operating loss of R1,4m had been incurred compared with an operating profit of R39,2m last year.



Graphic: RUBY-GAY MARTIN Source: TEDELEX

Finance charges had absorbed R15m (R13m) and the pre-tax loss had come to R16,7m. The group's new company, Amalgamated Appliances — a joint venture with Lion Match subsidiary Lion Appliances — had incurred an equity accounted loss of R2,6m during the year. But Cohen expected the company would operate profitably in the coming year.

The loss attributable to shareholders was R19,5m, equivalent to 32c a share compared with earnings a share of 44c last year.

An accumulation of stocks and the recognition on the balance sheet of loans to customers of an undisclosed listed furniture chain through a joint finance company had resulted in increased borrowings of R133,5m (R95,6m) — equivalent to 69% (43%) of shareholders' funds, he said.

ALTRON FM 9/10/92

189D

Well timed

The restructuring of the balance sheet at electronics holding company Altron at the end of last year could hardly have come at a more opportune time.

With contributions from listed subsidiaries Altech and Powertech, the group's two main sources of income, dented by recession and labour unrest, an inflow of almost R13m

FM 9/10/92. **FOX**

in interest income helped Altron improve earnings by 8% in the six months to end-August. The jump in interest income — it was less than R7m for the same period last year — was largely brought about through the reduction of debt at the holding company by the sale in November of 60% of Telemetrix.

189D

INTEREST CUSHION

Six months to	Aug 31 '91	Feb 29 '92	Aug 31 '92
Turnover (Rbn)	1,33	1,31	1,32
Operating inc (Rm)	141	153	130
Attributable (Rm)	45	48	49
Earnings (c)	237,6	251,3	256,9
Dividends (c)	—	159	—

Deputy chairman Charles Stride says borrowings at the interim were about R60m compared with R160m a year ago. The Telemetrix transaction resulted in consolidated cash holdings leaping from R78m to R209m. Since the February year-end consolidated cash holdings edged up by R11m.

Altron's Stride ... *pressure on turnover*

The difficult trading conditions facing Altron's two major subsidiaries are reflected in the holding company's static turnover, at R1,32bn, and 8% fall in operating income, to R130m. Stride adds that the falling prices of hi-tech equipment have also put considerable pressure on turnover. The 30% increase in earnings at information technology subsidiary Fintech, which is still in a recovery phase, helped stem the narrowing of Altron's operating margin at the interim, but contributions from this group remain modest compared with those of Altech and Powertech.

As reported earlier, earnings at Altech and Powertech are unlikely to improve significantly until there is an upswing in the economy or heavy investment in major infrastructural projects. Stride believes Altron can at least maintain its performance in the second half, provided there are no large-scale labour disruptions or further deterioration in the economy. Should the fortunes of its major subsidiaries improve, Altron, with its

continued

FOX FM 9/10/92 189D

strengthened capital structure and large cash pile at its disposal, would be quick to benefit.

Simon Cashmore

Spescom cleared of irregularities

(189D)

B/DAY 14/10/92

STEPHANE BOTHMA

THE Office for Serious Economic Offences yesterday cleared electronics manufacturer Spescom of any irregularities in the company's dealings with Armscor.

Office director Jan Swanepoel SC said in a statement that the investigation into contracts between Spescom and Armscor had been completed and no evidence of any crime had been found.

Investigations by the office followed allegations of irregularities pertaining to a searchlight contract awarded by Armscor to Spescom.

It was alleged that millions of rands were wasted on research and development, and that deliveries were late on what would ultimately be an inferior product.

Although the technical performance of the searchlight was not within the scope of the office's investigation, it was confirmed that none of the allegations were true, Spescom said yesterday.

"Not more than R400 000 was spent on research and development and a contract for about R5m was placed by Armscor for the production and supply of a large quantity of searchlights together with spares," the company said. The contract was also on schedule.

Suggestions that the exports of the Rooikat armoured car were being hampered because of the non-availability of a searchlight was ludicrous, Spescom said.

Spescom claimed that the allegations to the office and the media were instigated by former Spescom employee Helgard Coetser and former Armscor employee Nico Palm.

Coetser — employed by Spescom as an accountant — was found guilty of fraud involving about R700 000, and will be sentenced in the Wynberg Regional Court on November 10.

Palm was dismissed by Armscor as a result of a finding at an internal disciplinary hearing for allegedly having been a secret partner in a closed corporation, Geo International, together with Bingo Kruger, another former Spescom employee.

Spescom obtained judgment of R1m against Kruger for effectively diverting Armscor contracts away from Spescom into Geo International and profiting from them.

A liquidation hearing into the affairs of Geo International was in progress and the next session would take place on November 30 before the Master of the Supreme Court in Pretoria, Spescom confirmed.

Spescom executive chairman Tony Farah yesterday said his company welcomed the investigation as it afforded the opportunity to put to rest certain rumours and allegations.

INFORMATION TECHNOLOGY

New GSM network in pipeline for SA

BIDM 15/10/92

189D

Reports by
MELANIE SERGEANT

SIEMENS and Altech have, in principle, been awarded the contract to supply equipment for SA's new global system mobile (GSM) cellular telecommunications network which, if installed on a nationwide basis, will cost R750m for switching and transmission equipment.

New legislation is needed before the order can be awarded officially.

In the meantime, there is still major debate among suppliers regarding the installation of the digital GSM system, and whether this is the right move for SA.

One source says: "Cabinet is being bombarded by vested interests. On one hand there is the question of whether GSM technology is appropriate for SA where basic, cheap services are required for the majority of the population — not an advanced system primarily geared to affluent users wanting mobile communications.

"On the other hand, there's the question of competition, and whether Telkom will allow a competitor in the market."

Siemens joint MD Geoff Hainebach argues in favour of GSM and says a single operator makes sense because two separate networks would result in an enormous waste of capital.

"If Telkom gets a licence — for which there is no current legal mechanism — we will be a supplier."

One of the Cabinet sub-committees looking at public enterprises has been considering the legislation designed to clear the obstacles preventing Telkom from launching into GSM. It is understood GSM requires special radio frequencies which are not currently available to Telkom.

Telkom says Siemens and Altech were chosen to supply the new equipment because they supplied existing systems. Other suppliers, however, are angry that the job was not put out to tender.

Hainebach says GSM is the only digital mobile system available. "Digital cellular systems cost about 25% the investment per subscriber compared to analogue. GSM will also be cheaper in future for low density urban and rural areas than wireline services."

And he says Telkom should get the licence for the network because the link between mobile and fixed services on the same GSM infrastructure will benefit high and low ends of the market rather than only the high end. "The cost of installing two networks would mean a massive waste of capital for SA."

Hainebach argues that if there are 200 000 subscribers, then the country would have to invest about 30% more (R130m) if two networks were installed.

It would make sense to have a single network and more than one service provider, so that the infrastructure investment can be shared.

'Basic' communications system for TBVC states

THE TBVC states are restructuring their telecommunications by committing themselves to cellular systems which fly in the face of those planned for installation by Telkom.

Despite Telkom efforts to persuade TBVC states to install advanced digital GSM systems, it is understood the states want to take the analogue route for providing basic, quickly installed services to subscribers.

Cellstar MD Ian Fairman said the number of people in SA wanting globally compatible GSM phones was minimal; there was a far bigger need for basic services which could be installed quickly and cheaply.

This view is supported by research firm BMI-TechKnowledge director Alan Paul, who has conducted significant research into the telecommunications industry in southern Africa. BIDM 15/10/92

"Effectively, when the TBVC states are reintegrated into SA, we will have alternative operators competing with Telkom," said Paul.

Companies such as Reutech, Plessey, Philips and Cellstar are touting analogue-based systems which they say need only 40% of the capital cost of GSM systems. They also work on flexible bandwidths, and do not have the electronic magnetic compatibility problems of GSM.

It is believed Cellstar is to become an operator in Swaziland where 2 000 subscribers will be connected to a network at a cost of R3m. The company is also believed to be tying up licenses to operate Nordic Mobile Telephone (NMT) analogue-based systems in other countries, including Botswana and Zaire.

While a Telkom spokesman argues that analogue systems are inappropriate, and represent outdated technology, NMT suppliers say the technology is newer than GSM, and is ideally suited to Africa.

A Telkom spokesman said: "The problem with installing NMT is that users crossing borders can't use their terminals on the digital network. This has happened in Europe where groups of countries have installed analogue technology."

Fairman said that few TBVC users needed to cross borders and use their units. Rather, they wanted basic services so they could communicate.

TEDELEX/AUDIODEK FM 16/10/92 (189D)

Imports and competition knock profits

The flood of supposedly illegal imports of home electronic equipment, offered at almost knock-down prices, may be good for consumers but it has proved calamitous for some listed companies specialising in this field. Notable among casualties is **Tedelex** whose 1992 preliminary results are a horror story. Turnover fell 18% to R422m, trading margins came under severe pressure and an operating loss of R1,4m compares with a 1991 profit of R39m, a colossal swing.

Finance charges added R15m to a bill which included Tedelex's share of establishment costs of Amalgamated Appliances, set up with Lion Match to rationalise the manufacture and distribution of certain household items. The net result is that Tedelex has reported losses of R19,3m.

TEDELEX

Year to August 31	1991	1992
Turnover (Rm)	512	422
Operating income (Rm)	39	(1,4)
Attributable (Rm)	26	(19)
Earnings (c)	44	(32)
Dividends (c)	14	—

Small wonder that Malbak, which owns 96% of the shares, has decided to delist the company. In an accompanying announcement, Malbak says the delisting has been prompted by "the lack of institutional interest in the company."

Tedelex MD Jack Cohen says that in the past six weeks the Department of Customs & Excise has impounded 50 000 audio and video items sourced mainly from the Far East, whose importers were seeking, he says, either to evade duty payments or at least pay at substantially reduced rates.

"We've been faced with a situation where some goods are retailed below our landed cost," he says. Apparently, it's been going on for a long time.

Commenting on the removal of Tedelex from the JSE's boards, Cohen says: "Of course, it's been an immensely traumatic decision, but we may return in the not-too-distant future."

Malbak proposes to offer minorities R2 a share, 67% above the prevailing price. That compares with the R11 Gencor originally paid founder Bennie Slome, back in 1983, to secure control.

Then, there were 13m shares in issue, so that valued the company at about R145m. In 1985 a 350-for-100 rights issue raised R122,6m. The latest price of R2 values the whole company, now with 61m shares in issue, at pretty much an identical amount. Allow for a decade of double-digit inflation and, while this may not have been the most costly investment in industry ever made by a mining house, it's pretty disastrous.

Hard on the heels of Tedelex's announcement come interim results from the smaller but similarly hit **Audiodek Holdings**. Trading conditions in the six months to June were, says chairman Monty Tolkin, "the most difficult since the company was listed in 1987."

AUDIODEK

Six months to	Jun 30 '91	Dec 31† '91	Jun 30 '92
Turnover (Rm)	27,2	60,3	24,6
Operating income (Rm)	1,2	3,5	(0,4)
Attributable (Rm)	0,3	1,3	(0,8)
Earnings (c)	1,67	6,3	(4,25)

† Nine months.

Sales director Harvey Flowers says results were affected by both a sharp reduction in consumer spending and what he calls grey imports. He confirms that trading margins remain under pressure, though third-quarter figures show a return to profitability.

Tolkin says that "barring any further deterioration in the economy, the losses sustained (in the first six months) should at least be wiped out." Flowers says this is because, historically, the audio business traditionally has a much higher volume of sales in the second half.

However, he refuses to be drawn on whether the company will pay a dividend for

continued

FOX FM 16/10/92 (189D)

1992. "There's too much uncertainty," he says. Judging from what's happened to Tedelex, this is clearly a sector to be avoided, at least for the time being. *David Gleason*

BERZACK GROUP

FM 16/10/92.

(189D)

Teamwork saves the day

The company has ridden out its misjudgments and is right to be optimistic

For all its size — and the Berzack group is big — the five listed companies collectively leave analysts and investors with a distinct sense of unease.

The market perception of the group changed appreciably after the merger with Elcentre. The situation there was evidently not read well by the managers of the family-dominated and controlled Berzack. And the penalty — which has been paid as much by shareholders outside the family coterie — is that share prices have suffered.

Over the past three years there has been a bewildering series of changes. A merger in September 1989 between Berzack and Elcentre (effectively between the Berzack and Mowszowski families) introduced a new control dimension. That was followed by the acquisition of an apparently substantial business in the UK — a business which subsequently proved to be nothing short of a disaster. Along the way, management enthusiastically wooed Usko, then developed cold feet at the last hour when due diligence tests dictated discretion.

Less than two-and-a-half years later, this February, the Berzack and Mowszowski families agreed to part company. Berzack acquired control of Elgro and, therefore, of Elcentre, in exchange for 107m Voltex shares; Elgro has been de-listed; the relevant boards were reconstituted; and the Mowszowski family's names and interest disappeared from the scene.

Investors will be forgiven for disillusion over a progression of developments which one analyst described as "fun and games." And the sense of timing could hardly have been more appalling, coinciding as it did

continued

with the onset of the longest and worst recession this century.

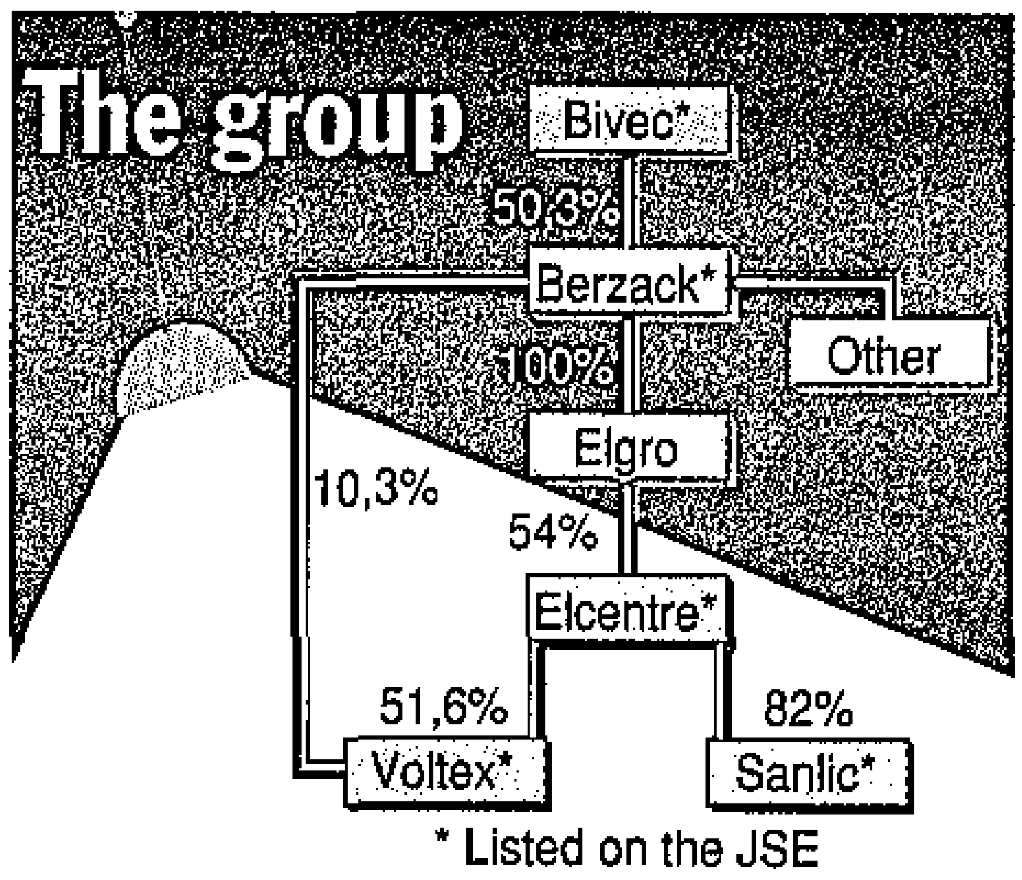
In the circumstances, it's hardly surprising that the listed entities in the group have been hammered hard on the JSE: Berzack is R5,50 — its 12-month low; Bivec R4,25 — just above its year low of R4,15; Elcentre R1,80 (R1,50) and Voltex, the real working asset, is 70c, against a 12-month low of 65c.

What is happening? Group joint MD Myron Berzack may well feel constrained to say, as he has, "I don't worry unduly about the share price — I'm concerned primarily with generating profit." But that's of little consolation to his shareholders, especially when profits don't materialise to the necessary extent either.

Voltex — which is where the real action is concentrated — was created out of cash shell H & J Cables and into it were injected the manufacturing assets of Berzack and the wholesale and distribution businesses of Elcentre.

Berzack Brothers has been quoted for 53 years. Originally it concentrated on the distribution of sewing machines — many readers will recall the easy predominance of Singer — and then developed into the printing of self-adhesive labels, the distribution of cutting machines for the clothing and allied industries and trade finance operations in SA, the UK and US.

However, growth and success arose significantly out of the development of the electrical supplies business: it became SA's leading manufacturer of low voltage PVC insulated cable and moulding and rigid and soft extrusions. Manufacturing operations grew to 14 separate plants, all in the Johannesburg area.



* Listed on the JSE

The Elcentre group, controlled and dominated by the Mowszowski family, concentrated on distribution. Following a clearly predetermined acquisition trail, it eventually comprised 74 outlets across SA and was the largest distributor of power cable and copper wiring. Outlets, which included household names such as Globe, Litecor, Keens and Atlas, carried a comprehensive range of cables in everyday use along with a complete range of accessories.

Of course, it's one thing to be the predominant manufacturer in a given area, which is what Berzack had become; it's quite another suddenly to find the distribution of your wares and product in the hands of another group which, however friendly, nevertheless now exercises a unique and potentially forbidding power.

"That's why we got involved in the deal (to set up Voltex) in the first place. I would certainly do it again if I had to," says Berzack. Of course he would. The options were limited. Either Berzack attacked Elcentre head-on, in the very area in which it was strongest, perhaps by establishing its own nationwide distribution network — at enormous cost — or it did a deal.

And Elcentre (the Mowszowski family) came out of the deal well. An organogram included in a circular to shareholders in May, which explains the arrangement for the acquisition by Berzack of a controlling interest in Elcentre, shows that Elcentre owned 51,6% of Voltex (assuming its huge holding of Voltex debentures had been converted into ordinary shares). By contrast, Berzack held only 39,8% of Voltex.

On that basis, it's hardly surprising the Berzack and Illman families were uncomfortable. After all, it's one thing to structure paper deals at the end of which your own side remains in voting control; it is something else to find yourselves at what could be a material

Continued on page 28

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Continued from page 25

disadvantage.

Berzack, who's nothing if not direct in his answers, says the deal to take control of Elcentre (thereby ensuring Bivec and Berzack regained control of their own operation as well as the Elcentre distribution business) was first stimulated by rumours that the Mowszowski family wanted to emigrate.

However, in the next breath he adds: "Of course, joint control is wonderful when everyone agrees — but it's lousy when they don't."

It's plain there were some areas of disquiet, principally the acquisition of UK company Bennett & Fountain Plc (B&F), listed on the London Stock Exchange. It is described in Voltex's 1991 annual report as a distributor of power cable, commercial and industrial electrical, electronic and lighting products. It operated through 58 outlets across the UK and employed 650 people. And, while it may not matter commercially, B&F holds two royal appointments as supplier of electrical equipment to the Queen and the Prince of Wales.

Explaining why Voltex became involved in acquiring a distribution in the UK, Berzack says, that time Elcentre already held 65% of the local market. The Mowszowskis, whose role in Voltex was to manage its distribution operation, recognised that the scope for further expansion in SA was limited.

Playing a lead role in the negotiations which followed was Voltex director and Mowszowski appointee Philip Aginsky, best known by colleagues for his acute understanding of financial and taxation structures. Berzack says: "The balance sheet indicated, and we were given guarantees, that B&F's net asset value was in excess of £20m. The arrangement which we entered into was on the basis that for every 43p NAV was below £20m, Voltex would acquire an extra share, up to 60% of the issued equity."

The deal cost Voltex, and by extension the Berzack group, R144m for 60% of the ordinary shares in B&F, amounting to £21,2m and implying an exchange (finrand) rate of around R6,8:£1. That's an expensive way of acquiring a foreign asset which has been found sadly wanting. B&F's pre-tax profit of R11,2m in financial 1991 has been converted into a loss this year of R15,1m. Voltex's preliminary profit announcement says this is due to the unprecedented severity of recession in the UK building and construction industries.

Whatever the reason for this performance, Voltex's new board obviously feels sufficiently concerned about the B&F investment to have made a R50m provision against goodwill in the preliminary balance sheet. Of course, if things come right, that's an amount which could be brought back in subsequent years. Will it be? Berzack will say only that: "We (the Berzack management team) have always been highly conservative businessmen."

After the retirement of the Mowszowskis, Berzack also reconstituted the B&F board. Even so, it was something of a surprise for SA investors to learn (*Fox* August 7) that B&F had obtained an injunction against former chairman Aginsky and was demanding repayment of £534 747 "and all sums wrongly misappropriated."

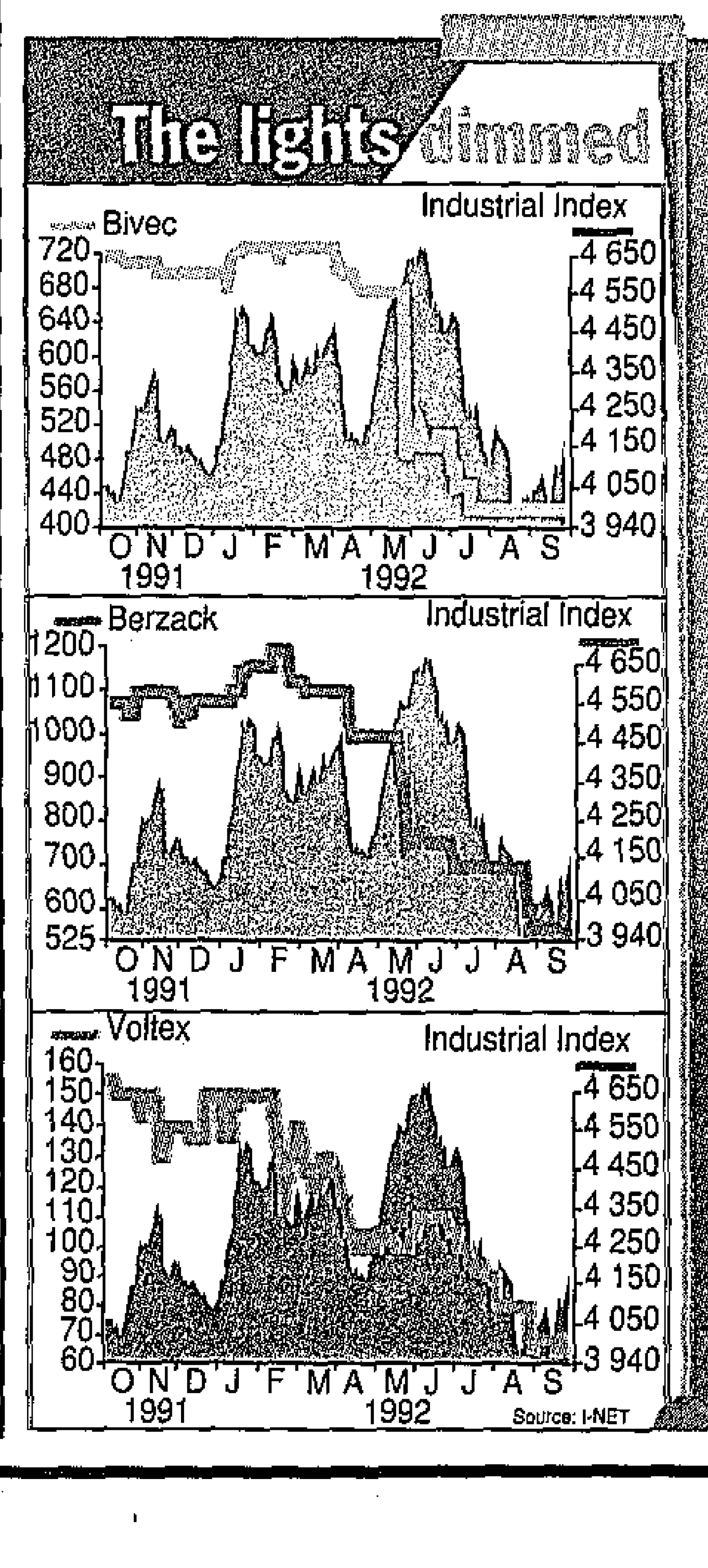
The injunction has since been lifted and the legal action has discontinued. Berzack won't be drawn any further than a frozen smile.

Myron Berzack

With provisional figures now available for 1992, it is possible to assess prospects. Turnover declined in Voltex by a modest 2%, a surprisingly good showing in an appalling year. However, operating income showed a substantial fall of R35,9m or 28% and is clearly evidence both of severely reduced trading margins and the effect of B&F's dreadful results. Taxation, though significantly increased, plays a small role in the overall figures which reflect a decline in earnings per share of nearly 17% to 15,8c.

Berzack and Bivec, both effectively holding companies which rest on Voltex's performance, show much the same outturn. Bivec's earnings have fallen 21,6c a share or 22% and Berzack's 31,1c (also 22%). Dividends in both cases have been reduced and cover has improved.

Much the same picture is presented in Elcentre where earnings declined nearly 30% to 42,6c and the dividend has been cut to 25,5c from 1991's 36c.



But the extent to which the Berzack management team has put its collective arms around the business since February is impressive. The manufacturing division's stock turn is down to 18 days; the distribution division is turning over its stock eight times a year, approximately every 44 days.

Debtors' books are under control. As would be expected in a vertically integrated operation, the manufacturing debtors' book stands at 45 days while the distribution book is double that. Both the manufacturing and wholesale books are fully insured, says Berzack, other than for large customers whose creditworthiness is gilt-edged (cynics will ask if any still exist in these nightmare times).

If there is any area of concern it is gearing, now 0,55:1 at Voltex. Admittedly, that is marginally down on last year's 0,57, but it does raise the issue of where cash reserves would be had it not been for the B&F acquisition. The answer, of course, is that the group would now be cash flush and laughing at its bankers.

Here is a company which has see-sawed in public perception over the past three years. Chameleon-like it has drifted through a major merger, an ill-advised acquisition and a divorce among its principal shareholders. None of these has done its image very much good.

However, it is now welded together as a complete, vertically integrated operation under a single and dedicated management team. The remaining clumsiness is in Sanlic, a small listed company involved in the hardware business which should be delisted as soon as possible, and in the multiple pyramid structure to which the JSE has objected.

The chances are probably good that, having removed Elgro from the boards, the next company to go will be Elcentre, after an appropriate offer to minorities. Berzack won't say anything other than to confirm that an undertaking has been given to the JSE that the group will eliminate one of the remaining pyramids.

Berzack is excited about the future. "We are well positioned," he says, "to take major advantage of the next upturn." The group is particularly well placed to play a leading supply role in Eskom's national domestic electrification programme. That alone ought to give potential investors food for careful consideration.

As with so many major SA companies, Berzack is lean, hungry and now well structured in its management. First-quarter results for 1993 are better than target. "All we need is for the political impasse to be resolved," says Berzack.

That, of course, is a prayer on many corporate lips.

David Gleason

ZCI pays no dividend

BDAY 20/10/92

JONO WATERS

BERMUDA-registered Zambia Copper Investments (ZCI), which had its largest investment in Zambia Consolidated Copper Mines (ZCCM), declared no dividend for the year ended June 1992 as ZCI received no income from ZCCM.

Chairman Gavin Relly said in the annual report that ZCCM's proposed dividend of 134-million kwacha for the year to end March 1991 was not approved by certain creditors.

Lower US interest rates cut ZCI's pre-tax earnings to $771 000 ($2,12m). After-tax earnings fell to $716 000 ($2,04m) or $0,58 ($1,67) a share. Retained earnings rose to $14,9m ($14,2m).

ZCCM's copper production fell 8,3% to 386 763 tons in the year to end March 1992. The average London Metal Exchange price was lower at £1 314 (£1 442). Cobalt production rose to 4 741 tons (4 674 tons) as the producer price received by Zaire and Zambia doubled to $25 ($11) in January.

Electronics expected to outstrip industrial index

BDAY 20/10/92

189D

DUMA GQUBULE

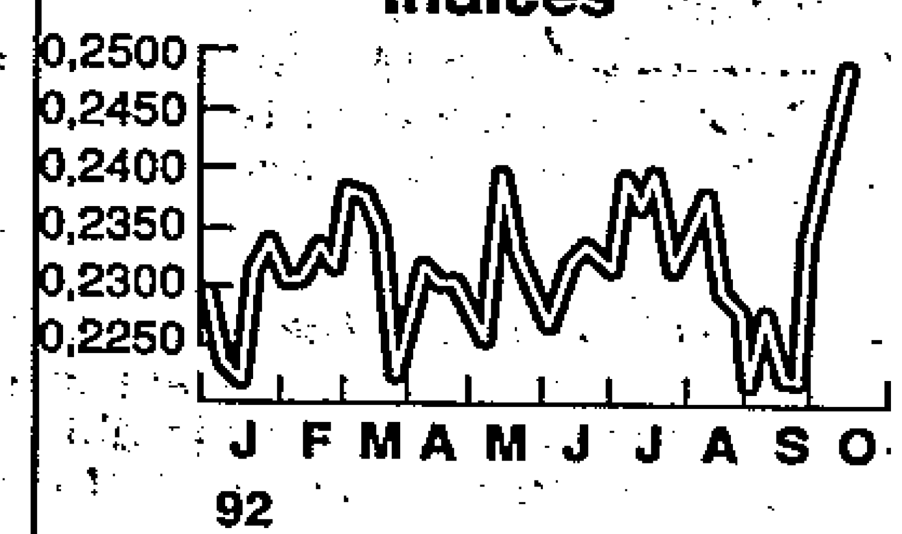
THE JSE's electronics sector, out of favour since the stock market crash of 1987, has the potential to outperform the industrial index over the next two years, says Edey Rogers analyst Franco Busetti.

Electronic companies' earnings growth was forecast to be higher than that of the industrial index over the next year, but would be overtaken by the index the following year, Busetti said in a recent report. Over two years the compound earnings growth from both sectors would be roughly the same.

Dividend growth from electronics companies was expected to be higher than that of the industrial index in both years, averaging 21% compared with 14% over the period.

Busetti said while the electronics industry was not expected to repeat the heady growth experienced in 1987-88, growth broadly in line with that of the index was possible in the next upswing.

Electronics/industrial indices



Graphic: LEE EMERTON Source: I-NET

An upward rerating towards that of the industrial index would therefore be justified, and, combined with the expected earnings growth, could provide attractive returns.

The electronics sector offered relative value. The market's rating of the sector — which had plunged from a price-earnings ratio double that of the industrial index in 1987 to its present 18% discount to the index — now appeared to be unduly cautious relative to its growth prospects.

In the report, Busetti said the poorest performing sectors in the electronics industry would be those depending on state telecommunications and military electronics.

The growth sector of the future would be in the information technology field, notably software and services. Within this sector — which would show nominal growth approaching 20% a year over the next few years — networking, with a forecast growth of 25% a year, would be the highest growth area.

Software maintenance, development and consultancy were other areas which would show high growth.

Companies which were successfully active in these fields, and had shown the flexibility to change direction in these rapidly evolving markets, would be the winners, he said.

In a separate report on 10 leading companies in the sector with a tradeability above R300 000 a month, Busetti said Dimension Data and Fintech (followed by Siltek and Persetech) appeared to show the best value in terms of market rating relative to growth prospects.

Altron, Altech and Grintek appeared to be the most expensive on a two-year view.

Liquidated KPL-Etsa to sue De Beers

S Times 25/10/92. 189D

BUSS By ZILLA EFRAT

BRITISH-held electrical and instrumentation group KPL-Etsa has been placed in provisional liquidation after its liabilities exceeded its assets by R45-million.

It has already lodged a R19-million claim against De Beers to recover some of its losses, and other major groups may also face legal action.

KPL-Esta was controlled by British group BICC and its subsidiary Balfour Beatty via the Riverbank Trust in Guernsey, Channel Islands.

The British parent disinvested its direct interests at the end of 1987 for political reasons, but still made KPL's top management appointments.

Over the past few years, KPL-Etsa's turnover averaged around R100-million a year. Up until January this year, it employed close to 1 000 people, but by the end of September it had just 284 staff members.

According to provisional liquidator Philip Reynolds, a director at Ernst & Young, KPL's auditors Arthur Andersen wrote a letter to its directors regarding a material irregularity in April this year when the losses, which rendered the company insolvent, were discovered.

The directors made an arrangement with First National Bank, the largest creditor (owed R22-million), and its British shareholders (owed R2-million), to capitalise about R17,5-million of their claims.

This arrangement apparently satisfied the auditors with regard to restoring KPL-Etsa's solvency.

Certain irate creditors are, however, not satisfied. They have advised Business Times they intend suing FNB for their losses. They have instructed Reynolds to inquire into both the bank's and the auditors' possibile negligence in this regard.

KPL-Etsa's claim against De Beers results from losses suffered on a contract at the Venetia Mine. The company quoted R11,7-million to do the job, but completed it at a cost of R31-million.

KPL-Etsa's financial director, who did not wish to be named, says the group faced a six-month delay because other principal contractors failed to complete their work before specified deadlines, and because of escalating costs.

The liquidators are also taking legal advice to decide on action against Eskom and Anglo American Properties. Both unilaterally cancelled KPL-Etsa's contracts after it was provisionally liquidated on September 30.

Cancelled

One electrical project at Eskom's Kendal power station had about a year left to run and would have brought in a further R7-million.

Three smaller air-conditioning contracts at Kendal were also cancelled.

LTA initially showed signs of wanting to buy all interests of the company, but is now believed to be interested only in the overhead transmission line subsidiary.

A creditors' committee has been formed and a detailed report will be sent to KPL-Etsa's 900 creditors this week.

Cape metalworkers demand 'right to strike'

(1890)

SHARON SOROUR
Labour Reporter ARGT 28/10/92

ANGRY Cape members of the Metal and Electrical Workers' Union (Mewusa) have shunned the main agreement for the iron, steel and engineering sectors, signed two weeks ago, because "it takes away the right to strike."

Acting regional secretary Mr Ben Petersen said the regional committee was "shocked" that its head office could sign and agree "to such a vicious attack on the rights of our members."

New provisions of the main agreement dealing with wages and levels of bargaining had been rejected and the regional office was threatening to challenge legally the authority of the head office to enter into such an agreement" without a mandate from its regions.

The agreement was signed between Mewusa, 11 other unions and employer body Seifsa (the Steel and Engineering Industries Federation of SA) on October 13.

Mr Petersen said employers were now "protected by the unions from a compulsion by way of strike action, court proceedings or by any other means, to bargain wages — and conditions of employment — at company or plant level, in return for a 9,1 percent increase on actual wages for workers."

Employers were also empowered to demand from workers the right to suspend, end or change existing plant or company bargaining arrangements, he said.

Where trade unions insisted on bargaining wages at plant or company level, an increase on scheduled (minimum rates) and not a 9,1 percent increase on actual personal rates would apply, *he said.*

"Our understanding is that this will open the way for employers to declare disputes against workers. Employers will thereafter have the power to invoke lock-out procedures against workers," he said.

Mr Petersen called on all metalworkers, irrespective of union affiliation, to demand that the right to strike be restored.

Union general-secretary Mr Tommy Oliphant said he did not want to comment on the allegations, but the issue would be discussed at a national executive council meeting in Johannesburg at the weekend.

Mr Oliphant said the Western Cape region was the only one of the four regions which had a problem with the agreement.

INFORMATION TECHNOLOGY

Joint initiative taken to save electronics industry

BDM 29/10/92 (18D)

Reports by MELANIE SERGEANT

NEW initiatives are being taken to save SA's ailing electronics industry. Trade and Industry Minister Derek Keys has reconstituted the Standing Committee for Electronics, aiming to promote the industry's development and make it viable and competitive within the next four to six years.

For the first time, trade unions, the private sector, government and public corporations are all involved.

The new objectives have to be achieved in a limited timeframe or the project will have to be disbanded.

Committee chairman Gerard Morse says: "The days of closed doors and private working groups are over. The committee has thrown its doors open with invitations to anyone involved in the industry to come forward with input to special hearings, which will take place regularly."

It is no secret that the SA industry is in trouble, despite the fact that worldwide it is one of the fastest growing business sectors.

The past two years have seen a real decline of nearly 10% a year in SA, contributing to an almost 30% decline over the past four years.

One working group will seek to identify projects of national relevance. It will take cognisance of the fact that the industry has been dependent on state purchases, and that to a large extent it has been built up with the assistance of development contracts and long-term supply agreements from institutions like Armscor and Telkom.

Increased overseas competition, cutbacks in defence and telecommunication expenditure coupled with the phasing out of special price preferences over two years ending March 1994, as well as the end of approved supplier agreements, require a rethink of how the industry can get back on its feet.

The working group attending to this will also investigate tariffs. It is expected that some tariffs will be lowered in terms of the current Uruguay Round of GATT negotiations. Morse says it is vital that these are discussed with industry, to ensure new tariffs do not harm viable parts of the industry. "But like the clothing and textile industry, we realise it is not feasible to conserve all sub-sectors of the industry, and it is not our aim to conserve sectors which cannot be restructured to become viable and competitive. A host of things may need to be changed in the process of achieving this."

Industry sources say "rethinking" will be in areas such as local television manufacture, while new incentives and impetus will be given to areas like telecommunications, in which SA companies are already innovative in terms of developing products suited to African conditions.

Working groups will cover smartcard technology and technology-supported education and training.

The groups will make their recommendations to Keys through the standing committee.

Morse says anyone involved in the industry will be welcome to approach the working groups, which start sitting in November. People wishing to make an input should phone Alan Miller at (011) 883-1600.

The telecommunications group is also expected to receive widespread attention as more products are being developed for export.

Morse says the inclusion of organised labour in the project, through the Numsa, the Metal and Electrical Workers Union of SA, and the SA Electrical Workers Association, is important. About 10% of the industry's 50 000 employees are estimated to have lost jobs in recent years.

The working group for the promotion of the electronics industry, set up in 1988, and separate from the standing committee, came up with a package of support recommendations, which included the R40m a year innovations support scheme and training schemes. Government chose to adopt only the R40m scheme.

Now government is analysing the progress of this scheme, and is believed to be considering extending it to cover SA industry in general.

189D FM 30/10/92

GRINTEK

Varying fortunes

FM 30/10/92

Activities: *Holding company of unlisted Grinaker Electronics and listed information technology and networking group Siltek.*
Control: *Grinaker Holdings 67,3%.*
Chairman: *A N Saulez.*
Capital structure: *194,3m ords. Market capitalisation: R161m.*
Share market: *Price: 80c. Yields: 4,6% on dividend; 17,3% on earnings; p:e ratio, 6,0; cover, 3,7. 12-month high, 150c; low, 65c. Trading volume last quarter, 820 000 shares.*

Year to Jun 30	'90†	'91	'92
ST debt (Rm)	4,4	13,7	15,1
LT debt (Rm)	1,8	1,5	4,5
Shareholders' interest	0,40	0,42	0,40
Return on cap (%)	15,5*	14,5	13,7
Turnover (Rm)	1,03	1,08	1,24
Pre-int profit (Rm)	101,1	71,4	75,7
Pre-int margin (%)	9,8	6,5	6,0
Earnings (c)	23,9*	14,9	13,8
Dividends (c)	4,7*	5,4	3,7
Net worth (c)	72,0	72,5	76,7

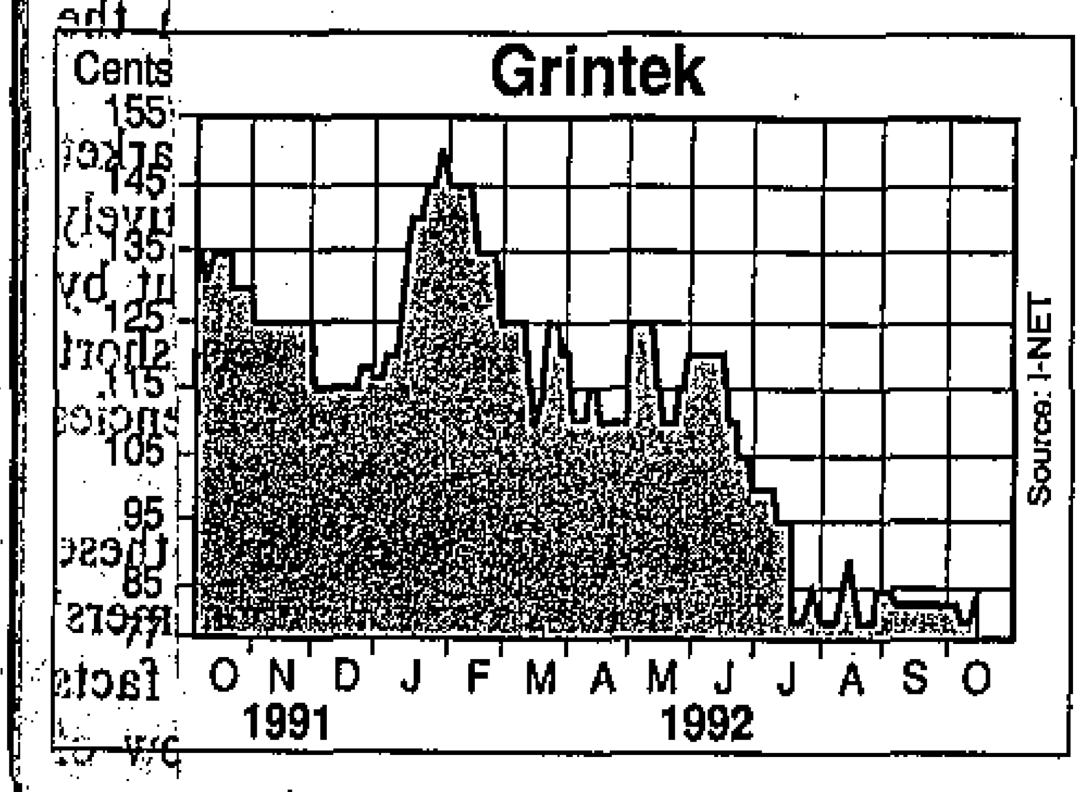
† 18 months to June. * Annualised.

The two operating components, Siltek and Grinaker Electronics, had very different fortunes in the year to June. After earnings at both fell steeply in financial 1991, listed Siltek, of which Grintek holds 65%, recovered well and grew attributable earnings 30% to R36m last year (see next story). By contrast earnings at 96%-held Grinaker Electronics (Grinel) continued to fall, more than halving to R5,8m.

Group turnover at this Anglovaal subsidiary climbed a respectable 15% to R1,24bn and profit before interest and tax moved up 6% to R76m. Attributable earnings, however, were knocked by a sizeable jump in profits attributable to minority (mainly Siltek) shareholders and slipped 7% to R27m.

Chairman Jack Saulez acknowledges that management had been too optimistic and business deteriorated more than forecast. Crux of the problem is that Grinel's traditional defence business is declining faster than it can penetrate new markets. This has resulted in low utilisation of manufacturing facilities and underrecovery of overheads.

Grinel has continued its substantial investment in R&D — estimated at R15m last year — and is confident of growing in markets such as telecommunications, broadcasting, mine communications and vehicle tracking. R&D costs are written off as incurred, not capitalised, says Saulez, as is goodwill.



He argues that Grinel did well to deliver the earnings it achieved last year and maintain vital R&D, considering the drastic cuts in local and international defence spending. Defence business could decline further and the pace at which Grinel can make inroads into new markets is likely to have a significant effect on Grintek's earnings in the next few years.

Saulez says Grinel is making steady progress expanding its customer base. It also stands to benefit significantly from a major international contract worth about R80m over four years. Grinel has spent three years developing the required product and is due to begin shipments soon.

Both companies are budgeting for improved profits this year. Much depends on whether Grinel can emulate Siltek in restructuring to meet the needs of its changing market. Saulez points out that the challenges facing Grinel are greater than those of its sibling.

Around 80c, Grintek reflects a p:e of 5,8, compared with 9 for Siltek. Some analysts may argue that Siltek is expensive but the price of Grintek attributes a negative value of around R30m to Grinel. This seems unduly harsh for a group that has remained profitable and whose assets are valued by management at more than R60m.

Grintek may deserve a rerating. However, this could be delayed until Grinel shows it has reduced its exposure to the defence business and begun to penetrate more lucrative markets.

Simon Cashmore

Electronics industry seeks key to success

S Times (Buss) 1/11/92 (189D)

THE Standing Committee for Electronics (SCE), restructured earlier this year, has been given the task of establishing how the industry can become viable and competitive over the next four to six years.

The investigation, initiated by Trade and Industry Minister Derek Keys has the same objectives as those in the clothing and textile and motor industries.

The SCE has several working groups which will investigate international trends and tendencies, tariff reform, sustainable growth and job creation, technology support and telecommunications.

SCE members include representatives of the public sector, including the Department of Trade and Industry and the Board of Tariffs and Trade, public corporations, such as Armscor, Eskom, Telkom, IDC and CSIR, private-sector groups, such as the Electronics Industries Federation, and organised labour's National Union of Metal Workers and the SA Electrical Workers Association.

The SCE does not intend to work in a vacuum and has asked all interested parties to provide input for the success of the operation. The first working group will meet on November 16.

Details of Pickard deal leaked

LINDA ENSOR

CAPE TOWN — Market sources yesterday leaked details of the deal which has been struck by Power Technologies (Powertech) for the acquisition of the Pickard group.

Jan Pickard jnr would not discuss the nature of the offer, saying a formal announcement would be made before the end of the week.

Picbel minority shareholders will be offered 658c a share or 188 Powertech shares for every 100 shares held. This price places a value of R14,6m on Picbel.

The Picbel share closed yesterday at 600c.

(189 D)

The offer is slightly ~~below the~~ 753c tendered a few months ago by the consortium led by Neil Davis, which pulled out of negotiations at the 11th hour after a due diligence test was conducted.

Minority shareholders indicated support yesterday for the Powertech takeover, saying it would bring strong management expertise and sorely needed capital backing for the Pickard group.

2/11/94 BD

Powertech moves into consumer appliances

BIDAY 5/11/92.

DUMA GQUBULE

POWERTECH, the Altron group's power electrical subsidiary, is set to become a major player in the local consumer appliances market if its R29,5m offer for control of the Cape-based Picapli Group is successful.

Powertech said yesterday it had reached an agreement with the controlling shareholders of the Picardi Group.

Depending on minority shareholder approval of the offer, Powertech would acquire a 61% interest in Picapli — a manufacturer and distributor of refrigerators, freezers, cookers and washing machines — for R8,5m. The Pickard interests would retain a minority share of 32%.

Powertech would also pay R21m for Picapli's loan account and the deal would be funded through the issue of Powertech shares.

Executive chairman Peter Watt said the acquisition of Picapli and subsidiary KIC would enable Powertech to diversify into an area of the local consumer appliances industry.

It was a carefully thought out strategy to spread the group's base into a market with good growth potential, not dependent on major capital projects.

Simon Nash, a founder of industrial group Valard, would acquire 30% of Powertech's interest in Picapli and manage the company.

Picapli would retain its JSE listing, but investment holding companies Picbel and Pichold would be delisted.

A rights offer would be made to Picapli shareholders early next year to raise R21m to reduce interest bearing debt, currently 125% of shareholders' funds, and enable Powertech to convert its loan to shares in Picapli.

189D

Shareholders were ~~being~~ offered *188 Powertech ordinary shares for every 100 Picbel shares and 150 Powertech ordinary shares for every* 100 Pichold shares held. *Alternatively Picbel and Pichold shareholders had the option to receive* R6,58c and R5,25c *respectively.*

After the change of control Powertech would offer Picapli minorities 80c a share. Picbel, Pichold and Picapli shares on the JSE closed at 600c, 500c and 100c respectively yesterday.

Powertech would acquire Picapli's full product range, which included *KIC, Indesit, Whirlpool and Hitachi.*

FM 6/11/92

CULLINAN (189D)

A watershed year

Activities: *Main activities are in industrial ceramics and the electrical sector.*
Control: *SA Mutual 43,5%.*
Chairman: *A J L Clark; MD: M E Harbuz.*
Capital structure: *14,5m ords. Market capitalisation: R39,9m.*
Share market: *Price: 275c. 12-month high, 600c; low, 230c. Trading volume last quarter, 59 000 shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	40,1	53,1	71,8	21,7
LT debt (Rm)	35,2	64,0	106,3	73,8
Debt:equity ratio	0,39	0,55	0,84	0,69
Shareholders' interest	0,49	0,46	0,46	0,46
Int & leasing cover	5,8	2,87	0,43	n/a
Return on cap (%)	14,9	11,7	2,1	(4,3)
Turnover (Rm)	554	668	666	510
Pre-int profit (Rm)	58,8	54,4	9,9	(13,2)
Pre-int margin (%)	10,6	8,1	1,4	(2,6)
Earnings (c)	177,8	131,5	(2,2)	(230,4)
Dividends (c)	53	53	34	—
Net worth (c)	1 053	1 129	1 086	958

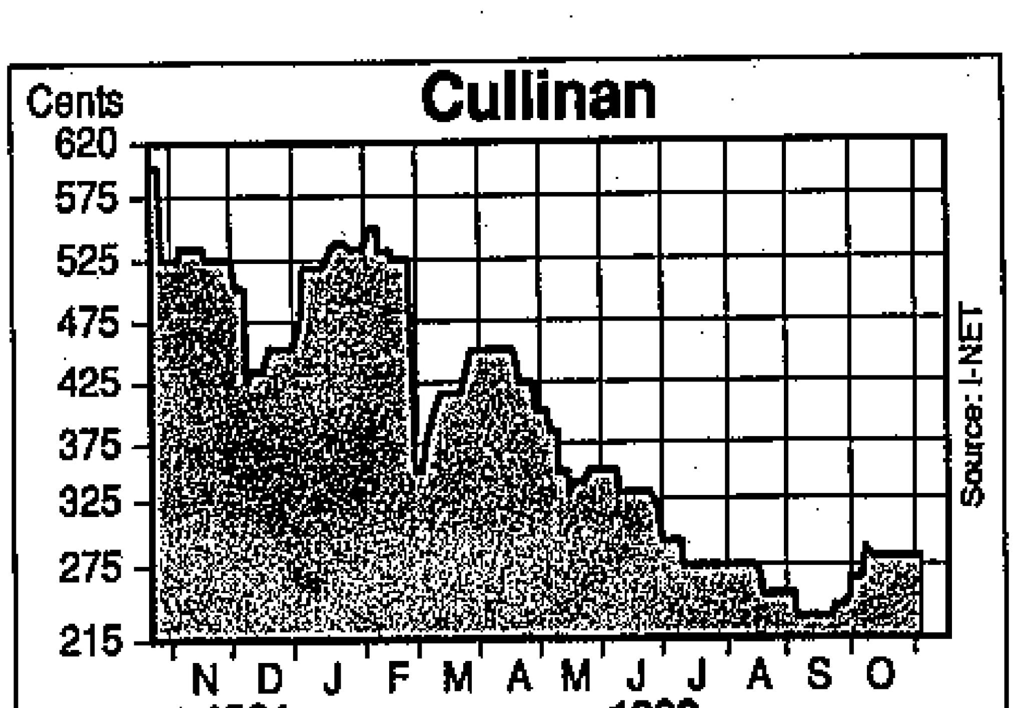
If 1992 was, as new chairman Alan Clark puts it, a watershed for Cullinan, 1993 will be the acid test as to the effectiveness of the extensive remedial action taken to end the deterioration in the group's fortunes.

As with many other companies, the recession and contraction of business activity brought to light serious operational and structural shortcomings which, as is obvious from the latest annual report, played a significant part in the profit collapse.

To deal with this situation, there have been extensive management changes, including mid-year replacements in top management (with Clark taking over from Neil Cullinan as chairman and Ed Harbuz replacing Ray Tyler as MD) and the appointment of new CEs in five of the six divisions into which Cullinan is now structured.

But apart from the operational improvements brought about by these changes, it is also evident from the financial statements that the new broom has been probing deeply into some dark corners. This is no more clearly shown than in a rewrite of the 1991 results which caused the previously published EPS of 70,7c to vanish (mainly because of a reversal of R10,6m in after-tax contract income which, finance director Dale Hillary says, was "incorrectly reflected" and to be replaced by a 2,2c loss.

The same new broom was responsible for extensive write-offs of stock, bad debts and other exceptional items, and if one traces the



(189D)

decline in own shareholders' funds from the originally stated R170,4m at June 30 1991 to the present R138,3m, one finds that only R17,4m (54% of the R32,1m total) is considered by the company to apply to the normal trading results of continuing operations.

With what Clark calls a thorough pruning and cleansing process almost complete by the financial year-end, he believes the group, though shaken by what has happened, to be much healthier and capable of vigorous growth once economic conditions improve.

But from other statements in the report, it is clear that this should not be construed as indicating that a quick fix has been effected. Comment on short-term prospects is notably cautious, and the group appears to have set itself the relatively modest target for this year of simply earning sufficient profit to cover its expected R15,8m interest charge.

Something not specifically mentioned, but of which shareholders should be aware of when they assess future results, is that accounting policies are now far more conservative than those of the past. This will make the achievement of a full recovery — if this is defined as the re-attainment of the 1989 earnings peak of 178c — a much harder and more protracted process, which could disappoint the market unless it realises that future earnings should be of considerably better quality than those reported up to now.

Until one can see how the "new" group is capable of operating, the share — trading at 275c — is difficult to value. It has slithered from a 1989 high of 975c, in line with the collapse of the group's fortunes, to a level less than 30% of net worth even after taking into account last year's trading losses and write-offs. The fact that it has bounced off a low of 230c, coupled with the more solid operational base that has been established, suggests downside risk at this stage is not significant. But the more cautious investor will probably want to wait for the interim results, due in March, before deciding whether it is time to buy.

Brian Thompson

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ADING

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There was a huge market for prefs for people looking for tax-free income without capital growth.

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RMB has introduced a novel attraction in futures trading with its Dow Jones index futures, an informal market to test if it is feasible to establish it as a Safex contract. It is an overnight market in which players can take a view on how Wall Street will trade that evening, allowing them to hedge local positions.

RMB futures head Hugh Oosthuizen said: "It has taken off like a rocket after attracting much more interest than we expected."

□□□□

MINORITIES may have cause for complaints in the wake of the deal between the Pickard family and Powertech for the acquisition of the Pickard group. They have the power to block the deal as minorities own 49,8% of Picbel, 31,3% of Pichold and 6,8% of Picapli, and the transaction requires approval by a majority representing not less than three-quarters of minorities.

Some analysts say that, taking into account the cash in the group, it appears the split between the Pickard family and minorities is not quite fair. In effect, all that minorities have been offered is the cash already in the group, and not a share of the other assets. The value of these assets accrues only to the Pickard family, who also participate in the cash assets.

This could be justified by the fact that the Pickard family is to bear the risk of warranties for substantial future risks and liabilities, but some argue that even discounting the maximum risk, the minorities still get a raw deal and suggest that perhaps the minorities should participate in both the risk and a higher cash payout for their shares by Powertech.

An adviser to the Pickard family rejected the allegations as having no substance.

Income boost for Af Cable

DUMA GQUBULE (189D)

AFRICAN Cables, boosted by the recent acquisition of Rosslyn Cables (formerly Siemens Cables), posted a sharp increase in attributable income to R20,7m from R11,2m for the 15 months to end-September.

Directors said the figures of the current period did not make for comparisons with those of the previous year due to a change in the financial year-end and the inclusion of results of Rosslyn Cables from October 1991. 3 (DAM) 6/11/92

The company did not provide adjusted results for the previous year. But, on an annualised basis, Af Cable's turnover and attributable income advanced by 44% and 48% respectively.

The directors said the weak trading conditions experienced in the previous year had continued and sales volumes had remained under pressure. The company had embarked on rationalisation of production facilities. The closure of the Alucab division and the costs related to the discontinued operation were reflected as extraordinary (189D)

Emphasis had been placed on working capital management which had contributed to an improved cash position.

Minaco's turnover increases 68%

JONO WATERS

MINACO Granite & Marble's turnover increased 68% in the six months to end June in spite of difficult trading conditions in the granite industry. 6(DAM)

Minaco's turnover climbed to R20,6m from R12,2m in the comparable six months last year; operating profit increased 61% to R4,49m (R2,79m). 6/11/92

However, pre-tax profit rose 15,5% to R3,06m (R2,65m) as the company had to foot a higher interest bill of R1,43m (R138 000).

Earnings decreased to 7,2c (9c).

Chairman Bill Robinson, who was "very pleased" with the growth in turnover and profit, said the greatly increased interest bill resulted from the company having to fund its foreign orders by allowing 120 days for payment.

Robinson said Minaco had started negotiating for trade finance. An arrangement was expected to be finalised during the current financial year. (K43)

Turnover had been increased not only by selling blocks, but also by beneficiating granite.

The company's results had been affected by two large claims against major building contractors. These were being arbitrated.

This was why an interim dividend was not being paid. However, Robinson was confident the company's claims would be successful.

He forecast that current turnover and attributable income would be maintained, but cautioned that the economic position of Minaco's foreign trading partners was not improving. This could cause orders to drop off.

The local order book was also healthy, with some contracts running into 1994.

SA losing ground in new technology

(189D).

STimes (Buss) 8/11/92.

By ZILLA EFRAT

TECHNOLOGICAL development in South Africa has started to lag behind that of competitors.

If action is not taken, the deterioration will quicken, says Electronics Industry Federation (EIF) vice-president Tony Farah.

In SA's years of isolation, technological development was predominantly championed by parastatal organisations like Armscor and the Post Office.

Of late, however, these organisations have cut their spending. This, persisting recession and changing national priorities have left their mark on the electronics industry.

Mr Farah says standards have been deteriorating and major players in the industry lack direction — mainly because SA does not have a defined technological development strategy in place.

"SA companies have little incentive to develop technology at their own risk. A R40-million grant for technology exists, but does little to bridge the competitive gap relative to overseas electronic companies," says Mr Farah.

The EIF has submitted a strategy paper to the Government. The Government has circulated its own discussion paper on the issue.

A major stumbling block is implementing a proper integrated economic policy which could lead to technological innovation.

Forefront

Mr Farah says: "Technology development has been the basis of the success of many countries' industrial development.

"If SA does not stay at the forefront of technology development, its electronics industry will not survive. Lack of innovation will also affect downstream producers and SA will increasingly become less competitive on the international market."

Technological innovations are also vital for SA to solve many social problems like housing and education backlogs.

Mr Farah says the electronics industry is not calling for hand-outs. It is asking for a well-defined technology policy which includes some support, such as tax incentives and selective protection for limited periods.

The strategy must target product areas where SA has a core competence. These areas must be relevant to the new SA and take the country into the global arena as a competitive player.

Mr Farah says SA will never compete internationally in certain areas, but there are others where it is able to offer unique solutions and can be most competitive.

One area of development which is boosting technological development is Eskom's electrification programme. It is contributing to technological innovations and has drawn interest from all over the world.

Mr Farah says SA has become a leader in this type of innovation and this should give companies a boost on the export market.

Simon Nash in new role

(189D)

S Times (Buss) 8/11/92

By JULIE WALKER

SIMON Nash, co-founder of Valard and joint owner of Cadac and Speedplast, is to apply his expertise in consumer products to new baby Picapli after a deal between himself, Picapli and Powertech.

Powertech has offered shares or cash to members of Pichel and to Picapli's holding company Pichold, controlled by the Pickard family.

Loan

Pichold will retain 32% of Picapli and Powertech will buy 61%. Mr Nash will buy 30% of Powertech's stake in Picapli and will manage the businesses. Picapli makes and trades in such appliances as KIC, Indesit, Whirlpool and Hitachi.

Picapli's 125% gearing necessitates recapitalisation and R21-million will be raised in January to reduce debt.

Powertech executive chairman Peter Watt negotiated the R8,5-million deal with the Pickards for more than six months.

He says Powertech will lend R21-million to Picapli, which will be converted to shares in Picapli in the rights issue.

The Pickards will not follow their rights. After the offer, Powertech will own about 57%, Mr Nash 17%, the Pickards 20% and minorities 6%.

Mr Watt sees the diversification into appliances as a move into a market with good growth potential yet not dependent on major capital projects that dictate the fortunes of much of Powertech's existing businesses.

Optical fibre achievement

THE largest optical fibre cable to be made in SA has come off Barlows/Reutech subsidiary ATC's production line in Brits.

The 96-fibre cable, made for a northern Transvaal mine, is believed to be the largest closed-circuit television system on fibre installation in the southern hemisphere. 189D

ATC GM Jan Heyneke says most cables used in SA have fewer than 12 fibres. B/DAY 12/11/92

"In essence, the 96-fibre cable could simultaneously carry 160 000 phone calls. The mine, however, needed the large number of fibres to link more than 200 video cameras."

He says the cable is less than 20mm in diameter, which reduces installation effort and costs.

"Because the cable is used to transmit video signals in a noisy mine environment, the client needed interference-free transmission over the fibres."

Reunert's performance boosted by acquisitions

BDAY 12/11/92 (189D)

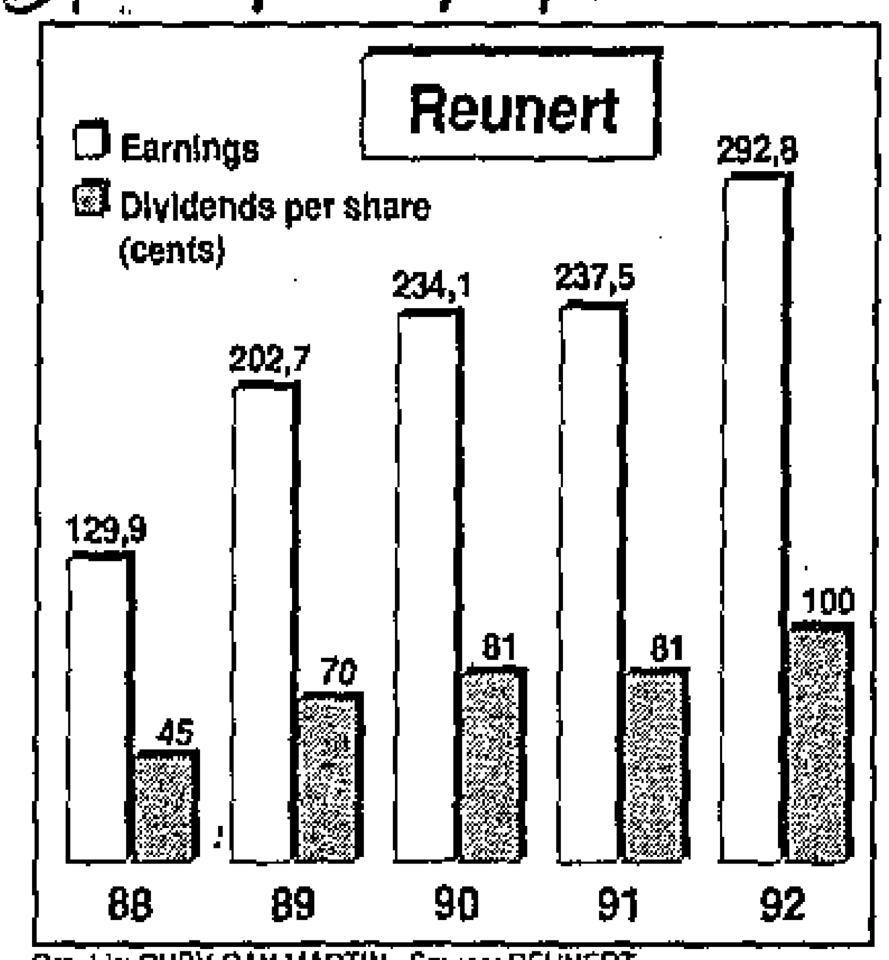
DUMA GQUBULE

REUNERT, boosted by recent acquisitions, has reported a 24% increase in attributable earnings to R92,4m (R74,6m) on a 42% increase in turnover to R2,3bn (R1,6bn) for the year to end-September.

The electronics, telecommunications and electrical engineering group in the Barlow Rand stable more than doubled its cash holdings to R134m from R52,5m. This was despite undisclosed outflows to finance acquisitions.

During the year subsidiary GEC Althsom acquired a 75% interest in Consolidated Lamp Manufacturers and increased its holdings in Telephone Manufacturers of SA (TMSA) and ATC. African Cables, which joined the Reunert fold last year, took over the entire share capital of Siemens Cables.

MD Tony Ellingford said the acquisitions had a considerable impact on the group's results. The inclusion of African Cables' figures for the full year, compared with three months the previous year, was also a major factor, he said.



Graphic: RUBY-GAY MARTIN Source: REUNERT

Turnover increased by 42% to R2,3bn (R1,6bn) and operating profit by 66% to R211,9m (R127,6m). The strong cash position resulted in an R18m turnaround on the interest line, with the group earning nearly R10m compared with R8,4m last year.

The tax rate increased to 37% from 29% while after-tax profit, of R140,2m, was 65% up on the previous year's R85,2m. Associated companies contributed a loss of R187 000 compared with a profit of R8,5m in the previous year.

Outside shareholders and preference shareholders in Reunert absorbed R47,6m against R19,2m in 1991 and attributable income came to R92,4m (R74,6m), equivalent to 292,8c (237,5c) a share.

The payout for the year was 100c (81c) a share. An extraordinary item of R39,5m related to goodwill arising from the acquisitions.

Ellingford said the group's divisions had performed well. The results had been made possible through the benefits of past restructuring, emphasis on cost control and working capital management and good performances from new acquisitions.

The group was well poised to take advantage of new opportunities and to fund future growth when the economic upturn eventually started.

Reunert remained firmly focused on export markets, where sales continued to increase — particularly in its Telkor and Circuit Breaker Industries operations.

FM 13/11/92 .

FM 13/11/92

POWERTECH/PICKARD (189D)

Finding a way out

Powertech's offer for Picapli is a blessing for the beleaguered Pickards. It is also a lifebelt for minorities in all three of the Pickard listed companies — Picbel, Pichold and operating company Picapli — even though large discounts to NAV (Picbel, 1 383c; Pichold 1 271c; Picapli 208c) are involved.

Powertech is proposing, firstly, to buy out minorities in Picbel and Pichold. It is offering Picbel minorities 188 Powertech shares valued at 350c each for every 100 Picbel held or cash of 658c a Picbel share (current market price: 650c). Pichold minorities are being offered 150 Powertech at 350c each for every 100 Pichold or cash of 525c a Pichold share (market price: 525c). Total consideration is R24,5m.

The Pickard family buys these holdings back from Powertech for R24,5m. Picbel and Pichold are subsequently delisted. A Powertech spokesman says the Pickards insisted the deal includes a buyout of minorities in the holding companies.

At the same time, Powertech acquires from Pichold 61,1% of Picapli for R8,5m cash, equivalent to 54c/share, with Pichold's interest-bearing loan account in Picapli for its face value of R21m. This leaves Picapli minorities with 6,8% and the Pickards with 32,1% of Picapli.

Consider the choices

Minorities could object that the Pickard family interests — because they retain a stake in Picapli which carries a put/call option with Powertech — are enjoying privileged treatment. In terms of the put/call, which can be exercised between May 1 1994 and June 15 1994, the Pickards receive — on average — a maximum 77c a Picapli ord. Powertech is offering Picapli minorities cash of 80c/share.

With Picapli's last trading price at R1, the best option is to sell through the market — if that price is still obtainable. But minorities who consider objecting should consider the choices. If the proposals fall through, who else with the resources to recapitalise it will buy Picapli? It badly needs to have its debt lightened.

Should Powertech's offer be rejected, minorities' opportunity cost of waiting for another offer could be large; there are no guarantees of another one. Picapli is unlikely to declare a dividend in the foreseeable future and profits are vulnerable, especially if VAT is increased. Picapli is to have a rights issue which will dilute EPS if the rights are not followed.

The Pickards have warranted that if the Receiver disallows allowances claimed by Picapli relating to investments in film schemes, the Picapli price they receive will be adjusted accordingly.

If the Picbel or Pichold minorities opt for Powertech shares rather than cash, they could continue to enjoy indirect participation in Picapli. But Picapli minorities are not obliged to accept the cash offer and can stay with the company, which is to remain listed.

Provided they do not have to forfeit funds because of their warranties, the Pickard family will net about R12,5m. When Picbel and Pichold are delisted, Jan Pickard's empire, which once comprised six listed companies, will disappear from public view.

(189D)

Gerald Hirshon

Tedelex switches off after 23 years on JSE

S/Times (B 455) 15/11/92. (1841)

A DEBACLE a decade has plagued Tedelex since its 1969 listing.

The latest — the worst trading conditions ever for the maker, trader, importer and exporter of electrical appliances — has led to its delisting.

Managing director Jack Cohen, who has been with the group for 31 years, says it was badly hurt in 1970 by the Government's restrictions on hire-purchase agreements and credit facilities.

Better known are the disastrous foreign-exchange losses that plagued many Gencor companies in the early 1980s. On the advice of its bankers, Tedelex failed to cover foreign loans and lost R109-million in 18 months.

This necessitated a total recapitalisation of the company, control of which Gencor had bought from founder Benny Slome at R11 a share in 1983. The terms of the rights offer were 350 shares for 100 at 260c.

Tedelex members are being offered 200c a share by Malbak, which became the industrial consumer arm of Gencor in 1986. Tedelex was trading at 120c before the terms of the take-out were made known. Malbak already has 96% of the company.

Mr Cohen says this year's trading is undoubtedly the worst ever. Tedelex's business has come under two-pronged pressure.

One is the four-year recession and its damaging effect on discretionary spending. Results for the year to August 1992 showed an operating loss of R19-million from an 18% slide in turnover to R422-million.

JACK COHEN: HP blows

The other is a wave of imports — illegal and grey.

Illegal imports are brought in under false declarations and no duty is paid. It is akin to going through the green channel in Customs hoping not to get caught.

Grey imports are legal and usually involve job-lot purchases by importers neither equipped nor prepared to service the stock.

Agency importers such as Tedelex have tended to turn their backs on people who come for repairs to branded merchandise not brought in through their channels.

Mr Cohen says these imports tend to set the expectations among shoppers of what the price of electrical goods should be, often below Tedelex's landed cost.

"How often do you hear people returning from overseas with something they bought for $200 that costs R1 200 here? The same happens with these imports. But convert the dollars to rands and add in up to 140% import duty and it becomes clear that it is not Tedelex that makes all the money," says Mr Cohen.

He acknowledges the efforts of Trade and Industry Minister Derek Keys — formerly of Malbak and Gencor — in trying to tighten up customs, which is often understaffed and undertrained. There is no point in cutting Government spending by reducing the number of such public servants when millions of rands in duties escape the fiscus because of inefficiency.

The end of the listing is by no means the end of the road for Tedelex. Mr Cohen says the hardest part about the current downsizing operation is retrenching staff members.

"Many have been here all their working lives. We have grown up together, seen their children through university and on into life. It is difficult to say good-bye.

"At the same time we recognise that this is a tough industry in a worse economy, and to survive, there has to be sacrifice," says Mr Cohen.

Employees have been cut from the top down.

Mr Cohen believes there will always be a market for consumer electronics.

Non-core businesses have been disposed of and others moved into Tedelex's premises in Booysens, Johannesburg.

Mr Cohen says the lack of any sign of an economic upturn at this time of the year bodes ill. There was a slight uptick in October, but it could have been due merely to people having had enough of the recession and spending money regardless of the consequences.

The only thing that will get the economy moving is a change of political heart, says Mr Cohen.

Tedelex says farewell to the JSE on December 11, but might return if ever its prospects brighten.

It was born with foresight — Benny Slome called it Television & Electrical Distributors in 1945 — 30 years before SA was allowed to watch television.

Saambou on mend and expects to pay

(BUSS) S/Times 15/11/92.

SAAMBOU, the banking group whose share price has halved in a year to 62c, was restored to profitability in the six months to September after losing R73-million in the same time last year.

Operating profit trebled to R35-million before provisions for bad debts which had to be doubled to R20-million. Advances grew by only 9% to R3,7-billion in an effort to raise profitability.

Rationalisation costs of R6-million, tax and outside shareholders reduced attributable profit to R2,5-million, or 6,8c a share, before extraordinary items.

Managing director Johan Myburgh says Saambou continued to focus on salaried individuals.

Its Dinkum Save and Profit Grow products did well. Launched in March, Dinkum Save was responsible for a 58% rise in Saambou's total savings portfolio in the eight months to October.

Saambou's operating expenses climbed only 6% in 12 months. It contracted its computerisation management to software specialist SPL in an effort to contain costs.

Although no dividend was declared at the interim, Mr Myburgh expects a resumption by the yearend.

Berzack 'well placed for an upturn'

MARCIA KLEIN

BERZACK Brothers, which had a difficult year to end-June, was well placed for an upturn after a reorganisation of its group structure and a sharpened focus on its divisions, chairman Bennie Illman said in the annual review. BDM 16/11/92.

During the year to end-June, the group underwent major changes to its structure. It acquired the entire share capital of Elcentre, which was subsequently delisted. The group's investment in Voltex is now predominantly held through its holding in Elcentre.

Turnover in operating subsidiaries rose 8% to R108,6m, and earnings dropped 22,4% to 107,6c a share.

Illman said plastic and electrical cable company Voltex's profitability in the coming year would be dependent on the ability of political parties to reach an acceptable dispensation. (189D)

It would benefit from lower interest rates and the improvement of living standards, and was "particularly well placed to play a leading supply role" in Eskom's electrification programme.

New management had unified many of the manufacturing and distribution divisions, and Voltex showed significantly higher earnings in the second half. Earnings a share were down 17%, but adjusted earnings increased marginally.

Eureka rationalisation helps double earnings

BDay 16/11/92. (189D)

DUMA GQUBULE

DIVERSIFIED holding company Eureka continued its improved trend in the half year to end-August and reported attributable earnings of R1,8m — more than double those of the previous interim period and 39% above the entire financial 1992 earnings.

This follows a 75% increase in earnings to R1,29m for the year to end-February.

Chairman Ronnie Price said the benefits of the group's rationalisation programme were evident in the results. The group had been consolidating over the past few years, watching expenses and reducing activities to focus on core companies.

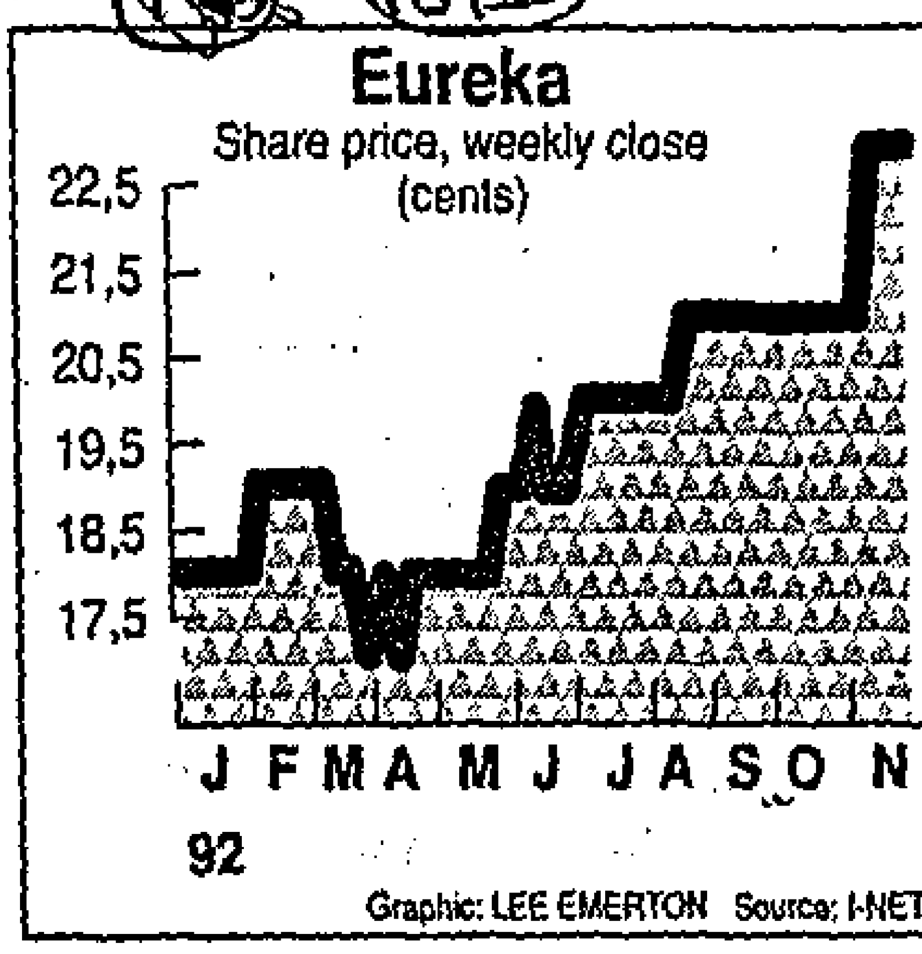
Positive cash flows generated during the half year enabled Eureka to reduce interest-bearing debt by R3,9m despite significant outflows incurred by buying out minorities in Eurevest and Computermatic.

The group was now lean and hungry and ready for acquisitions, although it was probably too early in the business cycle to do so, he said.

Turnover was at an unchanged R54,3m, even after the group's reduced spread of activities. Price said Eureka had sold TL Electronics and the group's 50% interest in Oak Industries since the previous interim period. Powerpoint Electronic Control Systems had been closed and the costs written off above the line.

Operating margins improved and operating profit advanced by a fifth to R6,8m (R5,6m). Funding costs fell to R3,4m (R3,9m), reflecting a R3,9m reduction in interest-bearing debt to R33,3m (R37,2m) and lower interest rates. Pre-tax profit doubled to R3,4m (R1,7m).

The tax rate increased to 48% from 34% and after-tax profit by 54% to R1,8m (R1,1m). There were no payments to outside minorities (due to the purchase of minorities in Eurevest and Computermatic) compared with R486 000 paid last year.



Attributable earnings soared by 173% to R1,8m (R653 000). An interim dividend of 1c a share was declared on earnings of 3c (1,1c) a share.

Price said the group now consisted of four main companies: Lumex, a supplier of electric wiring accessories; MGX, a document handling specialist; Atlas Utas, a supplier of automotive engineering equipment and computer bureau Computermatic.

Atlas-Utas had a difficult year because of the depressed state of its main markets in agriculture, mining, the armed forces and transport.

Lumex and MGX — the two biggest companies in the group — had met their targets, the former despite difficult conditions in the building industry. Lumex, he said, had an exciting future because of the blossoming market for low-cost housing and electrification.

Price said Eureka hoped to maintain earnings in the second half. Gearing was expected to fall further to match shareholders' funds by year-end.

BERZACK/VOLTEX FM 20/11/92 (189D)

More comfortable after the divorce

BERZACK — Activities: *Controls Voltex. Other interests include distribution of machinery, equipment and supplies to the clothing industry.*
Control: *Bivec (50,3%).*
Chairman: *B Illman; Joint MDs: M Berzack and S H Illman.*
Capital structure: *26,5m ords. Market capitalisation: R137,8m.*
Share market: *Price: 525c. Yields: 7,6% on dividend; 24,4% on earnings; p:e ratio, 4,86; cover, 2,7. 12-month high, 1 200c; low, 500c. Trading volume last quarter, 754 000 shares.*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	23,6	9,0	18,7	15,0
LT debt (Rm)	3,5	11,5	9,6	56,1
Debt:equity ratio	0,16	0,06	0,08	0,16
Shareholders' interest	0,52	0,83	0,83	0,77
Int & leasing cover	14,5	4,7	154,4	5,1
Return on equity (%)	28,1	15,2	13,7	17,2
Turnover (Rm)	470	108	100	109
Pre-int profit (Rm)	53,6	10,7	9,3	21,7
Pre-int margin (%)	61,4	9,9	9,2	20
Earnings (c)	119	166	139	108
Dividends (c)	31,5	52	55	40
Net worth (c)	424	1 095	1 012	626

VOLTEX — Activities: *Manufactures and distributes electrical equipment.*
Control: *Berzak Brothers.*
Chairman: *B Illman.*
Capital structure: *300m ords; 120,2m convertible debs ords. Market capitalisation: R255m.*
Share market: *Price: 85c. Yields: 7,9% on dividend; 18,6% on earnings; p:e ratio, 5,4; cover, 2,3. 12-month high, 150c; low, 65c. Trading volume last quarter, 29,3m shares.*

Year to June 30	†'90	'91	'92
ST debt (Rm)	nil	74,1	125,0
LT debt (Rm)	nil	131,5	94,3
Debt:equity ratio	(0,10)	0,36	0,35
Shareholders' interest	n/a	0,55	0,57
Int & leasing cover	10	2,97	2,79
Return on cap (%)	17,6	13,3	9,3
Turnover (Rm)	806	1 258	1 227
Pre-int profit (Rm)	104,8	128,7	91,8
Pre-int margin (%)	13	10,2	7,5
Earnings (c)	25,3	19,0	15,8
Dividends (c)	8,25	8,25	6,75
Net worth (c)	98	81	85

† 16-months annualised.

The Berzack group has never been easy to dissect. The marriage of the Berzack and Mowszowski families, which brought Berzack together with Elcentre and resulted in the creation of Voltex as the repository for the manufacturing and distribution businesses, has since ended in divorce.


Berzack's Berzack ...
beating the budgets

It's a separation with which the market clearly feels comfortable. Certainly, the Berzacks do: they've swept in with new management, fresh ideas and a conservative approach to financial matters. The market has responded, particularly in Voltex, with increased demand for the share and a price which reflects that.

The Berzack group has a classical pyramidal structure; investors will be forgiven for sometimes wondering where to put their money. In fact, it is now overloaded with stages and the best avenues for investment are either through Berzack Bros (Berzack) or through Voltex, which holds the real wealth-creating assets.

Voltex has reported results much in line with what you'd expect in a savage recession: turnover was down only barely, but trading margins showed acute pressure. Pre-interest profit fell 29% to R91,8m and that worked through to a 17% fall in attributable profit of R66,3m.

That is when shareholders are asked to take a deep breath. Extraordinary items total R72,5m this year, of which a full R50m is devoted to writing down the investment in UK subsidiary Bennet & Fountain (B&F). This company was bought in 1990, under an impetus initiated by the Mowszowski family which wanted to expand overseas.

The deal cost Voltex — and by extension, Berzack — about R144m for about 60% of the issued equity (though that's now in question since Voltex is claiming a higher percentage in terms of the deal with the original vendors). B&F's results for the year were hardly encouraging — it returned a net loss after tax and writing off of goodwill of £7m. No wonder Voltex chairman Bennie Illman says rather sadly that the loss "was far greater than originally anticipated."

Well, maybe it will come right and shareholders will then be amply rewarded. But with the UK economy looking like the basket case of Europe, investors shouldn't hold their breath waiting for a B&F recovery.

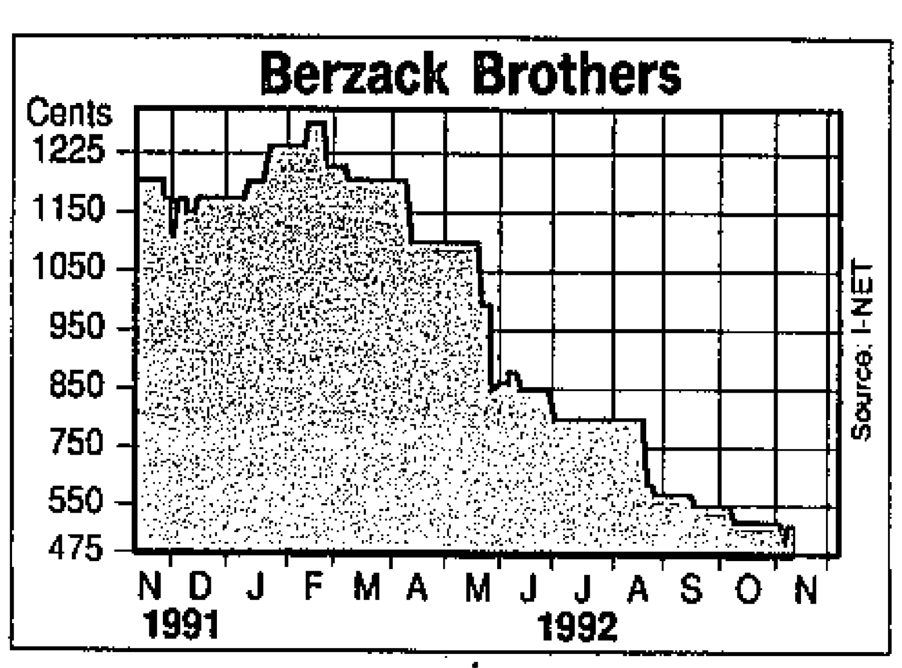
Everything hinges on how Berzack holds on to and expands market share over the next eight months. Joint MD Myron Berzack told the *FM* the experience over the first four months of the 1993 financial year is that the SA market remains extremely tough. But the important news is that targets are being exceeded in all departments; at least that should make shareholders happy.

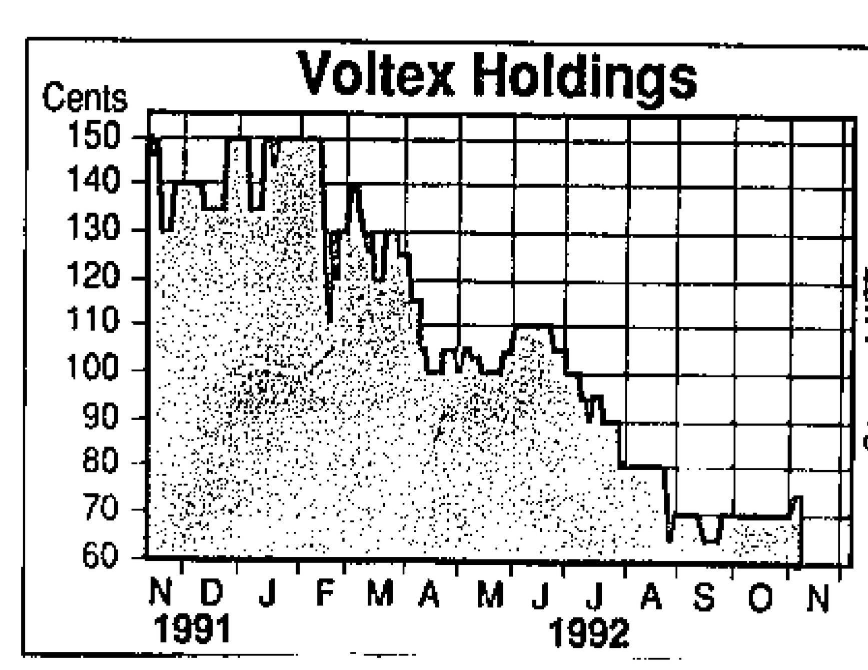
Berzack is largely a reflection of Voltex's performance. The company does hold other assets but these are not especially material in the broader scheme of things. There has been a substantial increase in borrowings, short- and long-term, which collectively stand at R71m compared with last year's R28m. It's nothing to be alarmed about because the balance sheet remains strong.

Another feature which requires consideration is the multiple pyramidal structure: the JSE told the managers it didn't like the situation and Elgro was removed from the boards. The chances must now be rated pretty good that Elcentre might be delisted, though Berzack declines any comment.

Similarly, Sanlic — a small, listed hardware company — will probably be delisted too. While its trading operations are satisfactory, its interest burden is simply beyond the carrying ability of its balance sheet.

Demand for the two main stocks is showing signs of increasing on the JSE. Voltex's price moved to close last week at 85c. Of course, everything now depends on the trading performance of Voltex over the remainder of financial 1993. Berzack says he is confident his team will continue to outperform the 1992 results and he is quietly confident of the prospects of turning in a good, solid, performance this year. *David Gleason*





BMW SA is gearing ... become the world ... of the German car- ... 3-Series, leaving ... expensive models ... ported into SA.

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Voltex acts to end losses

B/DAY 20/11/92

DUMA GQUBULE

THE new management of Elcentre subsidiary Voltex had accelerated synergy benefits by unifying many aspects of the group's manufacturing and distribution divisions, chairman Bennie Illman said in the 1992 annual review. (189D)

He said this had resulted in significantly higher earnings during the second half of the year to June.

Elcentre, the holding company of cable manufacturer Voltex and hardware company Sanlic, was recently acquired by Berzack Brothers.

Voltex reported a 17% drop in earnings to R66,3m for the year to June after a R15m loss reported by UK subsidiary Bennet & Fountain (B & F).

Sanlic reported a loss of R1,5m.

Illman said B & F was placing emphasis on restoring profitability. Unviable operating units had been closed and more profitable ones expanded.

The UK economy, however, was showing no signs of an early recovery and short-term prospects for B & F had to be viewed in the same context.

Additional stringent controls over administration and working capital were being implemented and the extent of the losses experienced in the past year was unlikely to recur.

Nu-World Holdings reverses its downtrend

GDPM 25/11/92 (189D)

MARCIA KLEIN

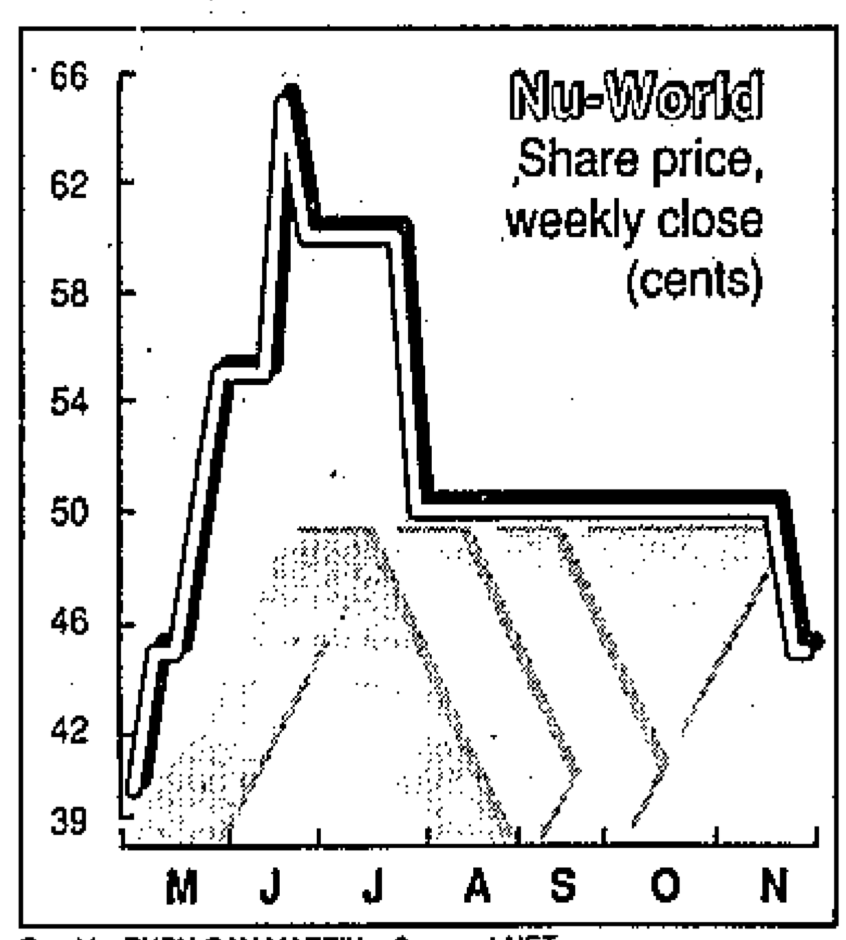
DOMESTIC electrical appliances manufacturer Nu-World Holdings reversed its declining earnings trend of the past two years and reported a 20,9% rise in earnings to 13,9c (11,5c) a share in the year to end-August.

A restructuring programme, increased local market share and a boost in exports were largely responsible for the improvement, MD Michael Goldberg said yesterday.

He said the 26,6% rise in turnover to R51,1m from R40,3m was because increased local market share for existing products and the introduction of new product ranges.

In addition, he said, export sales were up as the export drive over the last few years began to bear fruit. Nu-World had established an agency in the Middle East, and Goldberg said the European market "continues to generate significant sales".

Nu-World's restructuring over the past two years had enabled it to control costs and improve productivity, he said.



Graphic: RUBY-GAY MARTIN Source: I-NET

Net operating income grew by 7,1% to R3,5m from R3,3m, and the interest bill was reduced by 11,9% to R1,2m (R1,3m).

Profit after tax grew by 20,3% to R1,8m from R1,5m, and retained earnings were 21,1% higher at R1,4m (R1,1m). A 17,4% higher dividend of 3c (2,56c) was declared.

There was a large increase in long-term liabilities to R7,8m, largely due to a loan from the Industrial Development Corporation. But, Goldberg said, fixed assets had grown significantly, and cash balances increased more than threefold to R4,2m.

During the year, Nu-World introduced a number of new products, including a toaster, electric frying pans, upmarket plastic kettles and two new imported ranges. These had boosted local and export sales.

Goldberg said that cost-saving engineering and an investment in capex would result in growth in the coming year. Exports would continue to grow, new products would ensure rising sales, and productivity would improve.

In the first quarter of the new financial year (to end-November), sales had been running ahead of budget. Goldberg said this growth was expected to continue for the full year.

Siemens wins President's export award

Business Day Reporter

ELECTRICAL engineering company Siemens was last night named overall winner of the 1992 State President's Award for Export Achievement.

The awards were presented at a banquet in Sandton addressed by President F W de Klerk. BDAY 25/11/92.

Siemens achieved exceptional export growth during the past three years in spite of the worldwide recession and competition from highly automated plants in Europe and North America.

The judges praised Siemens for the world-class quality of its telecommunications division and the company's sound understanding of customer requirements.

More than 20 awards were made, with the "past winner" award for sustained export achievement going to Pentow Marine of Cape Town. (1891)

● All the details: Pages 18-21

Powertech revises share offer

B|DA7 26|11|92 (189D)

DUMA GQUBULE

POWERTECH, the Altron group's power electrical subsidiary, yesterdayrevised its offer to minorities of Picardi group holding companies Pichold and Picbel.

This follows minority shareholder dissatisfaction with the alleged preferential treatment given to the Pickard family interests. These interests are controlling shareholders of the group.

In terms of the revised offer, minorities in Picbel would receive 200 new Powertech ordinary shares for every 100 Picbel shares held, or cash of 700c a share. Pichold minorities' offer was 161 new Powertech shares for every 100 Pichold shares held, or cash of 563,50c a share.

The R8,5m payable to Pichold by Powertech for a 61,1% controlling interest in Picapli remained unchanged, and the intended cash offer of 80c a share to minorities was not affected, the statement said.

Powertech earlier this month reached an agreement with the Pickard interests. It proposed to buy out the minorities in the holding companies for R24,5m, which the Pickard interests would buy from Powertech for the same amount. This would enable Powertech to acquire a 61% interest in Picapli, the Pickard consumer appliances subsidiary, for R8,5m.

Minorities were offered 188 Powertech ordinary shares for every 100 Picbel shares and 150 Powertech ordinary shares for every 100 Pichold shares held.

Alternatively Picbel and Pichold minorities had the option to receive R6,58c and R5,25c respectively.

KOPP ELECTRONICS FM 27/11/92

Tax hurdle

189D

Activities: *Markets and distributes electronic components and equipment.*
Control: *Directors 67%.*
Chairman: *A Kopp.*
Capital structure: *10,5m ords. Market capitalisation: R2,1m.*
Share market: *Price: 20c. Yields: 12,5% on dividend; 31% on earnings; p:e ratio, 3,2; cover, 2,5. 12-month high, 45c; low, 20c. Trading volume last quarter, 640 000 shares.*

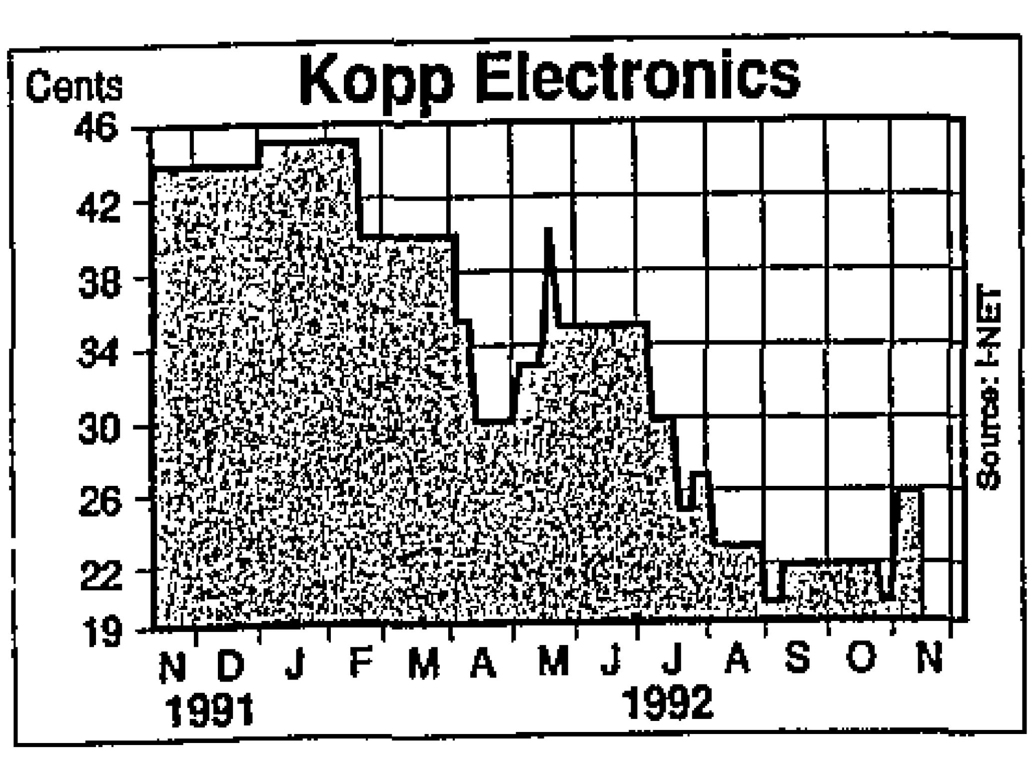
Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	0,7	0,5	0,5	0,6
LT debt (Rm)	0,2	0,3	0,5	0,7
Debt:equity ratio	0,17	0,14	0,15	0,18
Shareholders' interest	0,54	0,57	0,56	0,56
Int & leasing cover	3,1	3,0	4,2	3,6
Return on cap (%)	13,7	13,2	12,6	14,0
Turnover (Rm)	27,3	26,9	27,5	32,4
Pre-int profit (Rm)	1,4	1,4	1,5	1,8
Pre-int margin (%)	5,2	5,1	5,4	5,4
Earnings (c)	3,0	6,4	7,8	6,2
Dividends (c)	—	2,0	2,5	2,5
Net worth (c)	53,7	56,6	63,0	67,0

Many larger electronics groups have enjoyed positive reratings in the past year but this components importer and equipment manu- continue

facturer still attracts little interest from investors.

In the past three years, the counter has hung in limbo between 20c and 45c. It now stands at the bottom end of this range. This is less than a third of its year-end NAV and well down on its issue price of 125c in 1987.

Investors' lack of interest in Kopp Electronics is understandable. While it appears stable — gearing is negligible and cash flow sound — it has fallen well short of shareholder expectations. Earnings, though positive since listing, have been erratic and have come nowhere near the 25% annual improvement expected by management in the late Eighties.



On the brighter side, Kopp has made headway since financial 1989 when EPS plunged from 10,1c to 3c. It withdrew from the volatile and often treacherous microcomputer market, stemmed losses at manufacturing subsidiary ASM, tightened asset and financial controls and has taken advantage of SA's improving international status to secure several well-known components agencies.

EPS in the 12 months to end-June would have continued their recovery were it not for the jump in effective tax rate from 35% to 50%. Attributable earnings fell more than a fifth to R652 000.

Financial director Margaret Wells says assessed losses have been used and tax will be at the full rate this year. She expects some recovery in earnings in fiscal 1993 but cautions that growth is likely to be modest.

Most of Kopp's business is the distribution of imported electronic components. Though turnover and operating income rose well last year, electronics manufacturers' demand for components has been stunted by recession. In addition, much of the local production of telecommunications, military electronics and information technology systems that was taking place when Kopp listed has been curtailed or abandoned. Operating margins are not likely to improve this year; growth will have to be achieved through increased market share and the addition of new agencies.

The share is not likely to climb much until management has established a more encouraging and consistent track record. A return to former earnings levels will take some time. Potential investors would be well advised to wait.

Simon Cashmore

DEFINITIONS

Debt:equity ratio: All interest-bearing debt plus redeemable prefs less cash expressed as a ratio of total shareholders' funds.
Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets.
Shareholders' interest: Total shareholders' funds expressed as a ratio of capital employed.

Market leader Spescom maintains improved trend

BDOM 27|11|92.

(189D)

DUMA GQUBULE

SPESCOM Electronics continued its improved trend in the half year to end-October and reported a 67% increase in attributable earnings to R1,3m on a similar increase in turnover to R30,7m.

This followed a good financial 1992 when the high-tech electronics products company recovered from a low base — and a two year plunge in profits — to more than double its earnings to R1,4m for the year to end-April.

MD Johan Steyn said growth had been organic and notable in the light of the depressed economy and market sector in which the company operated.

He attributed the performance to Spescom's entry into the electricity management sector, where the company was a market leader, displaying growth in an otherwise depressed industry sector.

Turnover increased by 65% to R30,7m (R18,7m) and operating profit by 30% to R2,4m (R1,8m). Steyn said investment in export marketing and product design and development had constrained growth in operating income.

Interest cover improved and attributable income came to R1,3m (R750 000), equivalent to 6,33c (3,79c).

An interim dividend of 2c a share was declared compared with no payout in the previous year.

On the balance sheet, interest bearing liabilities increased to R12,3m (74% of shareholders' funds) from R9,7m.

Steyn said the company had quite a way to go to get its balance sheet ratios to desired levels. An investigation into the company's capital restructuring was at an advanced stage.

He said the company had devoted substantial effort and expense in the expansion of its factory which now had the capacity to meet expected foreign and local demand.

The opportunity to improve export earnings was one of the most exciting aspects of Spescom's business. Exports were expected to make a substantial contribution to sales.

Dorbyl to restructure a division

Powertech in R113m deal

IN A R113m deal announced today, Powertech has increased its interest in Aberdare Cables to 89%.

(189D)

An announcement said the company, part of the Altron group, had bought SA Philips' 50% share of Aberdare holding company Consolidated Cable Investments (CCI). The cash payout was equivalent to R22,50 for each Aberdare share.

The shares gained 50c to R20 on the JSE yesterday.

BDay 1/12/92.

Executive chairman Peter Watt said Powertech was considering a similar offer to minorities, which could lead to the delisting of Aberdare, the country's leading cable manufacturer.

He said the move was a logical step in Powertech's investment strategy, which was to broaden its influence in the power electrical field. Opportunities existed for more focused and responsive growth strategy which would give the group the muscle it needed to penetrate new markets, locally and abroad.

DUMA GQUBULE

The announcement comes within weeks of Powertech's offer for control of Picapli, the domestic appliance manufacturer in the Picardi group.

Watt said neither deal would put much pressure on Powertech, which had virtually no borrowings at end-August when its balance sheet showed cash balances of more than R60m.

Powertech previously had a 54,9% stake in Aberdare, with 20,5% held directly and the balance through its 50% stake in previously jointly owned (with Philips) CCI, which held a 68,8% interest.

Aberdare reported earnings of R37,2m (263c) a share for the year to end-December. Powertech's earnings for financial 1992 were R43,4m.

On these figures the deal would have increased Aberdare's contribution to Powertech earnings by about R16,8m, assuming a successful offer to minorities.

Powertech raises interest in Aberdare Cables to 89%

By Stephen Cranston 18 9 D

Powertech has increased its effective interest in Aberdare Cables to 89 percent by acquiring SA Philips' 50 percent share in Consolidated Cable Investments for R112,8 million in cash, equivalent to R22,50 per Aberdare share.

Powertech is considering a similar offer to Aberdare minorities, which could lead to Aberdare's delisting.

Aberdare is SA's leading manufacturer of power, telecommunications and instrumentation cable in copper, aluminium and optical fibres.

Powertech chairman Peter Watt says that under one management opportunities exist for a more focused and responsive growth strategy, giving the group the muscle it needs to penetrate new markets, both locally and internationally.

He says the acquisition is in line with Powertech's strategic objective to increase group activities in the provision of mass housing and infrastructural development. STAR

The emphasis is on developing economically viable products and adapting overseas technologies to keep the group competitive in the global market. 1/12/92.

He says efficiencies created by the recent R25 million capex programme in Aberdare's telecommunications plant are becoming apparent.

POWERTECH FM 4/12/92

Tying the knots (189D)

It just goes to show what minorities can achieve if they set their collective minds to it. The original offer put to them in respect of their holdings in Picbel and Pichold by the family managers represented by Jan Pickard jnr was increased last week — the day after the *FM* carried the same information.

Having kicked up a justifiable fuss about their share of the proceeds from the offer made by Powertech, minorities are going home with another R1,7m in their wallets, all of it achieved at the expense of the (former) majority shareholders. The *FM*'s impeccable sources say minorities will approve the revised offer in numbers sufficient to ensure acceptance of the scheme of arrangement.

Pichold and Picbel will then be delisted; Picapli will probably undergo a substantial metamorphosis which will include a name change. That will be the lowering of the curtain on the Pickard family's public operations which have beguiled and enraged shareholders for the best part of 30 years.

Meanwhile, Powertech continues on its acquisition trail with the announcement of its purchase of SA Philips' 34,3% holding in listed Aberdare Cables for R112,8m cash. The deal takes Powertech's stake in Aberdare to about 89%. Aberdare is one of SA's more important cable makers with access to advanced technologies in telecommunications and instrument cable, as well as optical fibres.

It's hardly been a secret that Powertech has had its eyes on Aberdare, an important cash contributor, for some time. Philips hasn't, until now, been interested in selling. "We don't know what's prompted their decision," says a Powertech spokesman "but we were delighted to be given the opportunity." Philips financial director Ian Barnes refused to entertain questions from the *FM* over the telephone.

Powertech has pegged its purchase at R22,50 a share compared with the market price at the announcement of R19,50. The company says it is considering a similar offer to minorities, which would probably result in the company being delisted.

Powertech's latest disclosed cash position — at the end of August — shows a holding of about R60m with minimal borrowings. The deal with Philips means the company will

continued

FOX FM 4/12/92 (189D)

have to go into overdraft but Powertech's spokesman says the latest cash position, which he won't reveal, is particularly healthy. "However, the company's cash balance at the end of August, despite heavy tax payments, is relatively unchanged," he adds. And, unless there's been a major upset, Aberdare itself is likely to be cash flush: its last balance sheet shows a cash balance of about R60m.

Aberdare minorities will be well advised to keep a close eye on developments in the next few weeks.

David Gleason

Recipients of secret grants named

STAR 4/12/92

By Philip Zoio

The Department of Trade and Industry named firms in the electronics industry yesterday that have secretly received millions of rands for projects since 1989.

The move was welcomed by Martin Creamer, editor of Engineering News, which for three years has pressed the department to name the recipients of the DTI's non-repayable grants for approved projects.

The DTI announced a total of R64,7 million in grants had been approved since the project began in October 1989. It had set aside R200 million to be granted over five years.

(189D)

The three largest recipients have been firms partly or wholly controlled by South Africa's richest companies, Creamer said.

The biggest beneficiary was Anglovaal subsidiary Grinaker Electronics, which received about R5,028 million.

Second was Anglo American-linked Control Logic and third was Sanlam-linked Plessey Tellumat, both of whom received more than R3,3 million.

STM 4/12/92

Chubb bucks trend

By Stephen Cranston

Despite difficult conditions, Chubb Holdings has reported a 72,7 percent increase in earnings per share to 53,4c in the six months to October (1891)

A dividend of 14c has been declared.

Turnover rose 2,8 percent, but attention to margins, strict overhead cost control and improved productivity led to a 55,2 percent increase in trading profit. The operating margin improved from 4,8 percent to 7,2 percent.

Chairman Dirk Ackerman says the electronic security division continued to perform well and that there was a substantial improvement from the physical security division over the same period last year, despite a three-week strike at a major factory.

Action on grants

189D ARG 5/12/92

Department names firms

■ A decision to name electronics companies that have secretly received millions of rands in handouts for projects has been welcomed.

Weekend Argus Correspondent

THE Department of Trade and Industry has named firms in the electronics industry that have secretly received millions of rands in handouts for projects from as early as October, 1989.

The move was welcomed by Martin Creamer, the editor of a publication that for three years has pressed the department to name the recipients in the programme whereby "non-repayable grants" were given by the DTI for approved projects.

In a statement released by the department's director-general, Dr Stef Naude, the DTI not only named the past recipients, but committed itself in future to naming every six months all firms that receive new grants.

The DTI would also release information on the amounts of cash available and the actual amounts advanced to each firm as well as a concise description of all completed projects, the statement said.

The DTI announced that R64,7 million in grants had been approved since the project began in October, 1989. The DTI had altogether allocated R200 million for the programme, which would be granted over five years.

The three largest recipients so far were firms partly or wholly controlled by South Africa's largest and richest companies, Mr Creamer said.

The biggest beneficiary was Anglovaal group subsidiary Grinaker Electronics, which was granted R5,028 million, according to the DTI's figures.

Second on the list was Anglo American-linked Control Logic and third was Sanlam-linked Plessey Tellumat, both of which received more than R3,3 million of the taxpayers' money without (until now) the public's knowledge.

Applications have been evaluated in terms of the project's potential for job creation, earnings on export and local markets and income tax revenue, according to the DTI.

The DTI statement said new business to the value of R32 million had been generated through the programme and that only three projects, for which R388 000 had been allocated, had been cancelled before completion.

Mr Creamer said the govermnent had never denied the existence of the project, but until now had refused to release crucial information on who was receiving money and for what. But the DTI had still not said why the money should be advanced as non-repayable grants instead of loans.

He had no objection to the programme itself, which could have major benefits for the economy.

GDM in top gear

STimes (Buss) 6/12/92

GDM Finance, the international trade financier, looks cheap on a price of 240c, only six times historic earnings. It raised attributable earnings 11% to R5,3-million in the six months to October.

Managing director John Cowper said GDM is a mirror image of its 200 clients in terms of battling against recession and the lack of a political settlement.

In the group's favour when better times do return is its low gearing ratio of 3,4:1. Mr Cowper believes that anything above five is too high. "We have been a leading player in trade finance for decades during which we have watched competitors overreach themselves with gearing ratios of 8, 9 and even 10."

He believes that GDM could expand business profitably when the outlook improves. Gearing of around 4 will allow conservative growth.

GDM yields almost 7% in dividend, and Mr Cowper expects better in the second half-year. The share looks a good choice among secondliners.

Govt electronic grants 'not a handout'

B/01m1 7/12/97 (189D)

DUMA GQUBULE

GOVERNMENT's R65m in non-repayable grants allocated for electronic companies was not a "handout" but a much needed stimulus to expand local technology development, SA Institute for Electrical Engineers president David Jacobson said at the weekend.

Jacobson is also technology director of the Altron group which reportedly received R10m from the Innovation Support for Electronics programme, jointly administered by the Department of Trade and Industry and the Industrial Development Corporation (IDC).

He said such schemes were common in most leading industrial nations and could be in the form of tax relief or direct subsidies for specific development projects.

In SA the Innovation Support for Electronics programme was the only mechanism for stimulating local technology development. SA still lagged far behind other countries in efforts to encourage development.

Plessey Tellumat MD John Temple, whose company received more than R3m in support, said it was alarming that expenditure on research and development (R & D) had dropped to less than 1% of GDP compared with 2% to 3% in most successful industrial nations.

The support programme's allocations were a "drop in the ocean" compared to massive incentive schemes operating in other countries.

Plessey projects supported by the programme would soon result in 'tens of millions of rands' in export earnings. Government would, through income and corporate taxes, recover its money in two or three years.

IDC senior GM Gerald Morse said the electronics industry would not have been where it is without government support. The extent of that support had decreased in the late '80s. The state, as a major buyer, had previously contributed about 50% of the industry's sales.

The figure had dropped to about 25% after expenditure cutbacks by major parastatals like Telkom and Armscor. This was one of the major reasons the support programme had been introduced.

Restructured Reunert expects slight increase

BDAY 9/12/92

189D

DUMA GQUBULE

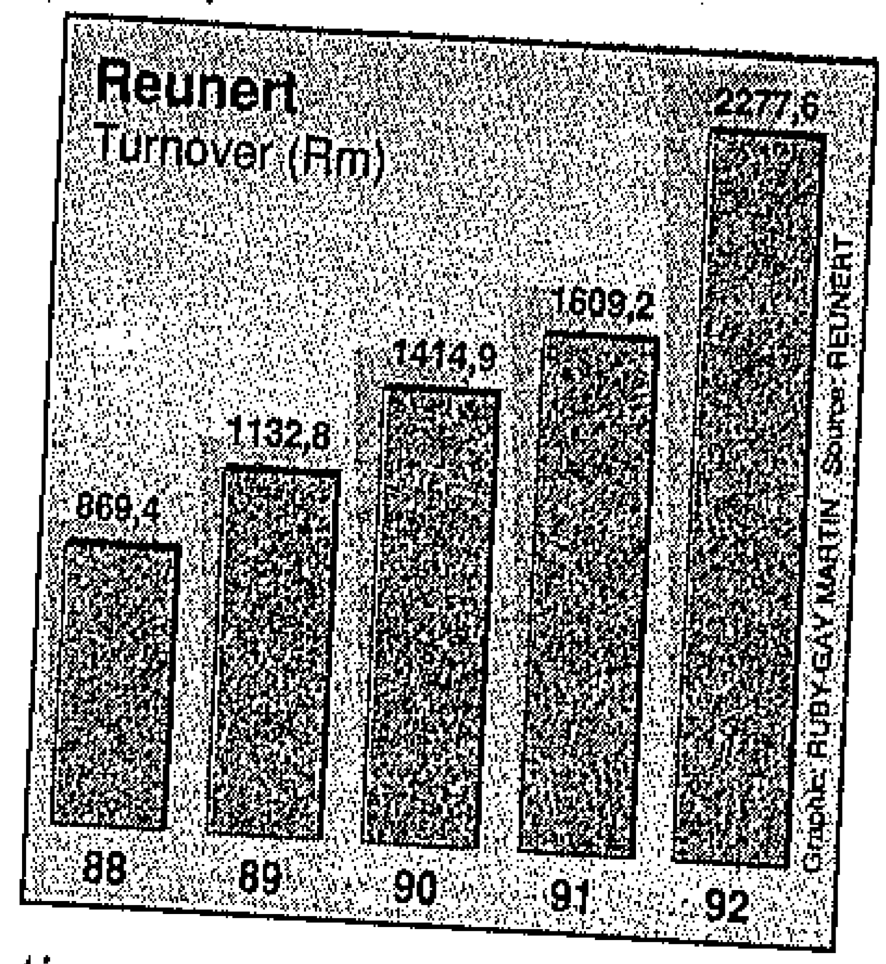
REUNERT would report a small increase in earnings for the current financial year, chairman Clive Parker said in the group's 1992 annual review.

The Barlow Rand subsidiary has restructured itself into five divisions, grouping companies with related products to give a clearer picture of business activities. The new divisions are electronics, mechanical engineering, telecommunications, electrical engineering and cables.

Parker said local demand was not expected to improve next year and Reunert companies would focus on increasing exports and rigid control over costs and working capital.

With world markets in recession, the group, encouraged by moderate successes with newly developed products, was in position to make greater impact on overseas markets. Exports would contribute a significant share of turnover in the future.

Reunert, boosted by recent acquisitions, reported a 24% increase in attributable earnings to R92,4m (R74,6m) on a 42% increase in turnover to R2,3bn (R1,6bn) for the year to end-September.



MD Tony Ellingford said the group's electronics interests were forming relationships with overseas companies from which long-term benefits were expected.

Reunert Mechanical Systems (Reumech), formed during the past year, was examining opportunities for broadening its product base.

Telecommunications interests, which included payphone company Telkor and Telephone Manufacturers of SA (TMSA), had reported an increase in taxed profits in financial 1992 due to steady local demand, improved productivity and an excellent contribution from exports. This division would play an increasingly important role in Reunert.

In electrical engineering, 50%-held GEC Althsom SAwould focus on strict working capital management, systems improvements and expense control.

Circuit Breaker Industries had increased production capacity by 20% and planned to double expenditure on research and develpoment. A major programme was under way to develop new and upgrade existing products.

ATC would benefit from forecast growth in the optical fibre cables market, but local demand for copper and industrial cables would be sluggish during 1993.

SPESCOM FM 11/12/92 (189D) (FP)

Climbing back

Activities: *Develops, makes and distributes electronics products.*
Control: *Directors 49,9%.*
Executive chairman: *A Farah; MD: J P Steyn.*
Capital structure: *19,8m ords. Market capitalisation: R12,9m.*
Share market: *Price: 65c. Yields: 4,6% on dividend; 14,7% on earnings; p:e ratio, 7; cover, 3,1. 12-month high, 70c; low, 40c. Trading volume last quarter, 366 000 shares.*

Year to April 30	'89	*'90	'91	'92
ST debt (Rm)	6,1	7,2	8,4	9,3
LT debt (Rm)	—	0,1	0,6	1,1
Debt:equity ratio	0,41	0,57	1,47	1,41
Shareholders' interest	0,37	0,44	0,22	0,21
Int & leasing cover	6,3	2,0	1,1	1,9
Return on cap (%)	15,7	10,0†	11,3	11,8
Turnover (Rm)	27,9	31,2	32,9	45,9
Pre-int profit (Rm)	4,1	2,2	2,4	3,3
Pre-int margin (%)	12,2	7,0	7,42	7,1
Earnings (c)	17,8	5,3†	2,6	9,3
Dividends (c)	5	—	—	3
Net worth (c)‡	50	48	24	29

* 14 months. † Annualised. ‡ Excludes designs, copyrights and patents.

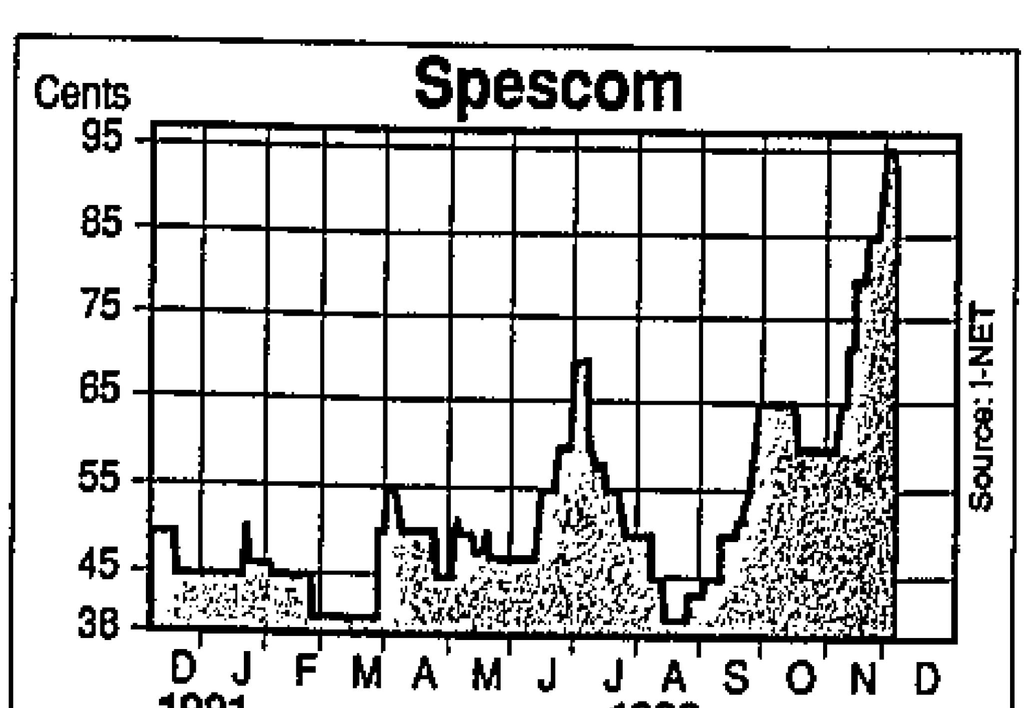
Reviewing the 1991 report, the *FM* commented that Spescom was in transition. Recovery would largely depend on the success of a move into new markets. Executive chairman Tony Farah declares in his latest review that the group has entrenched itself in an era of new business, characterised by volume manufacture and intense competition.

Judging by performance over the past 18 months, rewards are beginning to be reaped from the entry into new markets with products such as energy management systems and security equipment.

Earnings in the year to April recovered from the steep decline of the previous two years, with pre-interest income climbing 37% to R3,3m, turnover rising slightly higher to nearly R46m and EPS more than tripling to 9,3c. Though earnings remained well below former levels — 1989 EPS were 17,8c — dividends were resumed.

Recovery continued in the first half of financial 1993, interim EPS jumping two-thirds to 6,3c. Turnover climbed similarly, while operating income rose about 30%. Earnings were again buoyed by substantial assessed losses (R5,8m at the April year-end) that should ensure little or no tax is paid for a few more years.

The shift in business profile, with more emphasis on economies of scale in manufacturing and investment in plant and research, constrained cash flow. Though cash generated by operations in 1992 climbed R1,1m to R4,2m, higher working capital requirements brought year-end cash surpluses down from R5,2m to only R590 000.



Net gearing at the interim is 50% (year-end: 51%). More than R9m of shareholders' funds of R16,7m represents designs, copyrights and patents. Stripping out the valuation of this technology and goodwill gives a debt:equity of 107%.

Management is keen to convert some short-term debt to longer-term borrowings. Various methods of recapitalising are being considered; one option could involve an international investor.

The share has appreciated considerably in the year. At 88c it's 4c above management's calculation of interim NAV and higher than trading levels of recent years. Management believes the price is still not conducive to a restructure involving equity.

It's likely to be some time before the share returns to the listing price of 125c, but if recent performances can be sustained there is upside potential.

Simon Cashmore

Altech on a high

S Times Buss 13/12/92 (1891)

By JULIE WALKER

ALTECH shares, already at a 12-month high of R125, were offered at R135 after announcing a R225-million deal with French telecommunications group Alcatel. 13

In the deal, Altech is to sell half its wholly-owned subsidiary Standard Telephones and Cables (STC) to Alcatel, which will settle by two methods.

Alcatel's existing 5,9% holding in Altech will be converted in preference shares and redeemed at R112 a share to make up R69,5% of the purchase price.

The balance of R155,7-million will be met by the issue to Altech of 425 000 shares in Alcatel's holding company, Alcatel Alsthom.

Had the deal been in place for the financial year ended February, Altech's earnings would have been down 10% but its net asset value would have been almost a quarter higher at R50 a share, because STC is being sold at a premium.

The deal is good for Altech because it guarantees unrestricted access to global telecommunications technology, use of trade name and logo free of royalties. Alcatel Alsthom is the world's biggest manufacturer of power and telecommunications systems.

It also provides Alcatel with a platform from which to expand into southern Africa, much of which is in dire need of improved telecomms.

Picapli expecting to suffer in tight times

BDAY 17/12/92

LINDA ENSOR

CAPE TOWN — Picardi Appliances' (Picapli's) performance in the year to end-June 1993 would be hit hard by the limited consumption expenditure on durables — the more so if VAT was increased, MD Ed Teare said at the company's AGM this week.

"We cannot expect anything like the results achieved in the past two years," he said. (189D)

No upsurge in consumer spending was anticipated before the second half of 1993, with a decline of 6% forecast for the second quarter. An increase in VAT in the March Budget would have a severe affect on consumer spending and could result in a 12% drop in the second quarter, Jan Pickard added.

Teare said if the Powertech takeover was approved by minority shareholders and sanctioned by the court, Picapli would have the solid financial support it required. The financial backing would underpin the company's good prospects for 1993.

The takeover would probably mean that the Picard group's head office would be moved to Johannesburg, Teare said.

Picapli had continued with its rationalisation programme which included a substantial streamlining of its manufacturing operations. Efficiencies had generated greater output which had had to be cut to bring it into line with demand. Retrenchments had also been necessary.

Teare said that concern towards the end of the previous financial year about bad debtors had led to the introduction of stricter payment procedures.

Aimark sells Aim business and delists

BDAY 18/12/92

MARCIA KLEIN

CONSUMER durables company Aimark, which today reported a net loss of R3,7m (R366 000 profit) in the six months to end-June, is to dispose of its Aim business to director and shareholder Martin Klein for R1,1m.

The disposal, which follows a cautionary announcement in November, will result in Aimark delisting from the JSE's DCM sector.

Directors said the remaining non-Aim business of importing, warehousing, selling and distributing products had "severely weakened Aimark's financial position", and exacerbated the loss.

They had decided to restructure the group, which would result in a reduction in debt and enable Aimark to focus on non-Aim businesses.

It was unlikely that there would be a short-term return to profitability or dividend payments, and it was not in the interests of minorities to keep the company listed, directors said.

They said Aimark's ordinary shares — other than those held by management shareholder Ivan Cohen — would be converted into redeemable preference shares. These would be redeemed for 10c a share, and the company would be delisted.

The payment by Klein would be settled in cash, and the disposal would be effective from September 1 1992. It would result in earnings of 50c a share, compared with a loss of 2,1c a share. NAV would increase from 36c to 1 000c. (189 D)

Aimark's results to end-June show a R3m loss before interest and taxation compared with profit of R1,2m the previous year. The interest bill of R696 000 was 38% higher than the previous year's R503 000.

It showed a loss of 23,25c a share from earnings of 2,29c in 1991, and did not declare an interim dividend.

ALTECH/ALCATEL FM 18/12/92

Closer ties (189D)

Altech's proposed share swap with long-standing partner and investor Alcatel, which will result in the French telecommunications giant taking a 50% stake in local firm STC, is intended to strengthen the SA group's move into international markets.

Initial benefits will emerge in Altech's operations in sub-Saharan Africa. STC, which will continue to operate under current management, is Altech's largest subsidiary and accounted for almost two-fifths of the

FM 18/12/92 (189D)

R92,1m earnings in financial 1992. Spurred by spending cuts of major customer Telkom, STC has begun to diversify into other telecommunications markets at home and abroad.

As part of Altech's vaunted strategy of developing "African solutions for Africa," STC has been working with Alcatel to combine leading international telecommunications technology with local expertise and resources. It is active in Burundi, Kenya, Zambia, Malawi, Tanzania, Uganda, Rwanda and Zaire.

The proposed deal, to come into effect on March 1, will give STC greater access to the French company's technology and resources. It will become a "lead house" for producing telecommunications systems for developing countries. The transaction enables Alcatel to avoid moving directly into emerging markets in sub-Saharan Africa and Indian Ocean territories. Alcatel is one of the world's largest telecommunications companies, with turnover last year of US$35bn.

The share swap values the 50% stake in STC at R225m. No cash changes hands. Terms of the proposed transaction — which has preliminary approval from the Reserve Bank — are that Alcatel will convert its 5,9% holding in Altech (620 850 shares) into prefs. Altech parent Altron will redeem these for R69,5m (R112 a share) and they will be used in partial settlement for Alcatel's aquisition of its stake in STC. Altron's interest in Altech rises from 53,4% to 56,8%.

The remaining cost of the stake in STC will be made up by issuing to Altech 425 000 shares in Alcatel's parent, Alcatel Alsthom, valued at R155,7m.

As dividends from Alcatel Alsthom are unlikely to match the reduction in consolidated earnings from STC, EPS at Altech would probably be curbed. Management reckons EPS would have been cut by a tenth if the transaction had been concluded at the beginning of financial 1992.

Altech executive chairman Don Snedden says the Alcatel Alsthom investment could be translated soon into a stake in one of the French group's operations. This could lead to a more attractive consolidation of offshore earnings.

Snedden says the transaction is the first step in Altech's strategy of expanding in European and North American markets. As Altech is cash flush, the opportunity to acquire a stake in Alcatel was more attractive than a cash sale of the STC equity.

The premium on the sale of the 50% stake in STC will boost Altech's NAV. If the deal had been concluded at the start of the last financial year, NAV at end-February 1992 would be 24% up, at 5 003c.

The market has been expecting Altech to cement ties with Alcatel and perhaps venture into major international markets. The counter is at a 12-month high of R125, giving an historical p:e of 14,2.

While further short-term appreciation may be muted, the rationale of the transaction appears sound. However, much depends

FM 18/12/92 (189D)

on Altech's ability to generate profits and, more important, remit cash from its expanding activities in Africa as well as ensure its new investments in Europe deliver healthy returns. Management is confident this can be achieved. If so, that should help Altech return to the high growth it enjoyed in the mid-Eighties.

Simon Cashmore

FM 18/12/92

AFRICAN CABLES (189D)

More time needed

Activities: *Manufactures electrical cables and related products.*

Control: *Reunert and Siemens through Afcab Holdings (80%).*

Chairman: *C C Parker; MD: P J Muller.*

Capital structure: *39,5m ords. Market capitalisation: R109m.*

Share market: *Price: 275c. Yields: 7,9% on dividend; 16,5% on earnings; p:e ratio, 6,1; cover, 2,1. 12-month high, 500c; low, 250c. Trading volume last quarter, 25 000 shares.*

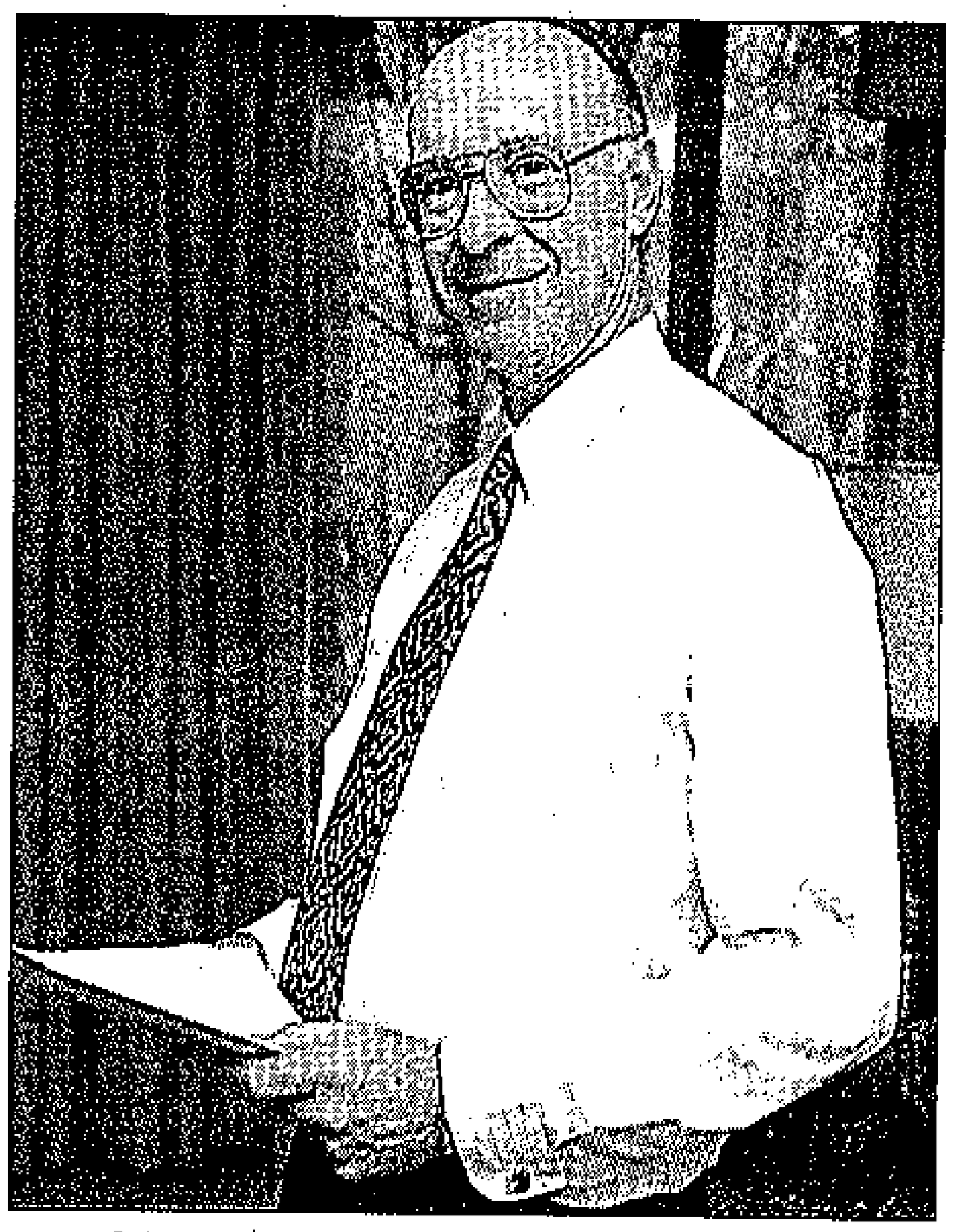
Year end to Sep 30	'89†	'90†	'91†	'92*
ST debt (Rm)	—	2,9	16,6	4,7
LT debt (Rm)	0,1	—	—	—
Debt:equity ratio	—	—	0,18	(0,09)
Shareholders' interest	0,60	0,79	0,67	0,67
Int & leasing cover	—	86,0	7,9	13,7
Return on cap (%)	22,6	31,5	14,2	19,0
Turnover (Rm)	156	187	178	248
Pre-int profit (Rm)	20,2	37,0	19,5	30,7
Pre-int margin (%)	18,1	18,1	10,1	11,5
Earnings (c)	71,7	77,8	47,0	45,4
Dividends (c)	31	33	22	21,6
Net worth (c)	317	361	388	274

† 12-months to June 30. * 15 months annualised.

Reviewing the 1991 annual report, the *FM* queried the wisdom of minorities who had decided to stay aboard instead of accepting the 625c cash offer made when Reunert and Siemens acquired joint control of African Cables. The share price then was 570c. With it now down to 275c, that question has been answered, at least for the short term.

Less clear is whether the halving of the price was excessive. Or, to put it another way, whether the revamped group could reasonably have been expected to perform any better.

The 1992 financial statements are a minefield for any analyst. They consist of a 15-month contribution from the original African Cables (the financial year-end having been changed from June to September), to which is added a 12-month contribution from Rosslyn Cables, the former Siemens subsidiary which was merged with African Cables with effect from October 1 1991. A normal time-based annualisation of results (as used by the *FM*) will tend to understate performance, probably by 10-12%.



African Cables' Parker ... *profit should improve*

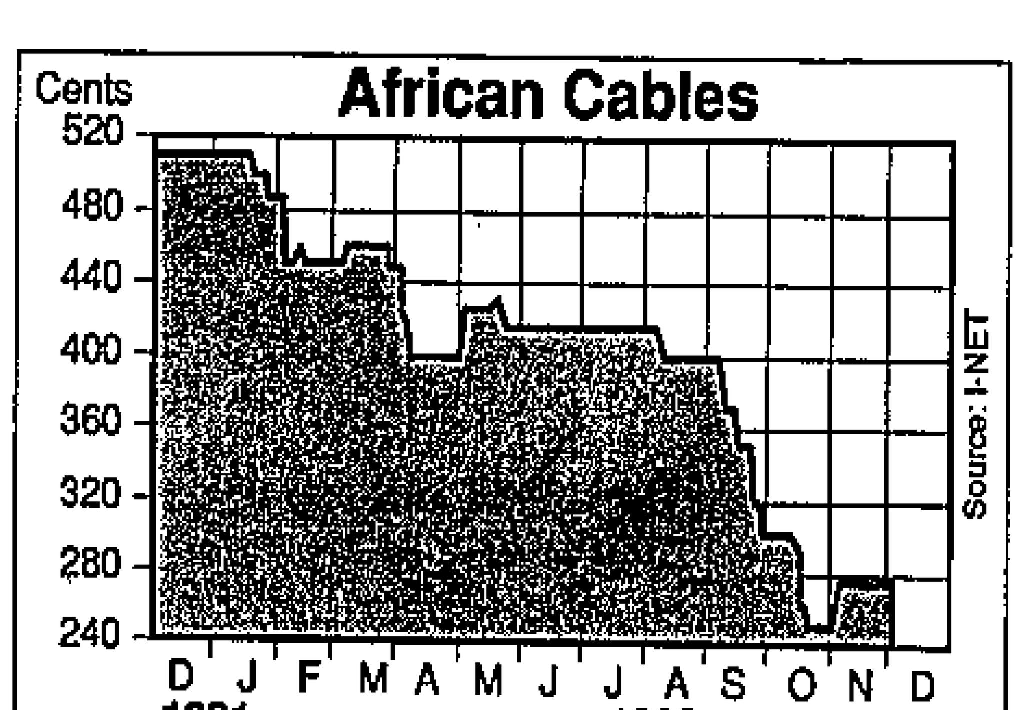
But, for shareholders, this method does provide an accurate assessment of the annualised dividends they received for the extended accounting period and the exercise does therefore have some validity.

With that qualification, initial signals from the 1992 results appear a little mixed. On the positive side, profitability of the enlarged group appears significantly better than that of the old African Cables and there have been major improvements in some asset management ratios.

Asset-turn, based on year-end total assets and annualised turnover, has improved from 1,25 in 1991 to 1,54. Bearing in mind that the turnover figure used may be understated by 10%, the "real" 1992 asset-turn could be as high as 1,7, or 36% better than achieved by the pre-merger African Cables.

Similarly, net working capital has in absolute terms been reduced from R57m to R45,1m, while in percentage terms the ratio to sales has declined from 33% to only 18%. Release of funds previously tied up in working capital has left the group cash-rich. It ended the year with net cash of R9,4m (previously net borrowings of R16,5m), before taking into account a further R15m that will accrue at the end of December when an investment in preference shares is redeemed.

An across-the-board improvement in profitability is evident, starting with the trading margin (11,5% against 10,1%), and following through the gross return on total assets (19% against 14,2%) and finally to the net return on equity (16,6% against 20,7%) — all strongly positive even if there is room for further gains.



Against this, the enlarged group seems to be smaller than the sum of its parts. For example, total (unannualised) turnover for the extended accounting period was only R310m against a pro forma R289,5m for 1991 based on the individual sales figures for African Cables and Rosslyn Cables. Similarly, attributable 18-month earnings for 1992, at R20,6m, are just 2% up on the aggregate 12-month 1991 results of the two companies. And while EPS are 9% higher than the pro forma figure, the difference here derives entirely from 1992 earnings being calculated on a weighted average number of issued shares, in place of the full dilution assumed in the pro forma calculation.

Possibly the most realistic assessment is that another year is needed — without funnies in the accounts — before a performance assessment can really be made. Chairman Clive Parker's forecast for this year is that, despite difficult trading conditions, operating results should benefit from rationalisation and higher profit is expected.

While accepting that hindsight is an exact science, a 570c share price a year ago was a bit rich. The dividend yield then was only 3,9% against, for example, Aberdare's 5,1%, pricing African Cables at a 30% premium to its main rival. Now, with African Cables at 7,9% and Aberdare at 6,4%, the pendulum has swung to a 20% discount. This could point to the share being underpriced but investors will probably want more accurate performance data before making up their minds.

Brian Thompson

Electric partners (189D)

S/Times (Buss) 20/12/92

GEC Alsthom SA and Siemens have combined to form ELMAC Manufacturing, a R200-million a year company manufacturing electric motors. The new company will absorb the machining divisions of both groups and become SA's largest producer of low and high voltage electric motors. It will also enter the export market. GEC will have a two-thirds share of ELMAC, with Siemens holding the balance.

ELMAC will be based at GEC's existing Benoni plant and absorb five GEC divisions, as well as the electric motor manufacturing facility from Siemens' Isando and Spartan factories. Early next year, ELMAC will get hi-tech tooling and manufacturing equipment from a Siemens factory in Spain.

Strong support for Powertech's offer

BDay 24/12/92 (189D)

LINDA ENSOR

CAPE TOWN — Picardi Investments (Picbel) and Picardi Holdings (Pichold) shareholders voted overwhelmingly in favour of Power Technologies' takeover offer at special general meetings yesterday.

A total of 99,98% of the 1,53-million Picbel scheme members present in person or by proxy voted in favour, while 99,7% of the 789 949 Pichold scheme members present voted for the proposals.

In terms of the offer Picbel shareholders would receive 200 Powertech shares for every 100 shares held or a cash equivalent of 700c. Pichold shareholders would receive 161 new Powertech shares for every 100 shares held, or cash of 563,5c a share.

Powertech director Murray Coutts-Trotter said he was very pleased with the outcome. He believed more than half of the Pickard group shareholders would opt to take the Powertech shares rather than the cash offer. Once the transaction was sanctioned by court, Powertech would immediately undertake a rights issue to raise R21m to settle Picbel's debt to Picapli.

Meeting chairman, attorney Frans Malherbe, said the results of the meeting would be presented to the Cape Town Supreme Court on January 13, when objecting shareholders could voice their opposition. If the court sanctioned the deal, it would take effect from January 18.

Objections to the deal were raised by Shareholders' Association chairman Issy Goldberg, who said it was not fair to minorities in Pichold subsidiary Picardi Appliances (Picapli).

Goldberg said the offer was too magnanimous to Picbel and Pichold shareholders, to the prejudice of minority shareholders in Picapli, who owned 1,75-million or 6,3% of the shares and who had been offered 80c a share. He urged that the court take cognisance of his opposition.

Goldberg said the deal was perfected on

☐ To Page 2

Powertech

BDay 24/12/92. (189D)

☐ From Page 1

the basis of Picapli shares being valued at 54c a share, when net asset value was 208c. He felt Picapli shareholders should be given the same put option to convert their shares into Powertech shares that had been afforded to the Pickard family.

Goldberg also objected to the failure to invite Picapli shareholders to the meeting and to the failure to disclose details of the deal to them.

Powertech's corporate adviser, Standard Merchant Bank's Mark Barnes, pointed out that the JSE timetables governing disclosure to Picapli minorities had been complied with and they would be informed in due course.

Malherbe noted that in terms of the Companies Act the Supreme Court was not empowered to look into the effect of a transaction on minorities of a target company but said Goldberg's views would be conveyed to the judge.

Picbel, Pichold and Picapli minority shareholder Abraham Gordon said there was a downside risk to Picapli if the total package was not accepted as the company was overgeared and was in need of a financially strong parent. There was doubt over its continued existence if the deal was not approved. Another Picbel minority shareholder, John Knight, objected to Goldberg raising his objections so late.

And a large minority shareholder said Goldberg had not taken account of the fact that the Securities Regulation Panel had instructed Powertech to make a cash offer to Picapli shareholders.

Heavyweights go after top electronics shares

BDAY 29/12/92 (189D)

MELANIE SERGEANT

LARGE institutions are seeing the light at last, and are chasing shares of companies listed on the JSE's electronics sector.

Most popular choices now are companies concentrating on high growth areas such as software, services and data communications or networking. They include groups like SPL, Didata, Altech, Telemetrix, QData and Powertech.

Shares trading at or above their 12-month highs include QData, Reunert, Spescom, Siltek and Ventron.

Stockbroking firm Silvis, Barnard, Jacobs, Mellet & Co analyst Maurits Huizinga says institutions like Sanlam have been buying into some IT companies over the past couple of years but "other large institutions are now also keen buyers."

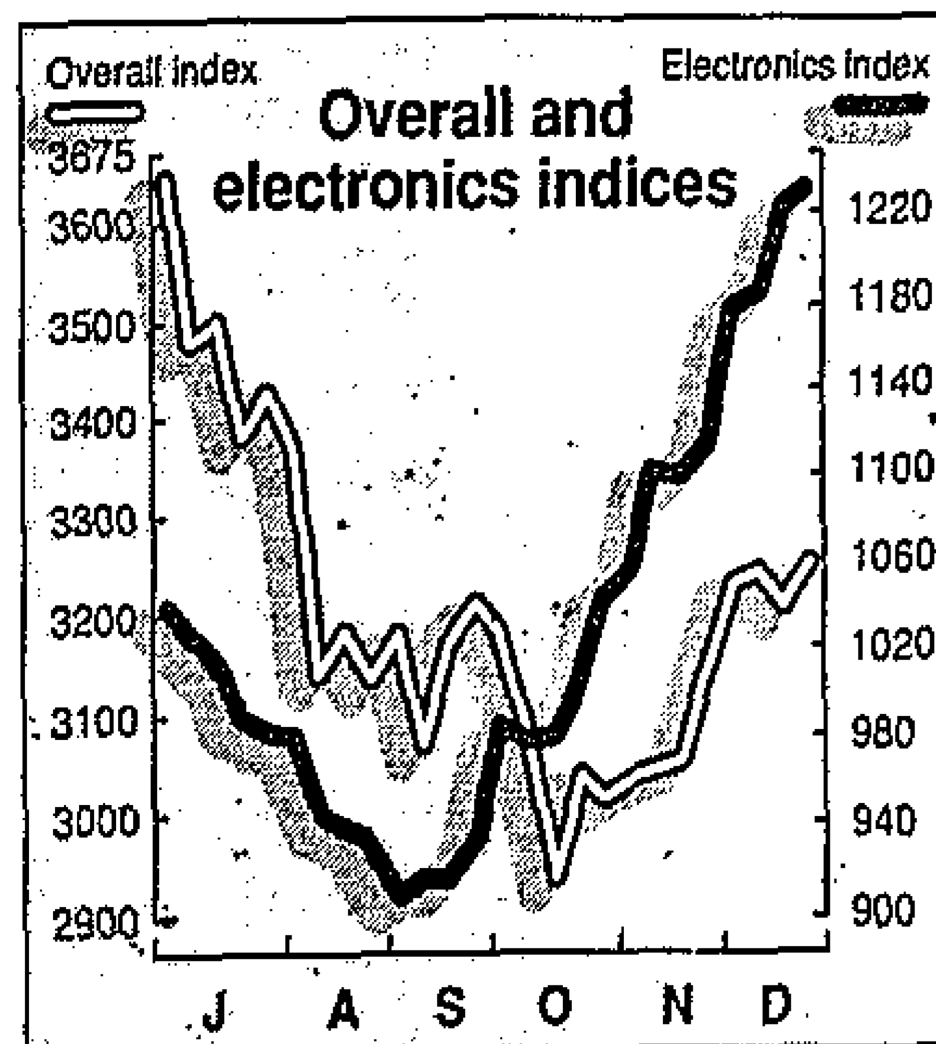
SPL is a particularly popular buy, because of its recent acquisition of Ohio Computer Systems, which has taken SPL into the distribution and retail applications markets — as well as into document and currency processing technology — giving it an entrée into the high-growth area of optical character recognition and imaging technology. Huizinga reckons the significance of this deal went largely unnoticed, but the group expanded by 22%.

For the first time, he says many institutions are realising the extent of the explosion taking place in the information technology industry, and especially in areas such as software rather than in traditionally dominant hardware companies.

"In the past, there was some reticence, based largely on a lack of knowledge about companies in the sector — and about technology itself," says Huizinga.

It is expected that cash-flush companies in the sector, including groups like Mercedes Information Technology, will not only be looking for international links like Altech has done, but also for expanding export opportunities into Africa and beyond.

A major problem for investors is the lack of scrip available; companies in the sector have always battled to attract institutional investors because of the relatively



Graphic: RUBY-GAY MARTIN . Source: I-NET

small amount of shares available.

Safegro portfolio manager, Mike Howarth, says the buy trend on the JSE is similar to other bourses and is borne out by the Dow Jones index for the sector.

"Companies worldwide are looking for higher efficiencies to become more competitive. They realise that one way to achieve such efficiencies is through investing in computer hardware and software."

The power of computer equipment is rapidly increasing while prices fall, making it easier for more companies to invest in technology.

Another analyst says the electronics sector did badly for many years, but has now matured and introduced stronger management and more acceptable accounting methods.

"It now represents good value at low risk. Many shares have enjoyed reratings over recent months with PE ratios moving up from four to nine.

"One example of rerating is Didata which has not disappointed since its listing, and has a strong balance sheet. Investors now understand the need for networking and the specialist niche market which Didata's skills and technology represents; networking is a high value added area of the IT industry, so is not easily entered into by new competitors."

MANUFACTURING - IRON, STEEL etc

1993 (D)

Powertech seeking R64-m

STm 15/1/93.

By Stephen Cranston (189D)

Powertech is proceeding with a R64 million rights issue to help finance its recent acquisitions.

Powertech recently acquired SA Philips's holding in Aberdare Cables for R112,8 million and 61 percent of domestic appliance manufacturer Picapli for R29,5 million.

Powertech chairman Peter Watt says that the rights offer will increase the capital base of the group, ensuring that finance is available for future growth.

Powertech also said yesterday that it would offer Aberdare minorities R23,10 per share in cash or new Powertech shares at a ratio to be determined at the end of the month.

The offer price is below the current R24 share price, but represents a 21 percent premium on the price at the time of the acquisition of the SA Philips's holding last year.

Acceptance of the offer will result in Aberdare's delisting on February 26.

Watt says that over the years Aberdare has developed appropriate and sustainable technology to meet the demands of mass housing and reticulation projects.

Its product range is complemented by technologies being developed elsewhere in the group.

Powertech has revised its offer to minorities in Picbel and Pichold.

Shareholders in Picbel will receive 200 Powertech shares for every 100 shares held, or a cash equivalent of 700c a share.

Pichold shareholders will receive 161 new Powertech shares for every 100 shares held, or cash of 563,5c a share. The shares are being delisted today.

Picapli will remain listed, but an offer of 80c a share is being made to to minorities.

Details of a Picapli rights issue will be announced within the next two months.

Watt says the acquisition of Picapli, which manufactures KIC, Whirlpool, Indesit and Hitachi appliances, will enable Powertech to diversify into the local consumer appliance industry.

It intends to benefit from the broadening demand for such products from increased housing and electrification.

Powertech is negotiating arrangements with international organisations to strengthen KIC's product and technology base.

Powertech plans to raise R64m to fund purchase

BDay 15/1/93 (189D)

DUMA GQUBULE

THE JSE's first rights issue of the year was announced yesterday when Powertech said it planned to raise R64m from its shareholders to finance partially last month's R112m acquisition of an increased stake in Aberdare Cables.

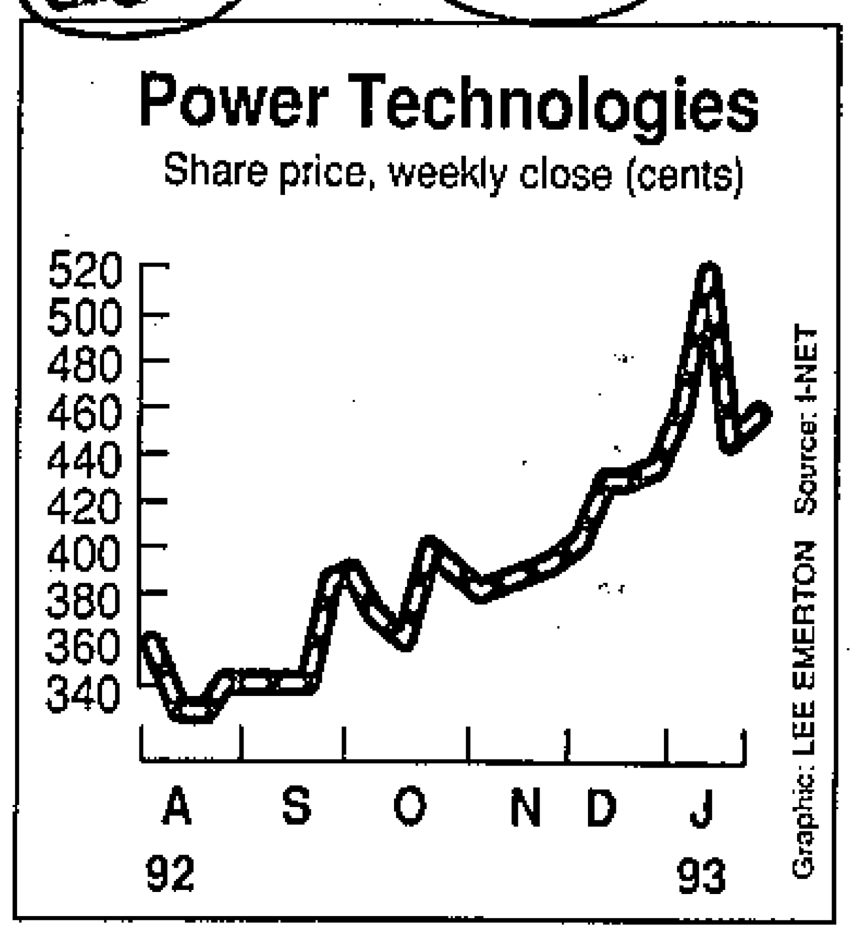
Executive chairman Peter Watt said holding company Altron had agreed to underwrite the rights issue, details of which would be given towards the end of the month.

The issue would increase the group's capital base, ensuring that finance was available for future growth, including that of newly-acquired listed subsidiary Picapli.

The capital injection would also enable Powertech to maximise future business opportunities, he said.

Powertech last month paid Phillips R113m (R22,50c a share) for its 50% stake in former Aberdare holding company Consolidated Cable Investments (CCI), increasing its stake in the company to 89%.

Watt said Powertech would offer Aberdare minorities either R23,10c a share or new Powertech ordinary shares at a ratio to be finalised at the end of January.



Aberdare shares yesterday closed at a price of R24 on the JSE. Watt said the minorities were obtaining a 21% premium on the ruling price at the time of Powertech's acquisition of the SA Phillips stake.

Aberdare shareholders were being offered an opportunity to participate in a broader-based Powertech which, through its significant resources and strategic investment in technology, was in a strong position to meet market demand.

Powertech directors had proposed that 100 000 5,5% Aberdare preference shares in issue be converted and redeemed at their par value of 200c each for a consideration of R200 000. Acceptance of the offer would result in Aberdare becoming a wholly-owned subsidiary of Powertech to be delisted with effect from 26 February, he said.

Meanwhile, a Powertech statement said its plans to diversify had been boosted following Supreme Court sanction for its bid for control of listed white goods manufacturer, Picapli. The statement said that prior to Supreme Court approval, more than 99% of minority shareholders had voted in favour of Powertech's plans to buy out minorities in Picardi Holdings (Pichold) and Picardi Investments (Picbel) and take control of Picapli and its main operating company KIC.

Watt said Picapli would announce details of its own rights issue when it was clear how many Picbel and Pichold shareholders had opted for cash or Powertech shares.

Aberdare minorities should take Powertech share offer

STAR 19/1/93 .

By Stephen Cranston 189D

Minority shareholders in Aberdare would be well advised to take Powertech shares instead of cash for their interests.

Powertech is the market leader in the power electrical industry, which is well-placed for growth as electrification of the townships and neighbouring countries increases.

Some three million houses have been earmarked for electrification by 1995.

Powertech is also looking at export markets in the Far East and South America.

Projects

And after a recent drought in major projects, Powertech is well-placed to serve such power-intensive projects as the extensions to Alusaf in Richards Bay, the Columbus stainless steel project and an expected upgrade of five oil refineries.

Its annual compound growth in attributable earnings since 1981 has been 40 percent, in turnover 43 percent, and in total assets 43 percent.

The more diversified Powertech has a market rating well above that of Aberdare, which the market treats as a mature cash cow — Aberdare reported more than R34 million in cash in the bank at its June interim.

Powertech has a price to earnings (P/E) ratio of 13,3 and a dividend yield of 2,4 percent, compared with Aberdare's 9 P/E and 5,6 percent dividend yield.

There was a hiccup at last August's interims when Powertech's earnings were nine percent down, but this was largely because of of a protracted strike in the steel and engineering industry.

The market is somewhat sceptical about Powertech's immediate prospects.

The share price has fallen from 520c to 410c since the beginning of the year.

But Frankel Max Pollak analyst Johan Snyman predicts that earnings will increase from 32,3c a share last year to 35c a share in the year to February and that the dividend will increase from 9,7c to 10,5c.

He says that Picapli will contribute three cents a share to the bottom line in the 1994 financial year in which earnings will rise to 44,7c a share and dividends to 13,5c.

Powertech has been able to expand because of its strong balance sheet.

Net cash reserves almost doubled to R69 million in the August interim from a year before.

This net cash position was reversed by takeover of SA Philips's interest in Aberdare Cables for R112 million.

But it will be brought back into equilibrium after a R64 million rights issue.

Powertech operates in the power and communication cables sector through Aberdare, in power generation, transmission and distribution through Brown Boveri Technologies, transformer board supplier Whiteleys and Yelland Technology.

It is represented in energy management and control by Willard Batteries, Delta Controls, Yelland Control and EPC.

In lighting and electrical accessories it is represented by Litemaster, Crabtree and Lascon Lighting Industries.

Aberdare recently embarked on a R25 million capital expenditure programme to expand its manufacturing capacity and converted its Maritzburg factory to low-cost reticulation products.

Forefront

Lascon Lighting has worked on a number of major projects in the current financial year, including Lost City, the new Anglo American head office and a two-year exclusive contract to supply China Light and Power of Hong Kong with all its control gear needs.

It has been at the forefront when it comes to using advanced materials and manufacturing methods in the design and construction of light fittings and luminaries.

Other group projects have included time-of-use electricity metering devices, lightning surge protection units and portable test equipment.

Snyman says Powertech offers value up to 490c a share, which makes it a buy at current levels.

Cullinan Holdings on the upswing

BDay 22/1/93.

(189D)

EDWARD WEST

CULLINAN Holdings expected further losses in the six months to end-December 1992, but was on track for a small profit in the year to end-June 1993 after restructuring, MD Ed Harbuz said yesterday.

Harbuz said the group, which is involved in contracting as well as producing refractories, bricks, electrical ceramics and precision engineering equipment, was restructured after the R35m loss at year-end in 1992.

New management was installed at the group's six divisions, an entire management level at executive director level was removed and several hundred employees at all levels were retrenched.

Three businesses outside the group's focus, Cullinan Bleach Clay, Cullinan Minerals, and African Cables were sold, as was a small interest in a pallet making company. The property division was virtually closed and the large industrial property porfolio still held by the group was being sold through agents.

Harbuz described the new R35m brick-making facility in Olifantsfontein as the group's previous "archilles heel" due to commissioning problems last year which resulted in a R5m cost overrun. Executive director Rod Stewart said the problems had since been resolved.

Harbuz believed a building industry upswing could result in a brick shortage because of recession-linked closures of other brickmakers. "Making bricks could again become extremely profitable."

The refractories division, one of only four operations in the world able to produce refractories for aluminium smelting, was recently awarded a maintenance contract for both major Gulf producers, Aluminium Bahrain BSC and Dubai Aluminium Company, said marketing manager Mark Lawless.

Fm 22/1/93 (189D)

POWERTECH / ABERDARE

Buy-out plan

(189D)

Fm 22/1/93

Minorities in Aberdare Cables will have to wait until next week to find out the terms of the share swap being proposed by controlling shareholder Powertech.

Altron subsidiary Powertech increased its effective stake in the cable group from 55% to 89% early last month, by buying SA Philips' half-share in Aberdare's unlisted holding company, Consolidated Cable Investments, for R112,8m — equivalent to R22,50 per Aberdare share.

Last week, Powertech confirmed it wants to take out Aberdare minorities and delist the cable group by end-February. It is offering minorities R23,10 cash per Aberdare share, or an as yet undetermined number of Powertech shares. Powertech also plans to hold a R64m rights offer to fund partly the increased investment in Aberdare and the recent R29,5m purchase of 61% of Picapli, the domestic appliance maker. Powertech's holding company, Altron, is underwriting the issue. Until further details are released it's impossible to gauge shareholder reaction.

Peter Watt, chairman of Powertech and Aberdare, says management is still "doing its sums." However, more details will have to be disclosed before January 29, the deadline for minorities to accept the offer.

Aberdare's shares stand at R24, up from R19,10 when Aberdare concluded its deal with SA Philips in November, but short of the year-ago R28.

The cable group's year-end has been extended from end-December to end-February, in line with that of Powertech. That makes calculation of the earnings multiple that Powertech will be paying to acquire full ownership of Aberdare problematic. Watt says Aberdare's earnings in the 12 months to December are close to those of financial 1991, when EPS were 263c. This would put the p:e of Powertech's acquisition of SA Philips' effective shareholding in Aberdare and its cash offer to minorities at 8,5-9,0.

Watt says the rights issue is intended to ensure Powertech has minimal debt after the Picapli and Aberdare transactions. Full cost of these deals, including redemption of the Aberdare prefs for R200 000 and the buy-out of minorities, is likely to approach R180m. At its August interim, Powertech's net cash balance was R61m.

Commenting on the effect of the acquisitions and rights issue on Powertech's EPS for the year to end-February, Watt says Aberdare's increased profit contribution should more than offset the dilution of earnings resulting from the increased share capital. NAV, however, will probably dip.

Aberdare has contributed about a third of Powertech's turnover and almost two-fifths of attributable earnings for the past few years and the Altron subsidiary has been keen to increase its stake. With the weak economy and cuts in infrastructural spending hampering earnings growth, management has been looking to increase market share, improve productivity and expand in export markets.

Powertech has held management control of Aberdare since 1985. It knows the group and its markets well and will not have to undergo the trauma of rationalising or integrating its operations. Aberdare last year spent R25m upgrading its manufacturing facilities and at midyear boasted net cash holdings of R34m.

Long-term benefits to Powertech of the increased stake in Aberdare look good. However, a clearer assessment of the effects of its recent investments and proposed recapitalisation, particularly in the short-term, will only emerge when details of the rights issue are disclosed.

Simon Cashmore

Powertech makes offer to Aberdare minorities

STAR 25/1/93 (189D)

Powertech has announced the terms of its offer to Aberdare minority shareholders and full details of the rights issue to Powertech shareholders.

Aberdare minorities are being offered R23,10 per ordinary share held, which is a 21 percent premium on the ruling share price at the time of acquiring the SA Phillips interest in Aberdare, or Powertech shares in the ratio of 540 Powertech ordinary shares per 100 Aberdare ordinary shares held.

Should the offer be successful, Aberdare will be delisted, while Powertech will further its development of the group.

A rights issue of 15,7 million ordinary shares to Powertech shareholders will raise R63 million.

This will be used partly to finance Powertech's increased investment in Aberdare and, following the acquisition of white goods manufacturer Picalpi, that company's reconstruction into a broader-based electrical group.

Shareholders are being offered 11 additional Powertech shares for every 100 ordinary shares held, based on a share price of 400c.

The Powertech share is currently trading at 440c per share.

Following the rights offer, and the shares issued in connection with the Picapli acquisition, Powertech's issued share capital will increase by about 18 percent to 159 million shares.

The rights issue will be underwritten by Powertech's holding company Altron. — Sapa.

Powertech pitches rights offer at 400c a share

B/Day 25/1/93 (1890)

DUMA GQUBULE

POWERTECH has pitched its R63m rights offer at 400c a share, 30c below Friday's closing price on the JSE.

The group said earlier this month it *would raise the funds to partially* finance last month's R113m acquisition of an increased stake in Aberdare Cables.

Executive chairman Peter Watt, giving details of the rights issue, said at the weekend the group would be issuing 15,7-million new shares with shareholders being offered 11 additional shares for every 100 ordinary shares held.

Powertech's issued share capital would increased by 18% to 159-million shares following the rights issue and another issue, which is still to be *disclosed, to fund last year's R29,5m* acquisition of consumer appliances group Picapli.

Watt also gave further details of Powertech's offer to Aberdare minorities, who were earlier this month offered R23,10c a share.

Aberdare minorities would, in addition to the cash option, have the right to receive 540 Powertech shares for every 100 Aberdare ordinary shares held. Aberdare would be delisted if the offer was successful, he said. Aberdare shares closed at R23,50c on Friday.

Watt said Powertech's balance sheet would remain healthy after the transactions, with gearing forecast at below *20%* of shareholders' funds.

The group, he said, was well-placed for growth as the electrification process gained momentum.

Power meter exports on the cards

B/DAY 28/1/93. (189D)

WILSON ZWANE

DURBAN-based electronics company Conlog said yesterday it was close to winning several export deals for its prepaid electricity meter system.

Marketing manager Lynette Brull said international interest in the system — developed four years ago for Eskom's drive to electrify all township households — was generated at a recent conference in Glasgow at which Conlog's Herman Bos presented a paper.

As a result of that interest, Conlog had entered into negotiations with New Zealand, Australia, Gabon, Egypt and a number of South American countries.

Brull said the system — called the E-Kard Electricity Revenue Management System — had been developed to such an extent that it was now an internationally competitive product.

Conlog, which has been selling 24 000 meters a month in the past few months, claims it dominates the southern African market. Its biggest customer is Eskom.

"To cope with increased demand, we have increased our production capacity more than sevenfold and have more than trebled our staff complement," Bos said.

PAC occupies Umtata offices of newspaper

Own Correspondent

EAST LONDON — About 15 PAC members occupied the Daily Dispatch's Umtata office yesterday in a protest against the newspaper's "campaign of silence" against the organisation.

Two trucks delivering the newspaper to the homeland were stopped by armed men, but Transkei police did not believe there was a link between the two incidents and the sit-in. B/DAY 28/1/93.

One truck was hijacked by four armed men near Tolweni. It was found near Butterworth with only the keys and number plate missing. The other truck was prevented from continuing into the homeland by a group near the Queenstown-Transkei border on the road to Lady Frere.

Daily Dispatch staff in Umtata left the office during the occupation but Transkei military leader Maj-Gen Bantu Holomisa assured the SA Union of Journalists that journalists would be protected.

PAC regional secretary Zingisa Mkabile, who led the occupation, refused to confirm or deny PAC involvement in the truck hijacking except to say the organisation was "rejoicing". He said the PAC could not guarantee the safety of Daily Dispatch vehicles and the organisation would "kill" the newspaper's business in the region.

In a statement, the PAC accused the Daily Dispatch of ignoring its statements and refusing to cover PAC events. It vowed to continue the action until the newspaper ceased its alleged "bias publishing".

Daily Dispatch editor Glyn Williams assured the PAC that the stance of the editorial staff concerning news items was "unbiased and objective".

Powertech's bright future

St Times (Buss) 31/1/93, (189 D)

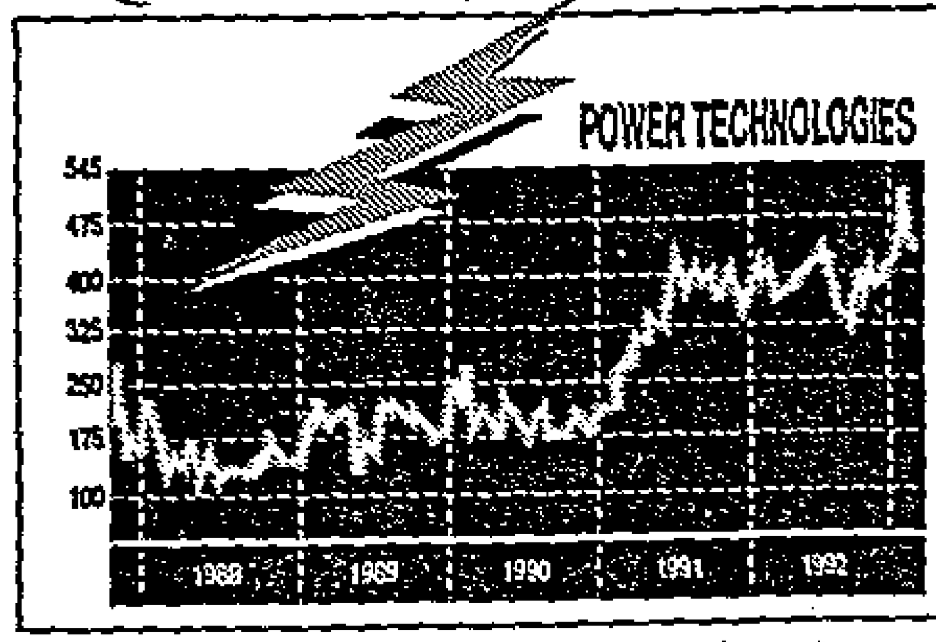
DIAGONAL STREET by JULIE WALKER

RATHER quietly, just before Christmas, Sweden commenced lifting its product sanctions against South Africa and is expected to lift further barriers soon.

The move enabled Powertech executive chairman Peter Watt to fulfil the suite of ambitions he held for his group when I visited a year ago this week.

Last January Mr Watt forecast that the lifting of sanctions would have an immediate beneficial effect on Powertech, one of SA's leading cabling, lighting and electrical companies.

Swedish manufacturing is a centre of excellence for a range of products used by Powertech. Products are one thing, technological backup another. While Powertech has been obliged to seek links elsewhere, the reopening of Sweden's doors is a positive move.



Last year Mr Watt spoke of establishing or buying into a new area of business. At the time he commented that there was precious little left worth buying domestically.

Yet he did fied something in the form of Picapli. A shares deal, which will have cost Powertech about R9-million for 61% of the manufacturer and trader of KIC, Hitachi, Indesit and Whirlpool white goods, will bring more than R250-million worth of turnover to the group.

Powertech executive director Murray Coutts-Trotter says that Picapli never disclosed turnover for reasons of competitiveness, but changes to the rules governing disclosure now oblige companies to bare all.

He says that Picapli's annual turnover will be more than R250-million.

In good times, Picapli enjoyed a 10% operating margin on sales — not bad for a manufacturer. The present 100%-plus gearing arose partly as a result of two disasters that befell the company during the '80s.

The first was linked to uncovered offshore borrowings. Mr Coutts-Trotter points out that Picapli was not the only company to fall victim in this regard: "Banks virtually threw offshore money at companies in those days, and the perception was that the rand could never slip below the dollar. It was a great temptation."

The second date with fate was Picapli's foray into the brown goods market — a move soon reversed but not before more than R14-million had been lost.

The acquisition of Picapli gives Powertech two angles from which to prosper when mass electrification of SA gets under way — hopefully this year.

Eskom aims to electrify up to 400 000 homes this year and municipalities maybe even more. Every newly electrified home needs appliances — hence the Picapli deal.


PETER WATT

But it nearly fell through. Powertech first got interested when it heard that other people were looking at Picapli's prospects. Mr Watt also went for a look, but dismissed the idea on two counts: Powertech did not know the products or the markets.

"We certainly didn't have a senior man here who could have taken Picapli on, and the incumbent manager did not wish to leave the Cape," says Mr Watt.

Happily, Simon Nash — an entrepreneur who successfully developed Valard, Cadac and Speedplast — was also looking at Picapli but felt it was too big to handle alone. He contacted Mr Watt, and the outcome was most convenient: Powertech gets into a new line with a proven man at the helm and Mr Nash gets a big fish to fry with a strong partner.

Christmas sales exceeded demand — Picapli almost ran out of stock because retailers had underestimated requirements. Nevertheless, 1992 was a poor year. Layoffs have been unavoidable and the two distribution centres have been brought under one roof in Elandsfontein.

Picapli was only one of three big moves last year. Powertech's financial director Bill McConnell points out that R9-million has bought 61% of a company with sales of R250-million, whereas to buy another 34% of cablemaker Aberdare cost R113-million. The takeout of minorities in Aberdare will cost another R37-million. Aberdare members can elect to accept Powertech scrip 540 for 100 with their redemption proceeds.

Powertech has managed and consolidated Aberdare for several years and has long coveted SA Philips' shareholding. Suddenly, Philips wanted out and accepted Powertech's bid of about eight times earnings. It should not take that long for Powertech to get its money back.

It paid cash because it had been sitting on R50-million-plus looking for a home. Nevertheless, aversion to gearing of greater than 20% ('we are not confident about interest rates') has precipitated a rights issue to raise R63-million, 11 for 100 at R4.

The third change of 1992 expected and achieved by Mr Watt was the cementing of relationships with technology partners ABB, with a view to developing business in Africa.

When that announcement was made, ABB's Swiss representative, Arne Benborn, was enthusiastic about prospects north of our border. Mr Watt is more sanguine.

"Six months ago Angola looked good, peace prevailed, elections were coming. But now, there is no chance of development there. Zaire is in the same boat."

Powertech's rights issue should attract strong support — the share price added 10c to 440c after the pitch price was announced. The share deal for Aberdare members is valuable too. Picapli will need its own rights issue in March to recapitalise by more than R20-million.

I have a positive vibe about the company. Economy-permitting, it is primed to perform.

MICOR'S MINORITY GETS AN EXTRA 50c

MICOR'S minority have no choice but to accept the 140c cash proceeds from the liquidation of their company, but they can elect or decline to follow their rights in Micind at 20c a share.

The offer might have been included as a sweetener — but if shareholders had been relying on receiving the proceeds of the liquidation of Micor to follow their rights they might have been hard-pressed — cheques were to be posted only two days before the closing date of the Micind offer.

Former director Mick Delahunt, who resigned in protest at the Hackenhoff consortium's first offer for the company, raised several issues at the meeting which the chairman would not discuss.

Mr Delahunt queried whether the forwarding revenues of the freight companies would be accounted in Micind or whether they would now be accounted in Hackenhoff — at the expense of Micind minorities. When Micor owned Micind it was almost academic where the entries were made, but with Hackenhoff now in private hands, Mr Delahunt raised a point: how will anybody — particularly Micind's minority — know?

He also raised the issue of guarantees, which the Micor directors used as one of the reasons for stripping the assets out of Micor. They claimed that Micor was no longer able to stand R60-million in guarantees, three-quarters of which are for Micind, but that Hackenhoff would assume the guarantees.

An assumption is not good enough for Mr Delahunt; he believes guarantee contracts should be drawn up because Micind's minority is now relying on fellow shareholders to furnish guarantees but who are under no obligation.

Mr Delahunt said that Mr Kaplan had obstructed his making of an offer for the offshore assets of Micor by not giving him information regarding the asset value of same assets.

Mr Delahunt said that the Kaplans, as shareholders, can act as they like, but as directors of the company they had to act in its best interests. This, he maintained, they had not done by denying him the information necessary to make an unconditional offer better than the one they, as the Hackenhoff consortium, had made.

He said he learned of his dismissal from Micor from an offshore officer of the group who said he had been told by Mr Kaplan that Mr Delahunt had "sided with asset strippers who had been around for all of last year. They just want to take cash out. We've cooked up a scheme to push these people out of the frame and staff can keep their jobs."

In the light of this statement, Mr Delahunt queries the true motive for Hackenhoff's bid, as opposed to the reasons given in the offer document.

The matter of a property in Plettenberg Bay for which Micor paid R125 000 ten years ago was raised. Mr Delahunt said it would now be sold at book value to Micind, since its main use was for Micind staff and clients.

It's going into the Hackenhoff consortium at a substantial discount (in line with the other assets of the section 228 takeout) meant that Hackenhoff could sell it for about R500 000 profit instead of it being passed on for the benefit of Micind members.

Mr Delahunt was denied the opportunity to question auditor Kessel Feinstein on the fair and reasonable statement because Zell Rangecroft, who prepared the papers, did not attend the adjourned meeting and Mr Kaplan would not allow questions to be directed to another partner of the auditing firm.

Mr Delahunt wondered how independent Kessel Feinstein could be when it is the auditor of Micor, of Hackenhoff (it furnished it as a dormant vehicle through which the Kaplans could make an offer for Micor's assets), and introduced various of its clients, including Gordon Frew, into the Hackenhoff consortium.

For his trouble, and 14 years service to Micor — many as deputy chairman, Mr Delahunt now finds himself out of a job. He had until Wednesday's meeting hoped that he could buy Micor's offshore assets, having arranged funding and intending to invite Micor's minority to stay aboard.

Mr Delahunt's efforts and protests secured an extra 50c or 56% a share for Micor's members. Jack Mitchell, representing Allan Grey Investment Counsel and other minorities, paid tribute to Mr Delahunt's courage, a sentiment echoed by all but Micor's controllers.

St Times (Buss) 31/1/93

Adjournments end in agreement

THE Micor story came to an abrupt and largely satisfactory end on Wednesday after two adjournments to the proceedings.

The upshot — minorities will get an extra 50c a share after the Hackenhoff consortium was obliged to match that level.

Hackenhoff represents the interests of the Kaplan family, the Kaplans being directors and substantial shareholders of Micor. As directors, they were obliged to accept the best offer or be accused of being in breach of fiduciary duty to shareholders.

The first meeting to discuss the proposals to sell Micor's assets to Hackenhoff was adjourned because various parties requested time in which to make a counter offer.

The reconvened meeting was adjourned for four hours after chairman Cecil Kaplan told shareholders of several events, not least of which was an interdict brought against Micor to prevent it disposing of its assets.

The other news was that another offer had been received, equivalent to R20-million or R1,20 a share — R5-million more than Hackenhoff's first offer.

Hackenhoff was obliged to offer nominally more than this — its second bid was at 125c.

When the meeting reassembled, Mr Kaplan announced that an agreement had been reached. A further offer of R23 148 300 had been received which the directors had not accepted but which the Hackenhoff consortium matched. This offer was accepted by the directors.

Furthermore, 97,7% of members had signalled their intention to vote in favour of the amended offer and even without the Kaplan vote, 93,6% of the rest of the shareholders intended to vote in favour.

The further offer to Micor members, that they subscribe for 130 Micind shares for every 100 Micor at a price of 20c, still stands.

KNJ takes on new agencies

KNJ has signed two agency agreements with international principals which could add R12-million to turnover and R1-million to profit.

Negotiations have been concluded with Canadian group Bombardier for KNJ company Suzuki Distributors to market Sea-Doo watercraft. A second deal has been reached with Diadora, an Italian producer of sports shoes and clothing.

Control Instruments revs up performance

DUMA GQUBULE

ELECTRONICS group Control Instruments recorded a sharp improvement in profitability for the half year to end-December as attributable earnings rose to R1,4m on a slight increase in turnover to R35,8m. B/Day 10/2/93

The group made a profit of R288 000 for the year to end-June. Directors said the group had continued to show improved results although trading conditions during the period remained difficult. (189 D)

Operating income more than doubled to R2,4m from R1m. Interest paid dropped sharply to R971 000 (R1,7m) as interest bearing debt fell to R12,3m (R15,3m).

Attributable earnings came to R1,4m, equivalent to 2,05c a share, compared with a loss of R708 000 the previous year.

POWERTECH/ABERDARE

FM 12/2/93

Tying up minorities

(189D)

Powertech's plan to delist Aberdare Cables has sparked disapproval from some minorities in the cabling group.

They feel that Powertech's announcement that dividend cover at Aberdare will, if the group is not delisted, rise from its previous two-times cover to around 3,3, smacks of coercion. They say the move is intended to compel minorities to either sell their shares at a price well down on that of a year ago or swap them for shares in Powertech — whose earnings and dividend performance has lagged that of Aberdare.

Aggrieved shareholders point out that, by taking out Aberdare minorities, Powertech will not only enjoy the full benefit of its star performer but also unlock cash holdings at the cable group of around R34m net. This cash, say minorities, would be used to offset the cost of Powertech's increased investment in Aberdare.

Altron subsidiary Powertech, which has managed Aberdare since 1985, dismisses suggestions of coercion and argues that the offer is fair compared with recent purchases of Aberdare's shares, the counter's rating on the JSE and NAV.

Powertech and Aberdare chairman Peter Watt denies Powertech is using Aberdare's cash to help fund the transaction. "Almost 90% of that cash belongs to Powertech (Powertech now holds 89,1% of Aberdare) and the remainder is being offered to minorities. We could have distributed it all through a special dividend but that wouldn't have been efficient for anyone. The R112m purchase price paid to SA Philips took the cash reserves into account, as does the current offer to minorities," he says.

He adds that the dividend cover has been brought into line with that of other Altron companies. Previously, cover was set in terms of an agreement between Powertech and Aberdare's other major shareholder, SA Philips. "Now Philips is no longer a major shareholder and the original shareholders' agreement is not in force, the dividend cover will be brought into line whether Aberdare is delisted or not," says Watt.

On November 30, Powertech increased its stake from 55% to 89% by buying SA Philips's half-share in Aberdare's unlisted holding company, Consolidated Cable Investments, for R112,8m — equivalent to R22,50 per Aberdare share. Powertech announced a rights issue to raise R64m, partly to fund Powertech's increased investment in Aberdare and the recent R29,5m purchase of 61% of Picapli (*Fox* January 22). At its August interim Powertech's net cash holdings, including consolidated cash held at Aberdare, were R61m.

Powertech's Watt ... *bringing cover into line*

FM 12/2/93 (189D)

Powertech is proposing to convert the 10,9% equity (1,6m shares) in Aberdare it doesn't already own into prefs. Minorities would be able to redeem them for cash equivalent to R23,10 per Aberdare share — a nominal value of 50c plus a premium of R22,60 — or use the proceeds to acquire 540 new Powertech shares for every 100 Aberdare held.

Powertech points out that the cash transaction is at an 18% premium to Aberdare's market price of R19,50 at the time of the Philips transaction; the share swap offers a premium of 9%. The offer is above Aberdare's year-end NAV of R13,13. Since the end of November, Aberdare's price has climbed to R23,50. Last year's high was R28, attained on thin volumes.

Watt acknowledges Aberdare has outperformed most of Powertech's other businesses and should remain an important profit generator. He points out that Aberdare's shares have been rated below those of Powertech because of the lack of scrip and market perceptions about the cable industry.

A meeting of Aberdare shareholders has been called for February 26. Powertech needs the support of three-quarters of minorities. Otherwise, Watt says, there will be no further offer and Aberdare will stay listed.

Aberdare shareholders who believe Powertech management is trying to push them to exchange their investment for a stake in a poorer-performing group may well have good grounds for rejecting the offer. The fact that 1 000 Aberdare shares recently changed hands at 90c above the offer price suggests not all minorities believe the Powertech proposal is a *fait accompli*. *Simon Cashmore*

Richards Bay Iron and Titanium (Pty) Ltd

Claim period	Claim value (R)	Interest (R)
1.9.80–31.12.80	920 313	224 714
1.1.81–31.12.81	3 919 654	951 035
1.1.82–31.12.82	5 152 385	1 248 889
1.1.83–31.12.83	5 459 073	1 311 244
1.1.84–31.12.84	8 574 107	1 990 050
1.1.85–31.12.85	16 033 667	3 641 788
1.1.86–31.12.86	20 063 783	3 773 998
1.1.87–31.12.87	17 925 033	3 371 699
1.1.88–31.12.88	26 913 955	5 062 514
1.1.89–31.12.89	34 895 204	6 563 788
1.1.90–31.12.90	8 110 995	1 525 678
	147 968 169	29 665 397

Tisand (Pty) Ltd

Claim period	Claim value (R)	Interest (R)
1.1.80–31.12.80	12 511	—
1.1.81–31.12.81	44 968	14 502
1.1.82–31.12.82	40 669	13 116
1.1.83–31.12.83	34 070	10 988
1.1.84–31.12.84	37 580	8 722
1.1.85–31.12.85	30 585	7 099
1.1.86–31.12.86	41 716	7 847
1.1.87–31.12.87	65 610	12 341
1.1.88–31.12.88	70 765	13 311
1.1.89–31.12.89	68 820	12 945
1.1.90–31.12.90	9 655	—
	456 949	100 871

In addition, Richards Bay Iron and Titanium (Pty) Ltd received in total an amount of R165 852 615 under the electricity rebate scheme during the period 1983 to 1992, which scheme was discontinued on 31 December 1992.

(2) Yes, loan funding has been provided by a consortium of banks, including the Industrial Development Corporation (IDC), to the company concerned.

(a) and (b) The information cannot be provided as IDC loan particulars are confidential. The information is, however, known to the Minister of Trade and Industry and can, on a confidential basis, be furnished to the hon member.

(3) The company does not, apart from the above-mentioned, receive any other assistance from the Department of Trade and Industry.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Monetary donations by State to companies

*7. Mr J CHIOLÉ asked the Minister of Trade and Industry:†

(1) Whether the Government made any monetary donations to certain companies during the period 1 January 1989 up to and including 31 December 1992; if so, (a) to what companies and (b) why, in each case;

(2) whether an analysis of the profits of these companies was made during this period; if not, why not; if so, with what results;

(3) whether it is envisaged to donate state funds to these companies in 1993; if so, what estimated total amount;

(4) whether he will make a statement on the matter? B44E

The MINISTER OF TRADE AND INDUSTRY:

(1) The period referred to in the question suggests that the hon member is referring to the threshold support granted to companies in terms of the Innovation Support for Electronics (ISE) Programme, administered by the Department of Trade and Industry in conjunction with the Industrial Development Corporation. Accordingly the following information is furnished:

(a) Particulars of the companies which received funds for completed projects, as well as of projects which are still in progress for which funds have been allocated since the inception of the programme up to 30 September 1992, have been published. A copy of the latest six-monthly report for the period ending 30 September 1992 was made available to the hon member. The next report will cover the period up to 31 March 1993 and will be released shortly after that date.

(b) The financial support provided is in respect of research and development of new electronic products. This threshold support covers fifty per cent of specified costs and is subject to a financial ceiling set for each project, not to exceed R2 million for a single project.

(2) Analyses of the financial position of companies applying for support are made before allocation of funds, to establish whether the companies receiving the support would be able to fulfil their contractual financial obligations in terms of the programme. Companies must be in the position to fund the costs of the development in respect of which an agreed amount is refunded after the completion of each specified milestone, based on actual expenditure. Payment is effected against audited claims. The company must also certify with each claim that its financial position has not substantially deteriorated.

(3) Payments will be made to beneficiaries in 1993 in terms of existing uncompleted contracts as and when milestones are reached. An amount of R42,7 million has been allocated for outstanding milestones scheduled to be completed after 30 September 1992. Claims for assistance may be submitted in accordance with the underlying contracts in respect of new applications considered after 30 September 1992 with milestones to be completed in 1993 and thereafter. According to the latest six-monthly report on the ISE Programme, an amount of R69,3 million is available for new applications. The allocation for the ISE Programme for the 1992-93 financial year has been reduced from R40 million to R19 million. No provision is made for the ISE Programme in the 1993-94 financial year.

(4) In the light of the success achieved with the ISE Programme, which demonstrated multiple returns on Government's investment in electronic product research and development, Government has decided to extend the ISE programme to cover all sectors of industry. A proposed new Support Programme for Industrial Innovation (SPII) will be introduced on 1 April 1993. Apart from its wider product coverage, the SPII will differ from the ISE Programme in that support will be limited to one third of the specified development costs of new innovative products to a maximum of R1 million per project. This will permit the accommodation of the larger number of applications expected. Consideration is also being given to the repayment of financial support received by companies in the case of successful products, following the example of other similar schemes locally and overseas. In this manner, financial assistance can be rendered on a broader base in support of essential product innovation, which holds the key to technological advancement and the international competitiveness of South Africa's manufacturing industry.

The SPII will be launched on 1 April 1993 with the available ISE funds (approximately R88 million) as well as funds allocated for the general promotion of technology (approximately R18 million). These funds could be supplemented by Government in view of future requirements and the success of the new programme.

Call-up instructions complied with

*8. Dr W J SNYMAN asked the Minister of Defence:†

What percentage of (a) Commando and (b) Citizen Force members of the South African Defence Force had complied with their call-up instructions during the latest specified period of 12 months for which information is available? B45E

The MINISTER OF DEFENCE:

1 January 1992–31 December 1992

If the percentage of members who complied with their call-up instructions includes those members who obtained deferment/exemption or could not report for a specific reason, then the percentages are as follows:

(a) 89,3%

(b) 86,2%

cont --D

Govt to support local industry

(18 9D) PETER GALLI

GOVERNMENT would launch a support programme for all areas of local industry to complement its existing technology development support programme, Deputy Trade and Industry Minister David Graaff announced yesterday. BIDAY 18/2/93

Economic growth through industrial exports was one of the keys to wealth creation necessary to alleviate poverty. It was imperative that SA promoted the establishment of technologically advanced and internationally competitive secondary industries, he said.

"In the light of the success achieved under the support programme for the electronics industry, government has decided to extend that programme in a modified form to all branches of industry," he said.

The programme, known as the support programme for industrial innovation, would be launched on April 1.

"This form of threshold support is applied worldwide in preference to product subsidisation with its distorting market effect and consequent trade disparities," he said.

The support would take the form of grants that would cover a third of the specified development cost, but would be limited to R1m a project. In addition, government was considering that grants be repaid where the project had been successful.

This would induce the rotational use of funds and followed the example of similar programmes both locally and overseas, Graaff said.

The electronics support programme was very successful. Investment in product innovation showed healthy returns in the form of local and overseas product sales, he said.

SA had an excellent existing scientific and technological infrastructure, which could be used to help the promotion of technology development to support the country's industrial and economic development.

The new technology threshold support would encourage the better utilisation of this.

Poor market affects Kopp

B/DAY 19/2/93

DUMA GQUBULE

KOPP Electronics reported a 46% slump in earnings to 1,9c (3,5c) a share on a 4% decline in turnover to R15,5m (R16,2m) for the half year to end-December.

Executive chairman Albert Kopp said turnover had fallen because the group's manufacturing company had to defer sales to the second half to meet customer specifications.

Profitability was affected by a declining market and downward pressure on margins in its semiconductor companies. Operating income dropped 45% to R541 000 (R984 000) and pre-tax profit by half to R376 000 (R755 000). 789D

Attributable earnings came to R204 000 (R333 000), equivalent to 1,9c (3,5c) a share.

Kopp said turnover was expected to improve during the second half although earnings would remain under pressure.

Nu World set for an even brighter future

B/DAY 22/2/93.

DIRK VAN EEDEN

NU WORLD'S prospects for 1993 are looking bright after the first increase in profitability in two years and a successful R3,5m Eskom tender in September. (189D)

The manufacturer of electrical appliances marketed under the Ideal brand had notched up a 33,5% cumulative annual increase in sales since listing on the JSE in 1987. But profitability had not shown the same increase.

Directors said this had been because profit margins had been cut to win market share. Restructuring was now bearing fruit in increased productivity.

Investment in state of the art machinery would bring new products to the market quicker and help to value-engineer existing products more effectively.

GOVERNMENT GRANTS 189D
FM 26/2/93

Expanding the handouts

Government has expanded its controversial subsidy scheme for the electronics sector to embrace all branches of industry. Deputy Trade & Industry Minister David Graaff announced last week that from April 1, government will make available grants of up to R1m for industrial research & development (R&D) projects. Around R100m has been earmarked for the initiative.

Details of the new scheme, to be known as the Support Programme for Industrial Innovation, are still sketchy but, according to Graaff, the grants will cover up to a third of development costs for approved R&D projects — the remainder will be borne by the initiator of the project.

"Government is considering the repayment of the grants in the case of successful projects, following the example of similar programmes locally and overseas, to induce the rotational use of funds," he says. It is expected that the Industrial Development Corp (IDC), which was responsible for overseeing the electronics incentive programme, will be approached to manage the larger industrial scheme. However, this has yet to be confirmed.

According to the Department of Trade & Industry's chief director of technology and industrial strategy, Pine Pienaar, the innovation scheme has been broadened because government believes it has been successful in stimulating R&D in the electronics industry.

Continue

 189D
FM 26/2/93

Government launched the Innovation Support for Electronics programme in October 1989, after extensive lobbying from the electronics sector. It agreed to make available R40m a year until at least 1994 to help finance new R&D projects. At least half the cost of the project has to be put up by the recipient. Since then, 27 projects have been completed, receiving grants of nearly R6m. A further R59m has been earmarked for projects that have yet to be concluded. The completed projects have so far generated orders worth R32m and about a quarter of this business involves exports, Pienaar says.

While government and the IDC are quick to sing the praises of the scheme, it has attracted criticism. Government's partial funding of the development of electronics products, most of which have export potential, is regarded by some as contrary to generally accepted international trade practices. In addition, government has come under fire for giving "hand-outs" to electronics firms at the expense of more socially important projects. The initial reluctance of the department to disclose the recipients of the funds also generated some antagonism.

Proponents of the scheme, including the Electronics Industry Federation, argue that electronics is an important catalyst to modern economic development and is supported, in one way or another, by governments throughout the world.

Some representatives of the industry have expressed concern that only R65m of the R120m available to the scheme has been allocated. They suggest that either the industry overstated its proposed R&D expenditure when lobbying government in the mid-Eighties or that the conditions of the scheme are too stringent.

Interestingly, government has tightened the requirements for the new, broader programme by offering to fund only a third instead of half the R&D costs of a project and cutting the maximum funds available per project from R2m to R1m.

Electronics Industry Federation president Dirk Desmet argues that the current scheme is working well but says the recession has forced electronics firms to tighten their R&D budgets. He welcomes government's decision to broaden the innovation programme because it is "good for industry" but worries that the funds available to the electronics industry could be reduced. "It's difficult to complain, however, because (with the present scheme) we have left money on the table." ■

GRINAKER HOLDINGS (32)
FM 26/2/93.

Gearing pressures (189D)

Rising gearing and the resulting interest payments continue to plague Grinaker Holdings and its listed subsidiary Grintek, depressing earnings and adding to the woes of reduced margins in the construction and electronics activities.

The holding company increased EPS 24% to 22c and pegged the dividend at 5c in the six months to December, thanks largely to Grinaker Construction nearly doubling earnings to R3m. Group chairman Jan Robbertze says this is largely due to the good performance of the building division and

FM 26/2/93. (32) (189D)

Duraset, which makes precast concrete products.

But the electronic interests, under Grintek, saw EPS drop 31% to 4,4c; the interim dividend was cut to 1,2c (1991: 1,7c). Biggest disappointment was the pre-tax loss of R4,1m by subsidiary Grinaker Electronics. The only good news from Grinaker Electronics was that its refocusing on commercial products resulted in a 70% increase in non-defence activities.

Grinaker Holdings' interest bill of R8,1m is up 53% and comes on gearing which has climbed from 21,2% last year to 38,2%. Grintek paid R2,6m in interest (1991: R1,5m) and saw gearing climb from 9,1% to 22,5%.

This will continue to restrain profits, despite Robbertze's prediction that group earnings in the second half will exceed the first half's. That doesn't make the shares attractive — most investors are avoiding the building sector anyway and while Grintek is quite strongly rated relative to the electronics sector, interim results won't do the price much good.

Shaun Harris

FM 26/2/93 (189 D)

DELTA ELECTRICAL FM 26/2/93

Expanding capacity (189 D)

The good news is that operating profit rose 4% at the December year-end. The bad news is that the quantitative effect on margins remains a mystery; the accounts still don't include turnover figures. EPS fell 5% after a higher tax charge and a fall in the contribution from associates.

But Delta admits to adverse effects on trading volumes and margins, due to a national campaign of industrial action and economic decline, putting an end to the myth that it's recession-proof.

Reduced interest charges gave a further lift to pre-tax profit but these gains were wiped out by the higher tax charge, taking the effective tax rate to 42% from 39,4%, after export allowances were withdrawn during the 1992 year. Tax is not expected to increase much further.

Net income from associates fell two-fifths after the sale of Valhold, contributing to a 4% fall in attributable earnings. Proceeds of the sale reduced borrowings to R1,6m and with cash of R9m the group holds net cash.

Speculation about the possibility of acquisitions continues and commercial director Brian Wright says: "We are working 10 times harder than we ever have — the timing is right."

Expansion at EMD, which makes electrolytic manganese dioxide for dry cell batteries, continues and full production is planned for the end of August 1993; the full earnings effect will come through in the 1994 accounts. The cost of expansion is expected to be covered by internal cash flow and some loans which are not expected to affect gearing much.

Increased capacity will cater for the export market, which represents about 80% of EMD's turnover. The currency effect of overseas earnings, mostly denominated in US dollars, did not affect 1992 earnings, but is expected to benefit those of 1993.

EMD, the largest of the four divisions, contributed nearly a third of 1991 net income; more recent figures are not available. During 1992, prices and volumes were stable and there was no growth because plant remained at full capacity.

Says Wright: "1992 has been a very tough year for the group." Problems with the new production line at Delta Cable have been overcome, but the decline in spending on maintenance in the mining and heavy industry sectors continues to put pressure on the electrical repair engineering division.

Highly rated in the electronics sector, the share price has increased 15% since the beginning of the year, but has underperformed the Electronics index since the latter part of 1991. The outlook for earnings growth in 1993 will be flat without an improvement in the economy but should strengthen in 1994 with the expansion of EMD. *Louise Randell*

TAXING TIMES

Year to Dec 27	1991	1992
Operating inc (Rm)	47,6	49,6
Attributable (Rm)	25,8	24,7
Earnings (c)	62,8	59,8
Dividends (c)	27,5	27,5

NU-WORLD HOLDINGS
FM 5/3/93 189D

A sacrifice that paid off

Nu-World should be considered the exception rather than the rule, with its substantially improved earnings and turnover on the back

FM 5/3/93 189D

of increased debt, high gearing and narrowing margins. Even the market is impressed with the performance — the share has gained 170% since the beginning of last year.

Management, with no undue modesty, says last year's results were excellent. Sales increased by 26,6% and taxed profit improved 20,2%. Market share was gained at the expense of margins with net operating income improving by only 7,1% to R3,5m.

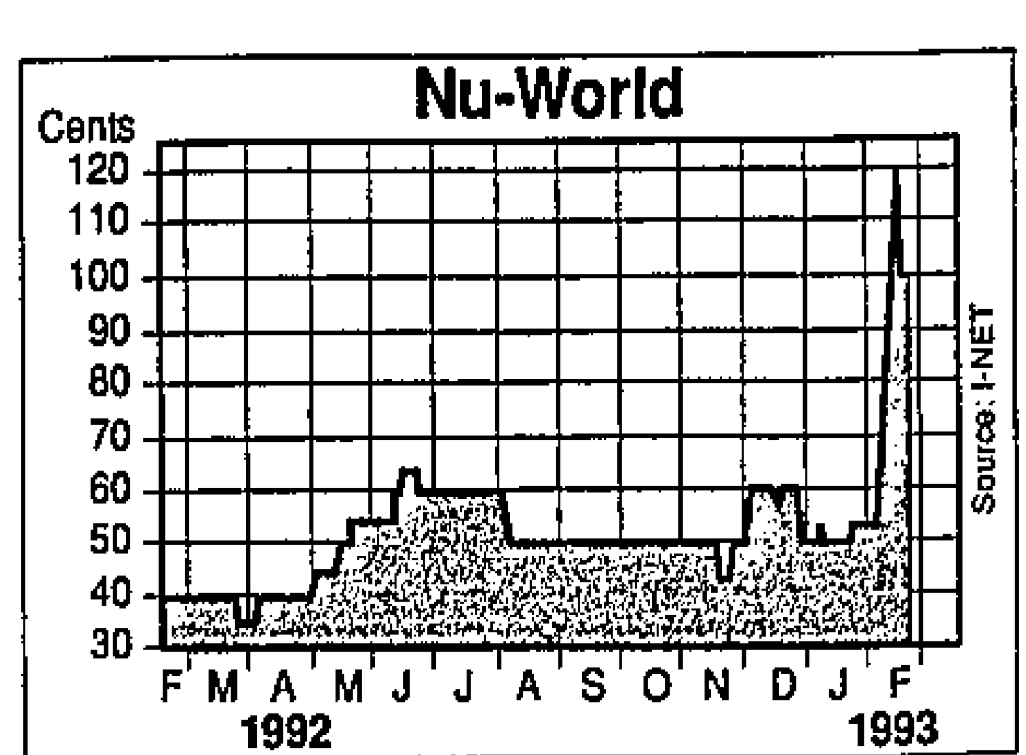
Activities: *Makes and distributes domestic electric appliances and wiring accessories.*
Control: *Directors 71,1%.*
Chairman: *J Temple; MD: M S Goldberg.*
Capital structure: *12,8m ords. Market capitalisation: R15,3m.*
Share market: *Price: 100c. Yields: 3,0% on dividend; 13,9% on earnings; p:e ratio, 7,2; cover, 4,6. 12-month high, 120c; low, 35c. Trading volume last quarter, 24 000 shares.*

Year to Aug 31	'89	'90	'91	'92
ST debt (Rm)	3,0	1,8	2,5	2,7
LT debt (Rm)	1,8	4,0	5,8	7,8
Debt:equity ratio	0,95	0,69	0,89	0,73
Shareholders' interest	0,33	0,33	0,34	0,30
Int & leasing cover	5,89	3,17	2,42	2,94
Return on cap (%)	22,8	16,7	14,9	11,8
Turnover (Rm)	26	35	40	51
Pre-int profit (Rm)	3,5	3,2	3,3	3,5
Pre-int margin (%)	13,7	9,0	8,1	6,8
Earnings (c)	16,6	13,9	11,5	13,9
Dividends (c)	4,3	4,3	2,6	3,0
Net worth (c)	40	49	58	69

It seems the sacrifice was worth making. Cash generated from operating activities jumped from R182 000 to R3,3m and at year-end there was a cash balance of R4,2m (R1,7m). Financial manager Graham Hindle says the group is becoming more machine- than labour-intensive, which, he says, will mean better margins this year.

Owing largely to a restructuring of debt, and a new medium-term loan of R4,5m from the IDC, net interest paid fell by 11,9% to R1,2m. Gearing still seems high at 73% but most of the borrowings are IDC loans with rates ranging from 5% to 16%.

Which raises the next question: How long is the IDC prepared to offer these rates to a company which is growing at Nu-World's pace? Hindle says as long as the company continues to develop new products and ex-



continue — 12

COMPANIES

FM 5/3/93 189D

pand its export market, the IDC, he hopes, will back it. In light of the smaller interest bill, Hindle is confident earnings growth will be sustained this year. At 21%, that would bring year-end EPS to 17,6c.

Other prospects for this year look good. A R3,5m Eskom tender for irons and kettles was successful; Nu-World's exports now account for about a tenth of turnover; and new product ranges introduced last year should boost sales. Depreciation of the rand against the dollar is another plus.

Nu-World was said to have the makings of a recovery stock when the *FM* reviewed the 1991 report (*Companies* May 29 1992). In the past year its share price has ridden the electronics sector rerating wave but at 100c it's only two-thirds December 1987's level. Further, the price has moved from a 14% discount to NAV to a 45% premium.

Kate Rushton

Cullinan Holdings on track to meet forecast

B DAY 5/3/93. (189D)

MARCIA KLEIN

CULLINAN Holdings reduced its losses in the six months to end-December, placing it on track to meet its forecasts of a small profit in the 1993 financial year.

The electrical power products and ceramics group reported an attributable loss of R2,4m, from a loss of R10,5m in the previous year. This translated into a loss of 16,8c (loss of 69,7c) a share. No dividend was declared.

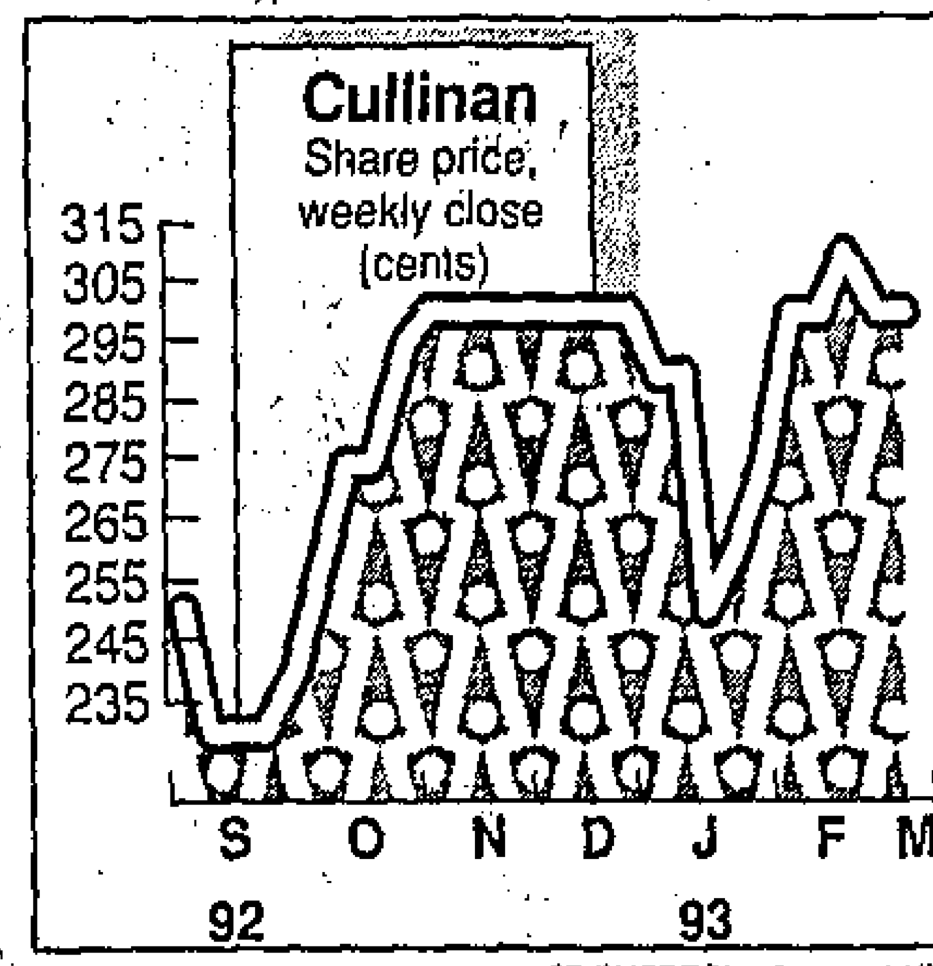
Directors said yesterday that in spite of the shrinkage of its markets, a modest profit was expected for the full year.

Turnover of continuing operations declined by 6% to R191,7m from R203,9m, and operating income was R5,3m from R47 000 in the previous year.

The interest bill was reduced by 29% to R8m from R11,2m, bringing the pre-tax loss to R2,7m from a loss of R11,2m in the previous year.

Chairman Alan Clark said the average level of borrowings had been reduced, although the aggregate at the interim stage was only marginally lower at R93,8m.

He said that in January, R15m of short-term debt was converted into debentures which were taken up by the group's main bankers. Continued working capital management would result in further reductions in borrowings in the second half. MD Ed Harbuz said all divisions were operating well under the new group structure. Cullinan was restructured following a R35m attributable loss at the 1992 year-end.



Graphic: LEE EMERTON Source: I-NET

He said Cullinan Refractories had exceeded its budgets, and there were medium-term prospects for increased local business. The overseas operation was performing "to plan".

Last year three businesses outside the group's focus were sold. Harbuz said no further disinvestments were planned.

The state of the economy continued to limit Cullinan's shorter term prospects, but Harbuz said its "drive to improve quality, efficiency and waste reduction is already showing a positive effect".

Van Aardt's top UN post

S Times (Buss) 28/3/93

By ZILLA EFRAT

SOUTH AFRICA is set to play a significant role in a new UN board to standardise Electronic Data Interchange (EDI) in Africa. (189 D)(I)

Sitprosa chief executive officer Albert van Aardt has been elected as the board's vice-rapporteur in what is believed to be the highest appointment of a South African in the UN to date.

He says the appointment indicates more widespread acceptance of SA by the international community and allows SA to now openly take part in Edifact, the UN body that administers EDI standards in more than 100 countries.

The Edifact African board, formed last Friday at a UN Economic Commission for Europe meeting in Geneva, aims to bring trade documents for inter-computer exchange up to world standards.

Its four founding members include Gabon, Nigeria, Senegal and SA, but invitations will be extended to all African countries. Its secretariat will be based in Gabon.

Spescom sells system

189D

EDWARD WEST

ELECTRONICS group Spescom sold its interests and patents relating to an electronic credit supply system to Meter Patent Developments (MPD) for R32m. B/DAY 10/3/93.

A statement yesterday said the deal was expected to increase Spescom's earnings a share in the year to end-April 30 1993 by 2c and net asset value to 191c from 29,4c. Long-term further benefits, particularly reduced interest charges, would materialise.

MPD has entered into a royalty agreement for the use of the patents to manufacture pre-paid metres.

Spescom MD Johan Steyn said the group was now well poised to pursue the pre-paid electricity metering market both locally and internationally.

CULLINAN FM 12/3/93. 189D

The big C

Changes, with a capital C, seem to have given this electrical power and ceramics group a new lease of life. New management, lower gearing and a streamlining of assets saw operating income rally to R5,3m in the six months to December (1991: R47 000).

But this was not enough to generate a bottom-line profit — there was still a R2,4m

HOLDING THUMBS

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '91
Turnover (Rm)	233	277	192
Operating income (Rm)	nil	(13,2)	5,3
Attributable (Rm)	(10,1)	(23,3)	(2,4)
Earnings (c)	(69,7)	(160,7)	(16,8)

FM 12/3/93 189D

attributable loss (R10,3m loss), translating into a loss of 16,8c (69,7c) a share.

During the year, the interests in African Cables, Cullinan Bleaching Clays and Cullinan Minerals were sold, as was a small interest in a pallet-making company. The property division was all but closed. The large industrial property portfolio still held is being sold through agents.

African Cables, biggest of the operations sold, accounted for R170m of the R247m turnover of discontinued operations in 1991.

These actions, with tight asset management, reduced average borrowings, though chairman Alan Clark concedes the interim total is only marginally lower at R93,8m (R108,7m). In January, Cullinan's main bankers took up R15m of the short-term debt by way of converted 37-month redeemable cumulative preference shares. Working capital management is expected to reduce borrowings further in the second half.

Of the main operations that remain, Cullinan Refractories (the joint venture with Iscor) met and exceeded budgets. MD Ed Harbuz hopes for increased local business in the medium term. The refractories division recently won a maintenance contract for the

Continued

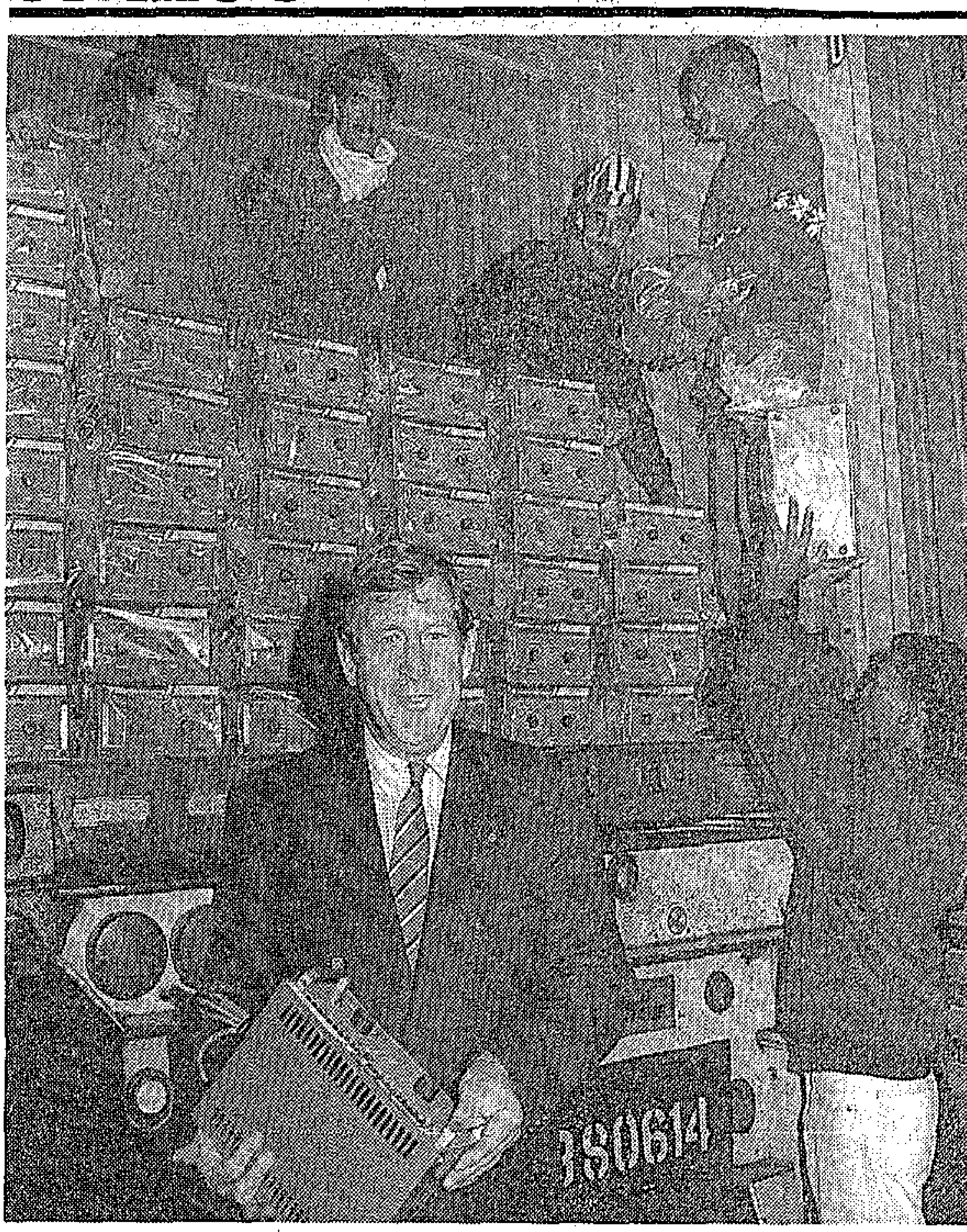
FOX FM 12/3/93. 189D

main Gulf producers, Aluminium Bahrain BSC and Dubai Aluminium.

Cullinan's brick-making plant — its R35m Achilles heel — has resolved its commissioning problems. Recession-linked closures of other brickmakers, Harbuz believes, could result in a shortage of bricks when the building industry turns up, making the business extremely profitable. Cullinan Electrical has been a stable business, says Harbuz, adding that the foreign operation has performed according to plan, with a satisfactory increase in the level of contracting.

Clark believes the recovery should continue and is cautiously confident of positive earnings for the year. The six months to June will be the crucial test of the effectiveness of the extensive remedial action taken to end the deterioration in fortunes.

These results did not win a vote of confidence from the market. At 300c, the share remains at a deep discount to its 957c NAV. Emergence of a more solid operation suggests risk is low, but further proof of recovery is needed before more cautious investors will commit new funds. *Marylou Greig*



EXPORT BOOM ... Richard Burnett of Datapower with another container consignment of battery testers being exported to Europe
Picture: PAT BROMILOW-DOWNING

Uninterrupted power the source of success

S Times [Cape Metro] (189D)

By JEREMY WOODS 14/3/93

A SMALL Paarden Eiland hi-tech company is bucking the current depressed business climate and experiencing boom conditions.

Datapower, started manufacturing small power support systems 10 years ago to give uninterruptible power supplies to the computer industry.

The business blossomed with the computer industry and now Datapower makes a wide range of power support equipment, which it sells across Southern Africa.

Managing director and owner, Mr Richard Burnett, said this week: "There is a growing market for power support equipment as large sectors of industry and commerce are looking for improved productivity through computerised systems. The even flow of power to their computers is crucial."

Two years ago, Mr Burnett went on the first Chamber of Commerce trade mission to Europe to look for export opportunities.

"I knew it would be hard to muscle in on the Europeans with their hi-tech products and the low-cost imports from the East. But exporting appealed to me because of the low value of the Rand and the benefits of the government export incentive scheme."

A distribution agent was appointed in Brussels and Datapower was asked to come up with a design for an electronic battery tester and charger, similar to part of Datapower's exisiting power support system.

Now, seven container shipments later, Datapower is designing and producing electronic testing equipment for the world market.

"The export market for our full range of products is about to go into a real boom which will outstrip the local market," says Mr Burnett.

"The good news is we have the management expertise and technical skills to compete in Europe, and our Cape-based labour force is highly motivated by the incentives we give them. Datapower's turnover should double to over R4-million in 1993."

Edited by JEREMY WOODS

Telemetrix trebles eps

Star 19/3/93

189D

By Stephen Cranston

Earnings per share from Telemetrix, the British electronics group controlled by Altron chairman Bill Venter, almost trebled from 8c to 23c in the year to December.

This was caused by a doubling in attributable profits from the group's American subsidiary GTI amd significantly improved results from the rest of the group.

The directors have recommended a 3,7c dividend for the year, up from 2,8c last year.

Group turnover increased by 17 percent to R455 million and profit before tax more than doubled to R45,5 million from R19 million the previous year, after a net exceptional charge of R4,2 million.

Costs of R20 million related to the closure of loss-making businesses reported at the interim stage and the disposal of surplus properties less a gain of R15,8 million arising from the sale of 329 000 shares in GTI.

Chairman Arthur Walsh says that after restructuring the group is now more clearly focused on its core business, supplying electronic components and test equipment.

He predicts that all group businesses will maintain strong positions in the current year.

Switched on to Powertech

S[T]imes (BUSS) 21/3/93.

By JULIE WALKER (189D)

BIG bits and fiddly bits needed to electrify homes are being marketed in a single product by Powertech. The components of the power reticulation package have been designed within the Powertech group, increasing user-friendliness and compatibility.

The Powertech Package includes sub-stations, aerial reticulation, pole-mounted transformers, house connections, pre-wired readiboards, wiring, lighting and appliances.

"More importantly," says executive chairman Peter Watt, "we provide installation training and project design and management to our customers.

"The demand for electricity is expected to accelerate and place considerable strain on supply infrastructures. Our system has been designed for ease of use and to keep down the need for repair and maintenance."

Eskom has pushed the rate of domestic electrification above 30 000 homes a month by December, according to general manager, sales and customer service, Jan de Beer.

Last year, Eskom's electrification drive resulted in 145 000 direct connections and about 39 000 indirect connections to farm workers and municipal customers. A total of 184 000 homes joined the national grid to bring power to more than a million people.

The cost varies between R2 000 in urban areas to R4 000 in rural, of which about R1 600 is material costs. De Beer says that Eskom is gaining acceptance among political and civic groups, making the task of township electrification easier.

Merger brightens prospects

STAR 24/3/93

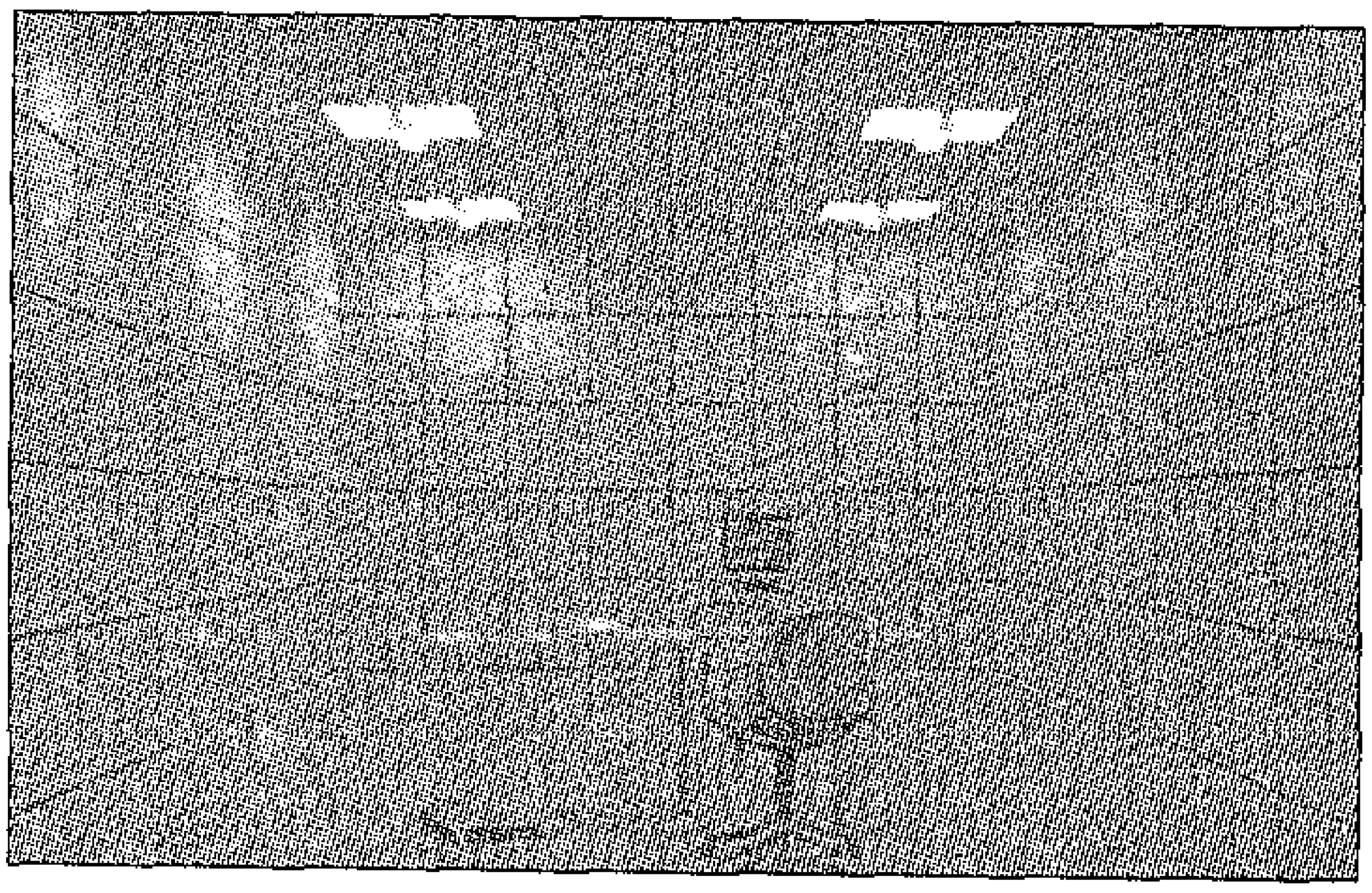
(189D)

***Lighting companies* Thorn and Zumtobel have gone from strength to strength since the merger, with their complementary product ranges covering every major market segment.**

THE merger of the lighting interests of Thorn and Zumtobel Lighting to form U-Lite Holdings is beginning to live up to its initial promise.

After a bedding-down period the synergistic benefits for both the market place and the two companies are coming strongly to the fore.

The rationale at the time of the merger was to reduce the overhang of manufacturing capacity in the lighting industry; to maximise manufacturing capacity through economies of scale, thus improving productivity; to increase efficiency; and to contain costs to improve competitiveness.



LIGHTER MOMENT... One of Zumtobel's lighting installation.

Another major benefit identified at the time was that U-Lite would have access to international technology through its licence agreements with two of Europe's foremost lighting companies — Thorn of the United Kingdom and Zumtobel of Austria.

It was decided — quite correctly, as subsequent events have proved — that other than centralising production and administrative services, Thorn and Zumtobel would trade through separate and dedicated sales operations and would market products exclusive to either party under their own brand names.

U-Lite managing director Drew Donald says: "Zumtobel and Thorn have traditionally supplied different market segments and it was decided to retain this formula."

More specifically, Zumtobel is applications driven and covers essentially the projects and end-user markets supplying custom-made luminaires, architectural lighting systems, entertainment lighting, shopping centres, technical lighting and so on. The company motto is "Creative innovation based on high technology".

Thorn, on the other hand, covers mainly the commercial and industrial market, municipalities and Government users.

Zumtobel operates through its direct sales organisations with regional offices in all the main centres, while Thorn trades through its Transvaal sales office in Rivonia and its existing national agency network.

Neither company serves the general consumer market.

The strategy has worked!

Both Thorn and Zumtobel have gone from strength to strength since the merger, with their complementary product ranges covering every major market segment.

However, the reasons for the success of the merger go deeper than merely cobbling together two synergistic operations.

The two companies have maintained a highly comprehensive local design and manufacturing capability and local content of virtually 100 percent is to be found across a broad spectrum of the products offered by the two companies.

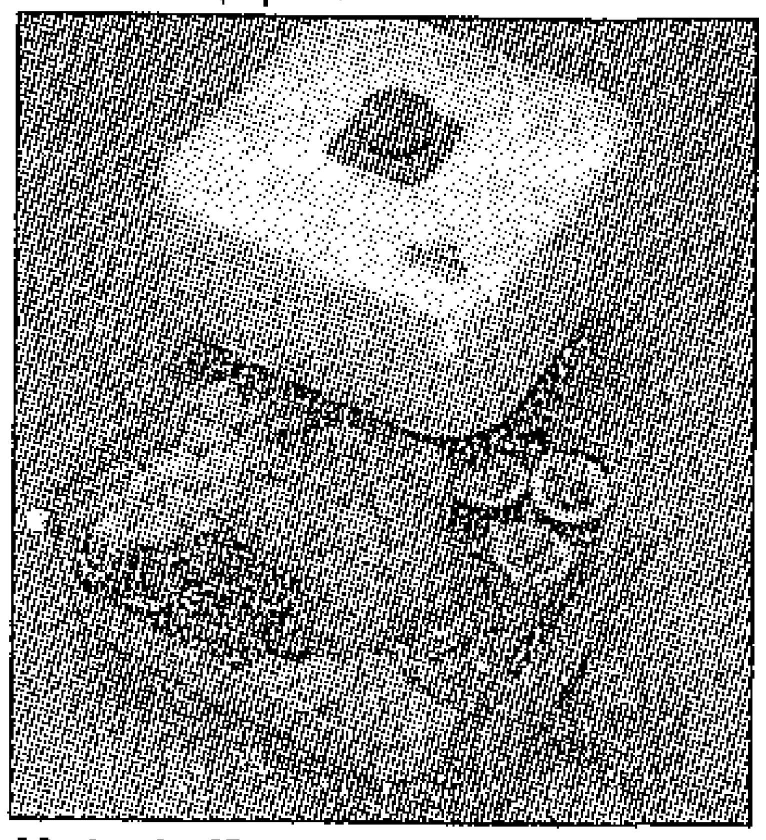
This is achieved as a result of major investment in factories in Alberton (where there is 101 000 square metres under roof) and in Durban and Cape Town.

If you would like to know more about the products and services please telephone (011) 907-1640.

Nu-World ideally placed for growth

STAR 24/3/93 (189D)

Ideal appliances *are recognised as the leading local brand — a major achievement for Nu-World Industries, which just keeps on growing.*



Hot stuff ... an Ideal electric frying pan from Nu-World Industries.

NU-WORLD INDUSTRIES was founded in 1946 when the late Harry Goldberg (an electrician by trade) and his brother-in-law took over a small woodworking business in Bergvlei, north of Johannesburg.

From this humble beginning with a staff of six and two wood-turning lathes, the company now employs close to 750 employees and has a state-of-the-art production facility, utilising leading-edge technology.

The company has, in fact, developed into the leading manufacturer of domestic, small electrical appliances in southern Africa and is developing a strong export base.

Under the management of Michael and Jeffrey Goldberg, sons of the founder, who passed away in 1985, the company has grown and prospered and its Ideal brand name is recognised as the leading local brand with an unrivalled reputation for product range and quality.

Nu-World Holdings Ltd was listed on the Johannesburg Stock Exchange as a public company in November 1987, although the Goldberg family continue to hold a controlling interest in the company.

At listing, the company posted a turnover of R12,1 million for the year to August 1987.

Subsequent growth of sales, to R51,3 million over the five-year period to ~~August 1992~~, has been substantial and represents a cumulative 33,5 percent for each year.

This organic growth (there have been no acquisitions) amounts to an impressive 325 percent over the five-year period achieved in the face of a severe recession in the SA economy.

The company's performance has recently attracted the attention of some of the major institutional investors, clearly mindful of its potential in a country where electrification is opening up a large new market for electrical appliances.

The share price has responded accordingly and has moved up to the R1 to R1,20 level with considerable latent potential for further gains.

As post-apartheid SA gains credence internationally, and SA goods are accepted to an ever-increasing extent, the export market is opening up to Nu-World.

The company is therefore developing a wider spread of export customers and selling to leading distributors in countries around the globe, including Britain, parts of Europe, the Middle East, and Australia.

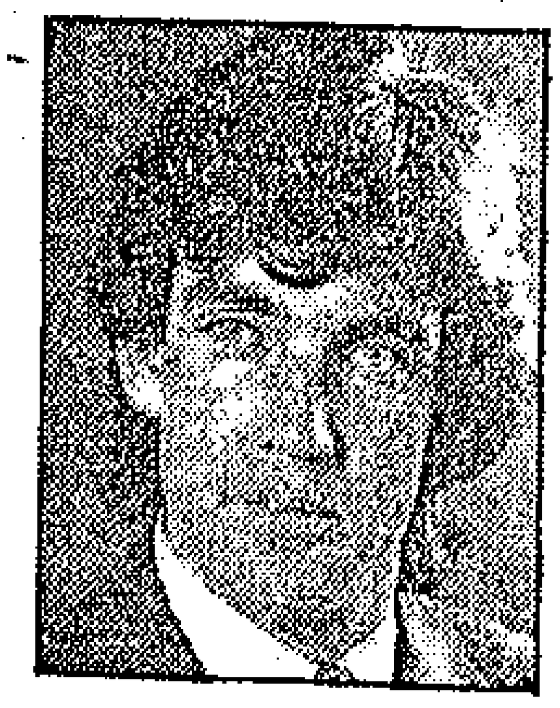
It is also developing a steadily growing market in Sub-Saharan Africa and is involved directly in Eskom's electrification programme via a R3,5 million contract to supply kettles and irons which are being presented by Eskom to new electricity consumers.

The fact that the company's products are proving competitive price-wise and in terms of quality is a tribute to the standards that are emerging from its assembly lines. In this context the company recently installed an automated powder-coating plant at a cost of more than R1 million.

There are essentially three aspects to the company's activities: local manufacture, importation and local assembly of international brands.

Nu-World distributes via its warehouses in Botswana, Namibia, Swaziland and Lesotho and of course its main warehouse at the Johannesburg head office and factory.

If you would like to know more about Nu-World Industries and its products, please telephone director Jeffrey Goldberg on (011) 786-2855.



Craig Venter

Peter Wilson

Robert Venter

Peter Watt

Altron in major restructure to meet changed conditions

Star 25/3/93

(189D)

By Derek Tommey

Altron, the country's leading electric and electronic manufacturer, with 14 000 employees in South Africa and 22 000 worldwide, has announced a major restructuring of top management positions to meet changing business conditions.

Chairman Bill Venter said last night the changes were aimed at making the group more competitive in its home market and to improve its penetration of foreign markets.

Adding weight to the overseas drive is the recent news that the group's British company, Telemetrix, had doubled its profits and trebled its earnings a share.

Venter said the changes were not the result of any deterioration in group finances.

Results, which will be published in about a month's time, were encouraging.

The major factor behind the restructuring was the need to be more flexible and to be able to switch products to meet market needs.

Altron is no longer in an industry where the average product life is five years. It is now about two-and-a-half years, and possibly two years.

The changes are aimed at giving Altron a nimble young management capable of making changes and freeing the men at the top to plan the strategies needed for the group to survive and service the world markets.

Venter said Altron was the first SA company in its field to take such a positive step.

Venter will remain as executive chairman of the Altron Group. Charles Stride will be a deputy chairman, with over-riding responsibility for international operations, acquisitions and projects.

Peter Watt will also be a deputy chairman and assume responsibility for all local operating diivisions.

Following the retirement of Don Sneddon from Altec, Leslie Boyd, chairman of Amic and deputy chairman of Anglo American, will become non-executive chairman of that company.

Sneddon will remain on the board of Altech and also become a consultant to Altron.

Peter Wilson will become chief executive of Altech, reporting to Peter Watt.

Other moves include the appointment of Venter's 33-year-old son, Robert, as head of Aberdare Cables, and his 31-year-old son, Craig, as chief operating officer of Altech's industrial group.

Both have science degrees and MBAs from American universities and have been working in the group for a number of years.

He said there would be some casualties in the restructuring.

Initially, between 300 and 350 people would have to be retrenched.

This had been a most painful decision to take, and one which the group had never had to face before, he said.

On average, every black worker had nine dependants and every white worker five.

But the major cutbacks in spending by the state, the Defence Force and parastatals, together with continuing boycotts by American cities, had necessitated the move.

He said that much of the success of Telemetrix had been the "hands on" efforts by Stride. This was the secret of success overseas.

Venter said the restructuring would give him more time to participate in this sort of activity.

Venter expected Telemetrix to be able to increase its turnover from about £100 million at present to around £400 million to £500 million within the next six years.

Altron also expected to increase its exports. But productivity would have to be greatly improved.

Factories in southern China were making some electronic components at a quarter of the cost in South Africa.

Telemetrix's American subsidiary, TGI, was moving its manufacturing from Mexico to Southern China.

COMPANIES

Altron revamp leads to lay-offs

ALTECH, the Altron group's telecommunications subsidiary, would lay off nearly 350 of its 4 500 workforce, group executive chairman Bill Venter said yesterday.

Giving details of a revamp of the Altron group's top management structure, he said the retrenchments had been regrettable. But volumes in certain areas of business were far below 1986 levels.

Venter said most of the management changes would be in Altech. Information technology subsidiary Fintech would be the only company not affected.

Venter said the major changes were that Powertech CE Peter Watt would also assume the position of group deputy chairman responsible for all local operating divisions, effective from the beginning of next month. BIDAY 25/3/93.

AMIC chairman and Anglo American deputy chairman Leslie Boyd would become Altech's non-executive chairman. Altech CE Don Snedden, retiring at the end of the month, would be replaced by Aberdare

DUMA GQUBULE

CE Peter Wilson who would report to Peter Watt. (189D)

Venter's eldest son, Robbie Venter, would become CE of Aberdare Cables. The younger Craig Venter would become chairman of Autopage and chief operating officer of Altech's Industrial group.

Deputy chairman Charles Stride would continue in charge of offshore interests, group finance and adminstration.

Venter said Altron, whose turnover topped R2,7bn in the year ended February 1992, was planning to have a R2,5bn offshore business within the next six years. Exports would increase to about 40% of locally manufactured sales within the next six years.

Altron needed a young, nimble and aggressive team capable of making the required changes while freeing up top management to concentrate on mapping the group's strategic direction, Venter said.

ALTRON FM 26/3/93.

Shifting currents (189D)

Altron appears to be preparing for a major reorganisation of its senior management. Peter Watt, Altron director and executive chairman of listed power engineering subsidiary Powertech, is expected to join Charles Stride as a deputy chairman at Altron.

Watt will remain CE of Powertech. He and Stride will report directly to Altron founder and executive chairman Bill Venter, who is expected to become non-executive chairman of Powertech.

Peter Wilson, MD of Powertech subsidiary Aberdare Cables (recently delisted after Powertech took out minorities) is tipped to become CE at Altech, Altron's listed electri-

FM 26/3/93 (189D)

cal and electronics subsidiary. Amic chairman Les Boyd, who sits on Altron's board, will be appointed non-executive chairman of Altech, replacing Don Snedden who is due to retire. Snedden will remain a director and will be retained as a consultant.

Jacques Sellschop, group executive of corporate relations at Altron, declines to comment on the possible management shuffle. However, an announcement is expected later this week.

The reorganisation is thought to be in line with Altron's shift in recent years from focusing primarily on large State spending projects in telecommunications, defence electronics and power engineering to establishing itself as a broadly based international electronics and electrical engineering group.

Simon Cashmore

REUNERT

Fm 26/3/93 (189D)

Catching the wave

Analysts expect good results after last year's misplaced caution

Change has long been the lifeblood of the electronics industry. In the past few years, however, SA's large electronics conglomerates have been forced to adapt to greater and more extensive change than ever before.

Barlow Rand electronics group Reunert has been forced to reshape and refocus its business more than most of its rivals. Though buffeted by recession and by extensive capital spending cuts among long-standing customers, it caught many analysts off guard with an impressive performance last year.

After two years in the doldrums, Reunert pushed up attributable earnings by nearly a quarter in the year to September, with EPS jumping 23% — despite a big jump in its effective tax rate. Turnover grew 42% and operating profit gained two-thirds.

The good results, coupled with the general surge in demand for electronics stocks, caused the share price to soar. Now around R37, the counter is at its highest in years and has doubled in the past 12 months. Market capitalisation has ballooned from R567m a year ago to R1,17bn.

If many investors and analysts were surprised, that was partly because chairman Clive Parker had warned shareholders at the start of the year to expect, at best, no more than a moderate profit increase.

In the latest annual report, Reunert again takes a cautious line. Parker forecasts only a small improvement in earnings this year. As in the previous two years, slack demand in major markets and the poor business climate are cited. So what can shareholders expect?

Like rivals such as Altron and Grintek, Reunert has been buffeted by extensive capital expenditure cuts among long-standing customers such as Armscor, Telkom, Transnet, local government and the mining industry. These cuts, which began to be felt on Reunert's bottom line in financial 1990, forced management to take remedial action. They slashed overheads at ailing operations; embarked on an acquisition programme to strengthen the share of key markets as well as to enter new sectors; and implemented controls of costs and working capital.

Last year the management and operational structure was streamlined into five divisions:

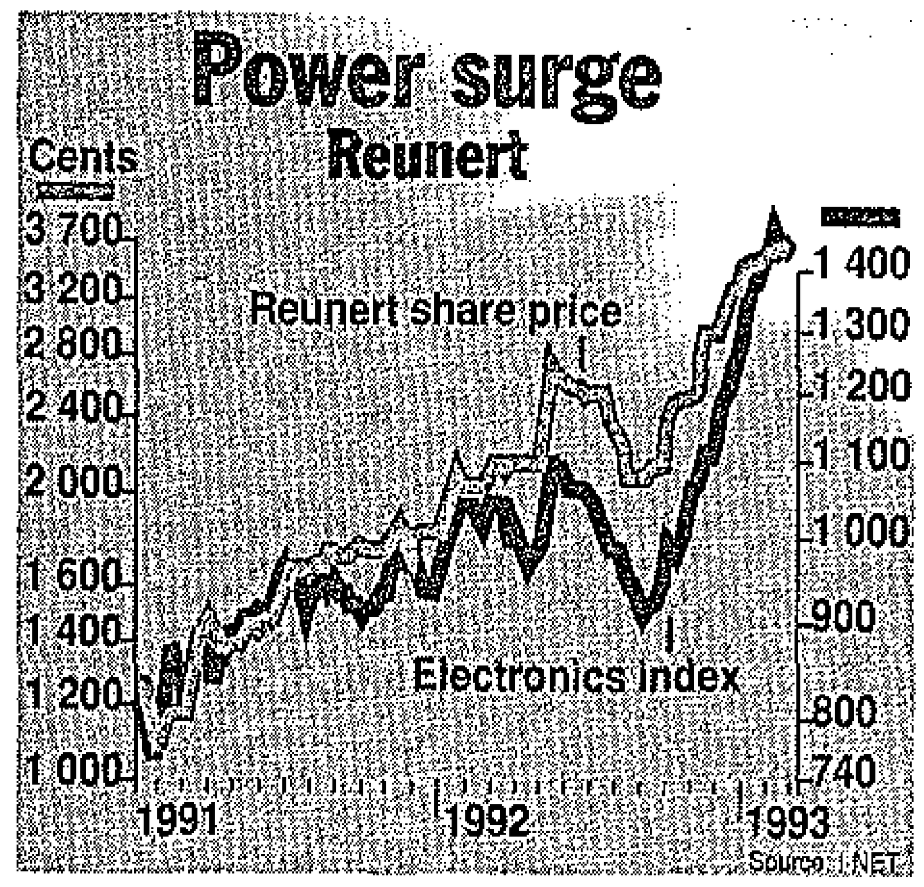
- ☐ Electronics — supplies a broad range equipment. Mostly defence systems;
- ☐ Mechanical engineering — heavy vehicles mainly for military and security;
- ☐ Telecommunications — Telkor and Telephone Manufacturers produce a diverse range of systems;
- ☐ Electrical Engineering — 50%-held GEC Alsthom SA supplies a wide vari-

PROFIT SURGE

Activities: *Makes and distributes electronics, engineering, telecommunications and electrical equipment as well as a broad range of cables.*
Control: *Barlow Rand 77,5%.*
Chairman: *C C Parker; MD: A J Ellingford.*
Capital structure: *31,7m ords; 350 000 5,5% cum prefs. Market capitalisation: R1,18bn.*
Share market: *Price: R37. Yields: 2,7% on dividend; 7,9% on earnings; p:e ratio, 12,6; cover, 2,9. 12-month high, R37; low, R18. Trading volume last quarter, 109 000 shares.*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	86,8	59,6	35,7	47,2
LT debt (Rm)	33,2	31,7	3,8	2,1
Debt:equity ratio	0,32	0,20	n/a	n/a
Shareholders' interest	0,41	0,42	0,46	0,45
Int & leasing cover	10,8	6,0	11,4	n/a
Return on cap (%)	14,3	14,6	13,1	18,3
Turnover (Rbn)	1,13	1,41	1,61	2,28
Pre-int profit (Rm)	112,4	131,6	127,6	211,9
Pre-int margin (%)	9,4	9,0	7,9	9,2
Earnings (c)	203	234	238	293
Dividends (c)	70	81	81	100
Net worth (c)	700	796	877	812

FM 26/3/93 (189D)



ety of capital-intensive electrical equipment, while wholly owned Circuit Breaker Industries (CBI) makes circuit breakers and earth leakage protection devices; and

☐ Cables — listed subsidiary African Cables produces electric power cables, while ATC makes telecommunications cables.

Turnover and earnings contributions from the five product divisions last year were on par with one another. The electronics and mechanical engineering divisions maintained profitability, despite the contraction of markets. Telecommunications operations, buoyed by exports, and the electrical engineering business recorded substantial profit gains. Profit from the much-expanded cable division met expectations.

Since 1988 more than 3 000 employees have been shed through retrenchment and attrition; several factories were closed. During that time Reunert's turnover per employee has nearly doubled to R164 000.

While curbing operations in declining markets, Reunert has taken advantage of the recession to acquire — presumably at keen prices — businesses from competitors as well as to increase its shareholding in some of its joint-venture companies.

Notable acquisitions include African Cables (with Siemens); engineering firm Sandock Austral; Electric Lamp Manufacturers of SA; Associated Glass Works; and the local lampmaking operations of Thorn EMI (with Philips).

These investments have started boosting results. Parker points out that if the contributions of acquisitions in the past year had been excluded, turnover would have dropped in real terms, rather than showing an inflation-adjusted improvement of about 20%.

Total spending on equity investments in the past three years was about R170m. Good cash flow, boosted by tighter cost and asset controls, enabled Reunert to fund its acquisition programme from cash resources. Operations last year generated a positive cash flow of R275m — up from R168m in 1991.

The balance sheet, too, has strengthened. Despite high spending on acquisitions and, to a lesser extent, plant refurbishment, it has moved from net debt of R75m (giving gearing of 20%) at the 1990 year-end to net cash of R134m last September. Earnings last year were bolstered by a net interest inflow of nearly R10m, compared with the previous net finance charges of R8m.

Working capital at year-end was brought down from more than 11% of turnover in financial 1990 to 6%. It rose slightly last year owing to the inclusion of several new businesses. Profitability has improved significantly, with returns on capital and equity now at 18% and 36% respectively. Asset turn has climbed steadily since the mid-Eighties, and reached 6,2 times at the end of last year.

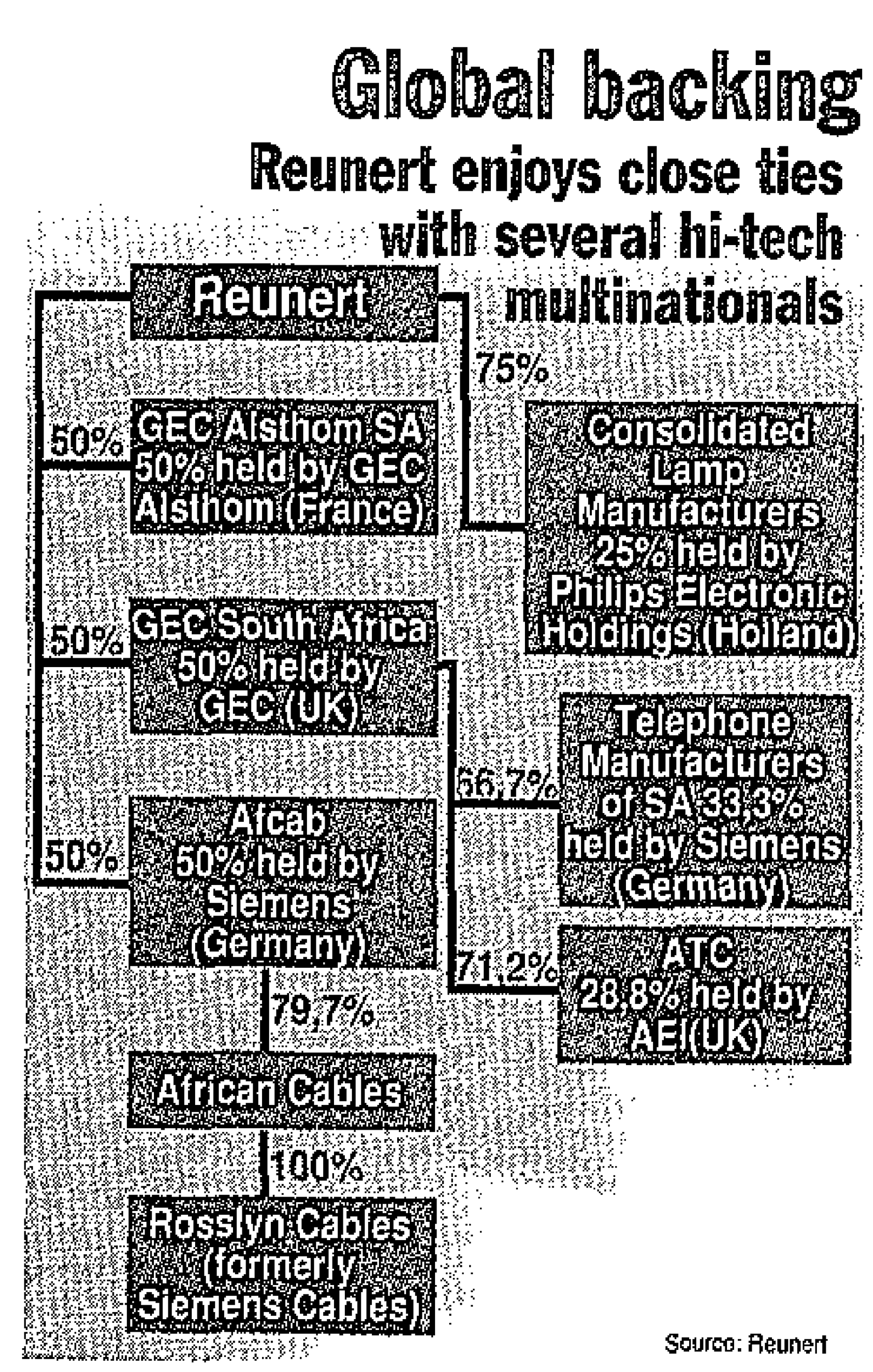
Financial director David Rawlinson acknowledges that the benefits of the cost-cutting programme have been felt on the bottom-line and balance sheet sooner than management expected. Further improvements are likely to be modest, as most of the major reductions in overheads and costs have been completed, says Rawlinson.

Downsizing of operations has left the group well positioned to benefit quickly from any major spending on telecommunications, township electrification and large engineering projects.

The group has sought to preserve its manufacturing capabilities as well as its skills and technology. Reunert is estimated to have spent almost R50m on research and development in the past five years — puny in world terms but certainly not in SA — and at least R10m is thought to have been earmarked for this year. Local military spending has contracted dramatically but the domestic and international defence industry remains an important market for Reunert. Some analysts reckon it contributed close to a third of 1992 earnings.

Immediate outlook for the local defence industry appears grim, though several observers believe a new government will be keen to preserve and develop SA's armaments industry. As recent comments from the ANC have shown, it's probably premature to draw any firm conclusions about the likely policies in this area. However, a broker's analyst takes a positive view from Reunert's standpoint:

"A new government could well be supportive of the local armaments industry as it would provide considerable employment and ensure SA is not militarily dependent on major arms exporters such as the US, UK, France or China," he says. "A strong armaments industry would enhance SA's standing in Africa and entrench its position as a regional superpower."



Exports have emerged as an important contributor to Reunert's earnings. While remaining strongly committed to the defence industry, it has begun to steer much of its R & D budget towards commercial products with export potential.

Last year exports accounted for about 15% of turnover, about R350m, and management expects this contribution to be close to 25% by the late Nineties. Rawlinson points out that development of indigenous technology enables Reunert to export local products throughout the world, without the licence constraints usually imposed by big international partners.

The group boasts strong ties with several of Europe's largest hi-tech multinationals. Corporations such as France-based GEC Alsthom, GEC in the UK, Siemens and Philips provide Reunert with technology and are equity partners in many of its operations. They have provided strong support for efforts to enter new markets. These international alliances may also be a defence against any foreign invasion of domestic markets that might result from the improving political status of SA.

Refocusing in the past few years has provided some insulation from the slump in Reunert's traditional markets, and increased its exposure to those with short-term business cycles. However, most of the operations still depend on long-term capital-intensive projects. Heavy national expenditure on infrastructure and social welfare seem essential if Reunert is to sustain earnings growth.

The strong balance sheet, impressive management of costs and assets, and good prospects for exports — all indicate that shareholders could still expect some earnings growth this year.

Management, looking at financial 1993 so far, suggests that EPS growth is likely to be around 10%. Various analysts, mindful of management's apparent caution last year, forecast an earnings improvement that will beat inflation.

The share price has been swept up in the recent enthusiasm for electronics stocks. At R37 it is giving a historical p:e of 12,6 and dividend yield of 2,7%. Though the share is rated below those of rivals such as Altron, Altech and Powertech — possibly because of the low volumes of scrip traded — it is starting to look pricey. Some weakness is possible in the short term, as demand for electronics shares cools.

In the longer term, however, Reunert should achieve considerable growth on a sustained recovery of the domestic economy.

Simon Cashmore

LABOUR

Berzack bows to pressure

189D

ELECTRICAL appliance company Berzack Brothers did an about-turn on training opportunities for its employees after it was rejected for investment by the Community Growth Fund earlier this year.

When this was made public, Berzack called in the union to discuss its grievances.

W/Mail 26/3–1/4/93

The fruits of this meeting include plans to start a training centre for the company's 13 factories which employ 1 800 workers, while the company has also agreed to set up a committee to investigate ways of training 2 000 workers at 76 distribution outlets.

Berzack reports traumatic year

(189D)

BDAY 29\3\93

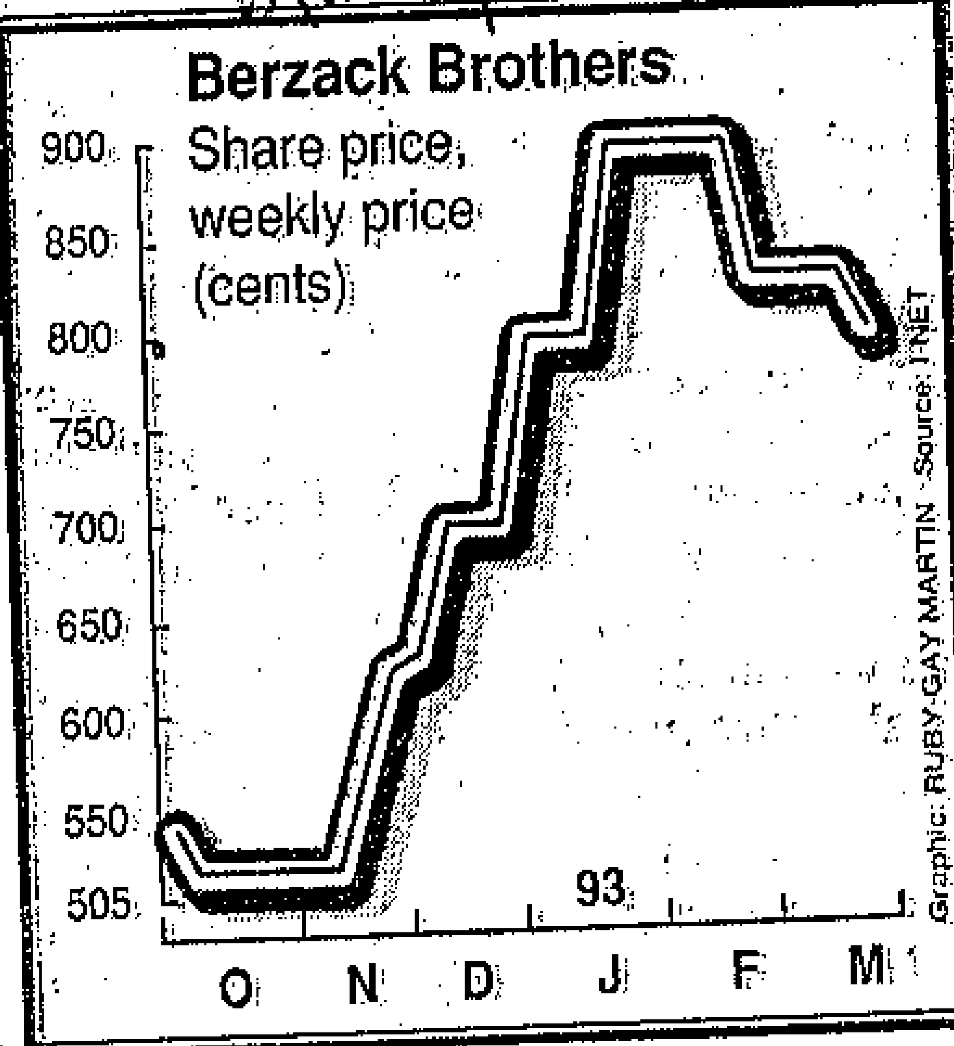
ANDY DUFFY

THE Berzack group of companies sustained lower earnings across the board for the six months to December.

The group, which includes Voltex and Elcentre, is to delist two subsidiaries by June and will refinance its struggling operation in the UK.

Operating profit for cabling company Voltex, Berzack's main contributor, dropped 4,8% to R43,08m, on turnover 8,8% higher at R632,3m. Although local operations improved slightly, this was swamped by R4,7m losses from the UK company Bennett & Fountain (B & F), and a R5,17m tax provision. Attributable profit fell 19% to R23,79m, leading to a similar fall in earnings a share to 5,7c. The interim dividend was held at 2,75c.

Currency fluctuations and supply problems cut operating income for electrical accessories distributor Sanlic by more than 60% to R0,56m, on turnover static at R25,6m. Sanlic's loss for the six months was cut from R4,35m to R1,18m, although losses a share rose from 1,2c to 1,9c.



Elcentre, which controls 51% of Voltex and 82% of Sanlic, reflected the performance of its subsidiaries. Earnings dropped 32% to 13,3c, while the dividend was cut by 37,5% to 6,25c.

The knock-on also hit holding companies Berzack Brothers and Berzac-Illman In-

☐ To Page 2

Berzack

BDAY 29\3\93

(189D)

☐ From Page 1

vestment Corporation (Bivec). The former suffered a near-40% fall in earnings a share to 32,2c, with the interim dividend down 16,7% to 12,5c. Bivec's earnings a share dropped 38,7% to 23c, and its dividend fell 18,2% to 9c.

Chairman Myron Berzack said the group would delist Sanlic by the year-end. Its assets would probably be transferred to Voltex, although Berzack would not discuss the issue. A further delisting, probably Elcentre, is likely before June.

The Berzack group has come under fire in the past for its complex pyramidal structure. A restructuring of the remaining listed businesses might be considered at a later stage.

The group has also been criticised for its decision in 1990 to buy into the UK company which, in the year to last June, cost the group R50m.

B & F has been hit by the depressed state of the UK construction industry and Berzack conceded that the timing of the deal was "not to perfection. We've had some major problems over there".

Berzack is planning to restructure B & F's finances in a bid to cut its 100% gearing, although the group declined to detail its options. However a debt-for-equity swap with the banks is thought to be a favoured route.

Staff losses and the write-off of bad debts cost about R1,4m, although Berzack said losses for the year-end were likely to be lower than those for 1992.

Berzack said that despite the effect of political uncertainties and depressed markets, the group's local operations had done "incredibly well".

Star 30/3/93

New name for Picapli

By Stephen Cranston

Following its acquisition by Powertech, Picapli has been renamed General Technologies (Gentech).

Powertech CE Peter Watt says the new name has been implemented to strengthen the association of Gentech with the corporate name.

"The name clearly identifies Gentech with its parent without restricting the focus on its present market in domestic appliances."

Gentech will undergo a broad-based structural reform programme aimed primarily at improving quality standards, customer service and safeguarding profitability.

Picardi Holdings has exercised its put option, exchanging its remaining shareholding in Gentech for 1,4 million Powertech shares and 80 000 new shares in Altron.

Interim results for the six months to December will not be announced as they would not take into account the restructuring of operations since the change of control.

Instead, preliminary results for the eight months to February will be published towards the end of April.

Star 31/3/93

Conlog wins R25-m contract for electricity dispensers

By Stephen Cranston

Amic subsidiary Conlog has been awarded a three-year contract, worth R25 million in the first year, to provide Eskom with pre-payment dispensers.

Customers will pay Eskom ahead of time for their electricity and be provided with a card to feed in to their dispensers, which credit them with the units they have paid for.

This will make it easier for Eskom to provide electricity in areas in which it has been difficult to collect payments because of boycotts.

Eskom has cut its suppliers from five to three and re-awarded Conlog a major share.

Metering general manager Herman Bos says an important aspect of the contract is that it also includes involvement with Eskom on technological development.

Conlog has been selected to develop the Standard Transfer Sepcification and the Common Vending System which will become industry standards for pre-payment equipment.

Electricity dispensers supplied by each manufacturer will then be compatible and interchangeable to the benefit of the overall electrification programme.

189D

Conlog locally developed and manufactureda total revenue management system which required a R7,3 million investment in research and development and a further R4,3 million this year.

More than 300 000 of Conlog's E-Kard magnetic token-based electricity dispensers have been shipped since production began and the company is investigating export opportunities.

Conlog is also a leader in the automotive vehicle security market and is a major process control instrumentation manufacturer.

FM 2/4/93 (189D) FOX

BERZACK/VOLTEX (189D)

It never simply rains

Shareholders have nurtured great expectations about this group; unhappily, these have been honoured so far more in the breach than in the delivery. The latest set of interims merely adds to the disappointments.

This is not to say there is no light at the end of the tunnel: it is just that the tunnel is proving a lot longer and harder to navigate. The fault lies not in the group's performance in SA which, given a crippled economy, is what observers would reasonably have expected. On the contrary, local performance was remarkably strong: turnover rose 8,4% and some careful husbandry made sure that costs were well contained, which fed through to an 11,5% improvement in operating profit.

The haemorrhage came in the ill-judged and benighted investment in the UK's Bennett & Fountain Group — an acquisition which new chairman Myron Berzack must now be regarding with about the same affection a fox has towards a neighbourhood hunt. Aside from the original purchase price of R144m (for 60% of the ordinary shares in

Berzack's Berzack ... *more provisions*

EXTRAORDINARY

Voltex Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	581	646	632
Operating income (Rm)	45	47	43
Attributable (Rm)	29	37	24
Earnings (c)	7,0	8,8	5,7
Dividends (c)	2,75	4,0	2,75

B&F), Voltex has set aside R50m as a provision against goodwill and is now bringing to account its share (R4,7m) of B&F's latest losses which, by extension, must be around R7,8m. Prudently, though not of any comfort to shareholders, Voltex consolidates B&F fully in its accounts.

Of course, it never simply rains, does it? This time around, Voltex's accumulated allowances on plant and equipment are exhausted and its shield against tax has vaporised: the half-year tax bill was R5,3m (1991: R150 000). So the amount attributable fell to R24m from which is deducted extraordinary provisions of R7,3m, of which the greater portion is accounted for in goodwill written off.

The net result is EPS of 5,7c (7c). The dividend has been maintained at the expense of cover and tangible NAV is hardly affected.

Berzack and Bivec, both effectively hold-

ITEMS

Berzack Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	52	57	55
Operating income (Rm)	10	12	13
Attributable (Rm)	14	15	9
Earnings (c)	53,2	54,5	32,2
Dividends (c)	15,0	25,0	12,5

ing companies that rest on Voltex's performance, return results which, unsurprisingly, are hardly the kind about which to brag. Berzack's EPS are fully two-fifths below the 1991's interim, the dividend has been cut and NAV has fallen. Almost exactly the same story is reflected in Bivec's results.

This group, taken as a whole, continues to reflect much pain. Its SA operations are in good heart but it is suffering from an ill-advised UK investment. Something clearly must be done immediately to reduce the baleful impact which B&F continues to exercise. And it's about time something was done to clean up the multiple and confusing pyramid structure.

In a business managed and controlled by two closely interwoven families, the recent death of chairman Bennie Illman must have come as a disruptive event which has probably affected, to some degree, the emphasis and perspectives of directors. Profound as this may have been, directors need to demonstrate their ability to regroup and refocus.

David Gleason

Star 8/4/93

Nu-World lifts sales, earnings

By Stephen Cranston (189b)

Electrical appliance manufacturer Nu-World Industries increased earnings per share by 21,3 percent to 5,1c in the six mmonths to February.

This was achieved on a 63 percent increase in sales to R31,5 million and a 32 percent improvement in operating profit to R1,78 million.

MD Michael Goldberg says the sales increase was achieved by the introduction of new product ranges and higher export volumes to Europe, the Middle East and Australasia.

But the intense competition for market share, both locally and abroad, brought margins under pressure.

Goldberg says, however, that ongoing restructuring and improvement in throughput and productivity will allow the group to continue to show real growth in earnings.

The group has invested substantially in automated plant to increase production.

Appliance firm shows a 21% rise in earnings

BDAY 8/4/93

MARCIA KLEIN (189D)

ELECTRICAL appliances manufacturer Nu-World Holdings showed strong growth in the half year to end-February, reporting a 21% earnings rise to 5,1c (4,2c) a share.

MD Michael Goldberg said new product ranges, increased market share and a significant rise in export sales to Europe, the Middle East and Australasia saw turnover rise by 63% to R31,5m from R19,3m. Exports to the UK were buoyant, and a few of the company's lines were being exported to a major retailer.

He said that to achieve the increase in sales amid intense competition, margins came under pressure and operating income rose by 32% to R1,8m (R1,3m).

Nu-World had increased production capacity by buying a new highly automated plant and upgrading and expanding its existing plant. The cost of financing the new plant, as well as additional working capital requirements to finance increased turnover saw the interest bill rise by 41% to R749 000 (R531 000).

Although it still had borrowing capacity, finance was costing the company money. Nu-World was investigating the possibility of a holding rights issue within the next six months to a year.

A rights issue had not been previously open to the company because of its weak share price, but Goldberg said the share was now reaching realistic levels. Recently the share rose dramatically in large volumes on the back of institutional demand. The share, which was trading at only 35c at this time last year, closed yesterday at a high of 150c.

Goldberg said Nu-World was expected to maintain its sound performance in the second half. He said the company had looked for acquisitions, but those available had been expensive. Organic growth, with the focus on exports and new products, would play a major role in the company's growth over the next three years.

FM 9/4/93 **COMPANIES**

DELTA ELECTRICAL 189D

Poised for an acquisition

Activities: *Makes and services electrical and mechanical goods.*
Control: *Delta SA (Pty) 49,6%.*
Chairman: *N A Bury; MD: E W van Zyl.*
Capital structure: *41,4m ords. Market capitalisation: R434,7m.*
Share market: *Price: 1 050c. Yields: 2,6% on dividend; 5,7% on earnings; p:e ratio, 17,6; cover, 2,2. 12-month high, 1 150c; low, 880c. Trading volume last quarter, 191 500 shares.*

Year to Dec 27	'89	'90	'91	'92
ST debt (Rm)	6,8	3,8	11,7	1,6
LT debt (Rm)	nil	nil	nil	nil
Debt:equity ratio	0,11	0,13	0,14	n/a
Shareholders' interest	0,48	0,51	0,51	0,57
Int & leasing cover	28,7	26,9	38,3	142
Return on cap (%)	28,9	32,7	28,2	28,2
Turnover (Rm)	260	302	314	334
Pre-int profit (Rm)	37,2	48,1	47,6	49,7
Pre-int margin (%)	14,3	15,9	15,2	14,9
Earnings (c)	42,9	55,2	62,8	59,8
Dividends (c)	19,0	24,5	27,5	27,5
Net worth (c)	129	155	176	202

A welcome addition to Delta Electrical's 1992 annual report is the disclosure of turnover figures; previously, only percentage increases were given. This enables a closer look at the operating performance: the 4% rise in operating profit translates into a narrowing of operating margins from 15,2% to 14,9%, on a 6,6% increase in turnover.

Attributable earnings fell 4,3% because of two factors. Firstly, the effective tax rate increased from 39,5% to 41,9%. The reduction in the corporate tax rate announced in the Budget is only expected to have a moderate effect on the tax charge, says MD Evan van Zyl.

Secondly, net income from associates fell two-fifths, due to the sale of the 21% holding in Valhold, on March 16 1992. This sale raised nearly R12m cash which has slashed interest-bearing debt; the group now holds net cash. Says Van Zyl: "The pressure is now on us to use our healthy balance sheet to make an acquisition." Any business acquired must fit with existing operations, and generate significant profits to provide an opportunity to move into a new strategic direction, adds Van Zyl.

Chairman Alex Bury says a major investment to increase plant capacity at the Electrolytic Manganese Dioxide (EMD) company is under way. Capex in EMD in 1993, though not disclosed, will be significant. Van Zyl says: "It's the biggest project we've undertaken."

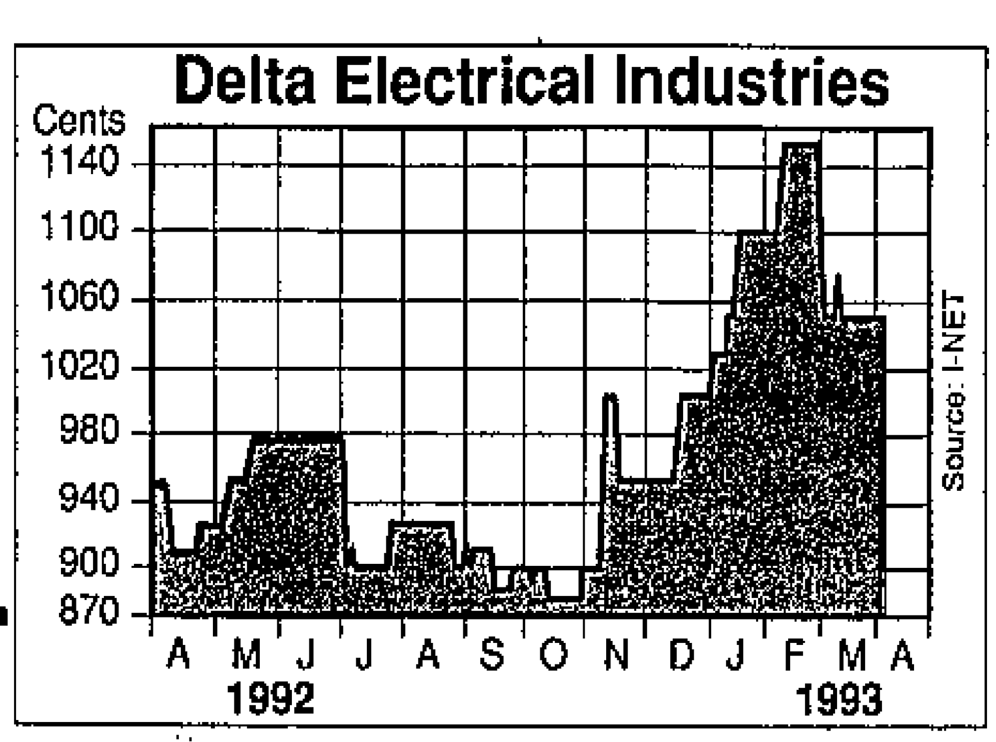
It will be funded internally and by an IDC loan and is not expected to affect gearing materially. The net result will be to expand EMD's production capacity by about two-fifths towards the export market, which already accounts for four-fifths of production and which includes the US, Europe and the Pacific Rim. (189D)

Delta has a strong balance sheet and is well poised should an acquisition opportunity arise. Returns on equity and capital are strong at just under 30%. Van Zyl says, however, that "1993 will be a tough year and we expect earnings to remain fairly flat."

The 1994 earnings will have the full benefit of the increased capacity at EMD — on schedule to be completed by August. This will increase the contribution of attributable income from the manufacturing division (of which EMD is the largest part) to more than half of attributable income; up from 46% now. No more specific figures have been given. FM 9/4/93

The share price has fallen since the middle of February, from about R11,50 to R10,50, rating it on a p:e of 17,6 and a dividend yield of 2,6%. Sound financial management and growth prospects internally and by acquisition, make Delta an exciting proposition despite recent sector outperformance.

Louise Randell



Delta Electrical's Van Zyl ... *healthy balance sheet*

DATES TO REMEMBER

Last day to register for dividends:
Friday Apr 16: Autodek 1c; CFC 14c; Confed 62; Carlcor 33c; Engen 55c; Groprop *20,1c; Prosure 35c; Uniserv 7c; Utico 197c; WB Holdings 10c; Wit GM 1c.
Meetings:
Tuesday Apr 13: Disa (Cape Town); Ovbel (S) (Cape Town).
Friday Apr 16: Yorkcor (Pretoria).
S = Special meeting.
* = Per unit.

(Bus.) ST Times 11/4/93

R70m payphone row

(189 B)

A ROW has broken out between the Electronics Industry Federation (EIF) and Telkom over a R70-million card payphone tender.

By ZILLA EFRAT

The award of the tender to make public phones that accept cards for payment has outraged the EIF. It accuses Telkom of effectively abandoning South Africa's electronics industry.

The EIF says it makes little sense for the Government to fund a research and development programme to the tune of R65-million a year to encourage exports when key player Telkom ignores the SA industry.

Negotiations are under way between the EIF, the Standing Committee for Electronics and Telkom about future tenders.

The tender was awarded to EIF member Telephone Manufacturers of SA, which will use foreign technology.

EIF vice-president Tony Farrah says the card payphones will have minimal SA content. Card payphones will initially be imported fully assembled and later in semi-knocked-down form.

Maximum

He believes the decision could cost SA up to $100-million in exports, as well hundreds of jobs. The world card payphone market is expected to top $1-billion a year by 1997.

The major SA tenderer, Telkor, has had considerable success in exporting its coin payphones, especially to Eastern Europe, after receiving support from Telkom.

The EIF believes that SA expertise could have been adapted to satisfy Telkom's requirements.

EIF president Dirk Desmet says it is possible that Telkom favoured the cheaper imported product to avoid having to apply the local content price preference code of conduct applicable to all parastatal organisations.

The price preference for local content varies, depending on the level of SA design and manufacture. The Government and the industry have agreed to reduce this over several years to a maximum of 10%.

But Mr Farah says that when local content is taken into account, Telkom has bought the cardphones at a price which is 13% higher.

He says: "This has serious connotations because if the Government continues on this path, it will force local industry to abandon all R&D and discontinue manufacture."

Telkom, however, claims that the EIF is not expressing the opinion of the industry and is supporting the one company that has been complaining since the tender was advertised.

Telkom general manager, client services, Geurt van Dijk says that after the tender was awarded in December, three of the four SA companies that competed in the final phase congratulated the utility for its professional product evaluation and adjudication.

One point of contention focuses on the specifications for the tender.

The EIF says Telkom downgraded them in order to admit international competitors in spite of the SA industry's commitment to infrastructure.

Mr van Dijk denies this. He says the specification was formulated with only one thing in mind — meeting the needs of users and providing an efficient service that can be effectively managed.

The EIF says it cannot verify Telkom's claims that Telkor did not match the specifications, specifically for the payment administration process system.

It says that this system represents less than 1% of the total contract value. If Telkom had bough SA phones, another system would not have been required.

Telkom says in addition to this system being rejected, the total system had many other non-compliances to specification.

"The overall performance rating of the system was found to be worse than any of the others field-trialled. This resulted in the rejection of the total system," says Mr van Dijk.

NU-WORLD (189D) FM 16/4/93

The whistling kettle

Electrical appliance maker Nu-World's unusual *modus operandi* has paid off. A deliberate decision to trim margins and introduce new products saw turnover advance appreciably; that was accompanied by increased debt and gearing which, surprisingly, did little to dampen a substantial improvement in earnings. Even the market nodded its approval, with the share appreciating by 250% in the past three months.

Management is monitoring the share price closely. Should it touch 250c — just 75c above the current 175c — talk of a rights issue may be translated into reality. Up to January, the share was weak and trading at a discount to NAV. Large volumes on the back of strong institutional demand pushed the share past 1987's high of 150c and turned the discount to a premium, making the pros-

cont p

FM 16/4/93 (189D)

pects of a rights issue more favourable.

Financial manager Graham Hindle says the rationale behind the rights issue is twofold. Firstly, and most obvious, it would increase tradeability. After last month's high trading volume, the share is now held by both institutions and small investors, making liquidity even more important.

Secondly, funds raised will be used to reduce borrowings. Year-end gearing was 73% — high for such a small company, but most of the borrowings are low-interest IDC loans.

If the group wants to continue expanding assets at the present rate, it will need substantial additional funding. In the past six months nearly R1m was spent on new plant. This was funded internally. A new R4m IDC loan has been approved at favourable interest rates but has not yet been drawn on.

Hindle says other factors responsible for the "incredible sales" include new products, increased market share and stronger exports.

It would be idle to expect turnover to go on growing at this rate but Hindle says the forecast 16,7c annual EPS will certainly be achieved. Last year, the *FM* said Nu-World had all the signs of a recovery stock (*Companies* May 29); it is pleasing to record the accuracy of our prediction. *Kate Rushton*

Atlantis factory wins R75m bid

TOM HOOD
Business Editor (39D)

ARG 17/4/93

AN ATLANTIS electronic factory is to increase its staff by 50 percent as a result of winning a R75 million contract to make prepayment meters for Eskom.

AEG Energy Control director Mr Paul Hastie said the contract is worth R25 million a year and the company will have to supply 75 000 meters a year.

"We will have to increase our staff of about 100 people by 50 percent in the next six weeks," he said.

AEG made about 400 meters a day, which would now go up to 14 000 a month.

Star 23/4/93

Gentech pays price of poor trading

By Stephen Cranston (189D)

Gentech, the appliance manufacturer formerly called Picapli, has reported a loss per share of 2,5c in the eight months to February (profit of 27,3c in the year to June 1992).

The year-end was changed to coincide with that of Powertech, which recently acquired control of the group from the Picardi family.

The eight months was characterised by poor trading conditions.

The balance sheet for June 30 1992 has been restated because the group is adopting a more conservative approach to its potential exposure in film production made in the 1988 and 1989 financial years.

A provision of R9 million has been raised and reflected as a reduction in retained income. The impact of these adjustments was a reduction in net worth from R54,1 million to R43,9 million.

More stringent accounting policies wiped a further R8,6 million off shareholders' funds.

The reduction in net asset value will be addressed by a rights issue.

Gentech represents several international principals, including Indesit, Whirlpool, Daewoo and Hitachi.

Chairman Peter Watt says the acquisition of improved technology will be achieved through closer ties with these foreign partners.

Watt expects an upturn in domestic appliance sales will occur with an increase in the number of homeowners having access to electricity.

The spread of consumer porducts offered, combined with market acceptance of the brand names, positions the group favourably, though this will not offer more than partial protection in a recession.

COMPANIES

Gentech reports R660 000 loss

DUMA GQUBULE

GENERAL Technologies (Gentech), formerly Picardi Appliances (Picapli), reported an attributable loss of R660 000 on turnover of R178m for the eight months ended February. BIDAY 23/4/93.

This was equivalent to a loss of 2,5c a share for shareholders who also had to take a hefty drop in the value of their investment to R34,7m from last year's R54,1m because of stringent accounting policies introduced by Powertech.

Gentech's year-end was changed to February, in line with other companies in the Powertech stable. Powertech took the company over in a R29,5m deal last year.

Chairman Peter Watt said the reporting period was characterised by poor trading conditions, which eroded profit margins.

The 1992 balance sheet had been restated, which reduced net asset value to R43,9m from R54,1m. A further R8,6m extraordinary item for stock obsolescence came below the line. (89D)

The resulting R9,2m deficit was taken off against restated financial 1992 ordinary shareholders' funds of R43,9m, reducing net asset value to R34,7m. Watt said the drop in net asset value from R54,1m would be addressed by a rights issue.

Gentech's turnover came to R178m and operating income was R4,4m. Interest on the company's R55m debt was R7,1m and the pre-tax loss was R2,7m. A tax kickback of just over R2m resulted in a loss in attributable earnings of R660 000.

Watt expected that an upturn in the domestic apliances industry would occur with an increase in the number of home owners with access to electricity.

JASCO FM 30/4/93.

Highly charged

Here's a good example of management putting its house in order. Financial 1993 saw rationalisations, heightened efficiencies and improved asset and cost controls that helped the electronics group to a 160% leap in EPS.

Jasco faced problems similar to those of many small companies that entered the industry in the late Eighties, like poor financial ratios and, following a spree of acquisitions, underperforming assets. Earnings plunged 71% to R1,3m in financial 1992 after losses incurred by three acquisitions.

But the latest figures show a cut in gearing from an unacceptable 105% to 53%, the result of improved profits and a reduction in working capital. Current ratio stands at 1,91 and return on equity has more than doubled

FM 30/4/93.

to 29%.

Turnover rose a marginal 2% but operating income leapt a significant 61% to R5,9m, thanks to improved margins of 7,9% (5,1%).

There is still, however, a R3m contingent liability on tax deductions by subsidiaries for investments in film ventures that may be disallowed by the Receiver. No provision has been made for this but MD Peter Rush says there's good reason to believe an acceptable compromise will be offered by the fiscus. Divisional figures, says Rush, are encouraging for future performance. Jasco International should benefit from the new trunking frequencies and envisaged GSM cellular telephone network, as a supplier of peripheral equipment. Subsidiaries Skypage and Special Cables, he believes, will benefit from new product launches.

Rush is especially optimistic about SA Scientific Group, supplier of laboratory equipment and diagnostic consumables, which has identified a number of new opportunities. Pascom Electronics, the laggard in the group, is expected to show a profit this year having been streamlined and geared to capitalise on a more buoyant market.

Added to this, Rush says Jasco has "been very successful in its export drive and we are

CONNECTING WELL

Year to Feb 28	1992	1993
Turnover (Rm)	72,3	73,9
Operating income (Rm)	3,7	5,9
Attributable (Rm)	1,3	3,4
Earnings (c)	4,5	11,7
Dividends (c)	0	4,2

confident of receiving substantial foreign orders again in the months ahead".

Though the tax rate is expected to increase in the current year, management has budgeted for substantially improved profits.

With NAV of 40c a share, a dividend yield of 5,6% and a p:e of 6,4, the latter well below the electronics sector average of 14,3, the share looks good value. Investors may wish to await further evidence of the turnaround in performance before committing new funds.

Marylou Greig

Anglo sets sights on the appliance market

STAR 30/4/93.

(189D)

By Derek Tommey

Mining giant Anglo American is about to move into the domestic electronic appliance market.

And befitting its status as SA's biggest mining house, it intends doing so on a fairly large scale.

Engineering News reports that Anglo's subsidiary Amic is investigating making colour television tubes in South Africa in a joint venture with Daewoo, a major South Korean appliance company.

The proposed factory will cost R600 million and produce 800 000 colour tubes a year.

The investigation should be completed by October.

Expectations

If the factory gets the go-ahead, it will take about two years to reach the production stage.

The plan stems from expectations that by the turn of the century South Africans will be buying a million new colour television sets a year — a number that could be easily reached if Eskom's drive to bring electricity to black homes maintains its current momentum.

Amic director Hilton Davies says the tube project is only one of a number his company and Daewoo are investigating.

The news of the project will be no surprise to the market.

About six weeks ago, Leslie Boyd, deputy chairman of Anglo and chairman of Amic, told The Star his company could soon become a leading producer of domestic consumer goods.

Boyd said Amic was being repositioned to lessen the effect of the commodity price cycle on group earnings.

The end to sanctions had opened doors to new investment from overseas.

Amic was now looking to Japanese and Korean consumer goods companies to establish joint ventures in SA, he said.

Amic is already a major car manufacturer, producing Ford and Mazda cars through its Samcor subsidiary.

Anglo already has a growing indirect interest in the supply of domestic electronic appliances through its 29,2 percent stake in the Altron electronic group.

Altron recently aquired Pica-pli, the appliance company in the Pickard stable.

This company, renamed Gentech, has 39,9 percent of the fridge and freezer market.

Gentech, which manufactures under the KIC label, represents several international companies including Indesit, Whirlpool, Daewoo and Hitachi.

Altron chairman Bill Venter said recently his group was being restructured in order to be more flexible and meet market needs.

Gentech chairman Peter Watt says the company aims to acquire improved technology by seeking closer ties with foreign partners.

He expects sales to rise as more people get access to electricity.

Eskom has made no secret of the fact that it has embarked on a major drive to bring electricity to townships.

It provided electricity for 145 000 houses last year and plans to electrify a further 150 000 houses this year.

Discussions

Eskom and the Life Offices Association are holding discussions on lending money to Eskom to help it carry on electrification projects.

It is understood that these loans will be at below market rates of interest.

This will enable life assurers to show their critics that their funds are being used to help improve the lot of lower-income groups.

However, makers of domestic appliances should get another boost when proposals to build 250 000 new houses a year for people in the lower-income group get off the ground.

This could follow immediately after a political settlement has been reached.

Plans for high-tech TV plant

(1810)

CT 30/4/93

JOHANNESBURG. — Anglo American Industrial Corporation (Amic) and Korean industrial giant Daewoo are planning a joint venture which could revolutionise the television industry in South Africa.

The two groups reportedly hope to set up a high-tech R600 million colour television tube manufacturing facility locally.

It would produce about 800 000 tubes a year, which would meet local demand. The majority of colour tubes are at present imported.

Daewoo expects to complete a feasibilty study by October.

If given the go-ahead, the facility should be operational within the next two years.

Amic director and Boart managing director Mr Hilton Davies is quoted as saying the venture was one of a wide range of joint projects Amic and Daewoo were considering. — Sapa

Anglo switch to TV tubes

(189D) ARGT 1/5/93

■ South Africa's biggest mining house intends to move into the electronic appliance market.

Business Staff

MINING giant Anglo American is about to move into the domestic electronic appliance market.

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Mr Boyd said Amic was being repositioned to lessen the effect of the commodity price cycle on group earnings.

The end to sanctions had opened doors to new investment from overseas. Amic was now looking to Japanese and Korean consumer goods companies to establish joint ventures in South Africa, he said.

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Powertech trims its payout to 9,2c

1897

Star 3/5/93

By Sven Lünsche

Altron subsidiary Powertech, which has been on a major expansion drive this year, nevertheless managed to improve bottom-line profits by 6,5 percent to R46,3 million (R43,3 million) in the 12 months to end-February.

During the reporting period Powertech acquired Aberdare for R150 million and Gentech (formerly Picardi Appliances) for R6 million.

Earnings per share increased slightly from 32,3c to 33,9c despite the higher number of shares in issue after the R64 million rights issue.

The total dividend for the year at 9,2c is slightly down from the previous 9,5c.

Operating results show turnover five percent lower at R1,09 billion (R1,15 billion) as a result of the sale of Brown Boveri's industrial division.

Operating income fell to R105 million (R117 million).

The directors say the business climate "was one of the least favourable in years".

The add that the continued economic and political uncertainties dictate cautious expectations for the year ahead.

Powertech shows some improvement

(189D)

B|Day 3/5/93

DUMA GQUBULE

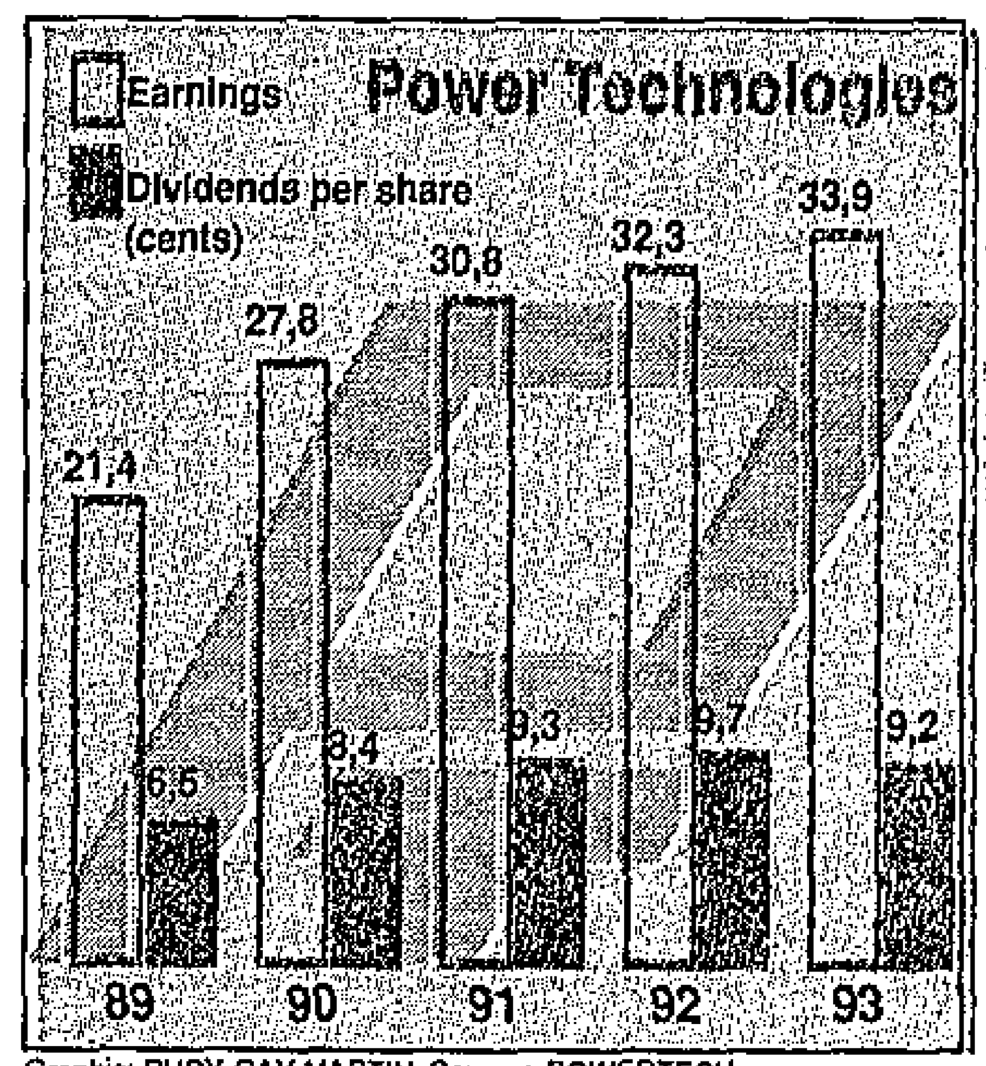
POWERTECH, the Altron group's power electrical subsidiary, today reported a 6,5% increase in attributable earnings to R46,3m (R43,4m) on a marginally lower turnover of R1,09bn (R1,15bn) for the year ended February 1993.

Earnings a share, diluted by a higher number of shares in issue following the group's R64m rights issue this year and the acquisition of Gentech (formerly Picapli), increased to 33,9c (32,3c).

Attributable income was boosted by the acquisition of Aberdare minorities for R149m, reducing payments to outside shareholders.

A lower dividend of 9,2c (9,7c) a share was declared, but the company said the dividend payment to shareholders who followed their rights was 5% higher, as shareholders paid for the shares only at the end of the year.

CE Peter Watt said the results had been achieved in a difficult economic climate, compounded by mass action and strikes in the steel and engineering industries in the first six months.



Graphic: RUBY-GAY MARTIN Source: POWERTECH

Watt said Powertech's turnover had been affected by the sale of its former Brown Boveri Technologies Industry division, to Asea Brown Boveri, which had contributed R130m to the previous year's figure.

□ To Page 2

Powertech

B|Day 3/5/93 (189D)

□ From Page 1

Operating income was down 10,7% to R104,5m (R117,1m). There was a turnaround on the interest line, with an outflow of R1,3m compared with R4,9m received last year.

After tax profit was down 12,3% to R61,3m (R69,9m). But sharply lower payments to outside shareholders of R16,5m (R27,5m) helped lift attributable income to R46,3m (R43,4m).

Watt said the group's balance sheet remained strong, with modest net borrowings of R6m, providing a debt to equity ratio of 2%.

Economic and political uncertainties dictated cautious expectations for the year ahead, he said.

Indications were that more funds would be made available to finance housing and related infrastructure through institutions such as the Development Bank of Southern Africa, the SA Housing Trust and the Independent Development Trust.

The group's medium term prospects would be enhanced if the expenditure took place.

The "electrification for all" programme presented significant opportunities for the supply of domestic appliances. Powertech had positioned itself to participate in this market through its acquisition of Gentech.

Willard Batteries had upgraded its manufacturing facilities and new plant and equipment installed at Aberdare Cables had further facilitated exports of telecommunication cables.

Star 4/5/93

Altech earns less, pays same

(89D)

By Stephen Cranston

Despite a 10 percent improvement in turnover to R1,02 billion, Altech has reported a three percent decline in earnings per share to 857c in the year to February.

The dividend is an unchanged 297c.

CE Peter Wilson says the improvement in sales and orders noted at the half-year gained momentum.

The operating margin was almost unchanged, which enabled Altech to report a nine percent improvement in operating profit to R131,3 million.

This reasonably strong performance, though, was offset by a reduction in interest received from R32,1 million to R26,0 million.

The tax charge increased from R57,8 million to R63,2 million and income attributable to minorities from R2,7 million to R4,2 million.

Wilson says the systems division diversified and launched several new projects, including a titro-analyzer which is saving the mining industry significant quantities of cyanide.

In the agricultural field, optical technology has been applied in the development of a fruit-sorting machine.

The telecommunication interests have been restructured, with Altech acquiring 425 000 shares in the French group Alcatel Alsthom, worth R156 million plus R69,5 million in cash following the conversion and redemption of Altech shares previously held by Alcatel.

The recently announced tender for licences to operate mobile cellular telephone networks should provide major growth opportunities.

Wilson says the components distribution division performed well, exceeding targets and enjoying renewed growth.

LAN Design performed very well and established itself as one of the leaders in the rapidly growing network market.

In the radio communications division, Autopage has completed another successful year, maintaining a leadership position in the paging market.

Several new products were launched and the group plans to expand its interests in service provision, with significant opportunities in the trunked radio field and in cellular networks.

In the industrial electronics field, Altech Industrial Electronics made significant progress in the development of advanced power metering systems, for which major orders have been received.

Altech continues to negotiate with major local and international firms for a joint venture to mass produce millisecond electronic detonators for the mining industry.

Wilson says the Alcatel transaction will initially dilute Altech's earnings, but that this partnership will achieve long-term earnings growth.

Squatting in slime at Marconi Beam

South 2915 - 2/6/93

Marconi Beam informal settlement in Milnerton is a shocking example of how environmental deterioration can affect ~~the health~~ and living conditions of residents. **Sabata Ngcai** reports.

Photos: Yunus Mohamed

NO WAY OUT: Resident Elda Mahlentle is trying to find her way out of the water

STAGNANT flood water at the Marconi Beam squatter camp in Milnerton is making life a daily hell for residents there.

The stinking water poses a health threat for the residents, especially the children, but their demands that the municipality drain the camp have fallen on deaf ears.

Children play in the slimy, green water in front of their homes. Wooden fences and gates erected by the residents to keep them safe are not effective.

Parents are concerned that the children will drink the water and get ill.

Residents believe the municipality is ignoring the poor conditions at Marconi Beam to force them to move to the Du Noon settlement, about 4km away.

But they insist that they are not prepared to leave Marconi Beam because it is near to their places of employment.

While the municipality dragged its feet a one-year-old child nearly drowned at the Easter weekend when heavy rain hit the area.

Mrs Maureen Morris's shack is so wet inside that she has to sit on her bed with her feet off the floor whenever she is inside.

She has to leap from her doorstep onto her bed every time she goes inside to keep her feet dry.

"It's terrible, but I don't know what to do," Morris said. "The municipality is not doing anything to help us."

Residents fear that the floods and resistance to the move to Du Noon could result in conflict among themselves.

"When people drain water out of their shacks it usually runs into other people's homes and that's where the trouble starts," explained Mr Bonga Bukwana.

South African National Civic Organisation (Sanco) spokesperson, Mrs Elda Mahlentle, said she had told the municipality about the drainage problem in June 1991.

"They promised to bring pipes to drain the water but they never move."

The situation at Marconi Beam is made worse by the garbage which is scattered around the shacks.

The municipality is adamant that it cannot do anything to help the residents.

"There is nothing we can do because we pointed out to them where they should erect shacks," said Milnerton town clerk, Mr Pieter Gerber.

He said the municipality is still negotiating with Sanco to move the residents to the Du Noon site.

Gerber insisted that the municipality could not provide services in

ECO BRIEFS

Solar-powered water

SOLAR power to purify water is the idea of a device on show at the Design for Living Exhibition.

The Kalahari still is aimed at people in arid areas whose only water supply is brackish ground water. Up to six litres of drinkable water can be produced daily at a cost of less than 3c a litre.

The still consists of a panel measuring about 2m by 2m into which the brackish water is poured. The sun's energy heats and evaporates the water. This vapour rises to a cooler surface where it condenses.

It can operate with a wide range of water qualities — from brackish borehole water to sea water. Furthermore, 50 panels can be connected for a maximum daily output of 300 litres.

The technology was kept simple for remote areas where skills and spare parts are hard to find.

The Kalahari Still, designed by the CSIR, costs about R700.

- Phone (021) 930-1181 or fax (021) 930-6229 for further details or to place an order.

'South Africa researched hydrogen bomb'

South 2915 - 2/6/93

254

PRESIDENT FW de Klerk still has nuclear skeletons in his cupboard, says the ANC.

But the state president's office remains adamant that De Klerk has nothing to add to his admission earlier this year that the South African government had manufactured six atom bombs.

Mr Keith Gottschalk of the ANC's Science and Technology Policy Department, has claimed that the South African government researched the possibility of manufacturing either a hydrogen bomb, or a triple-stage fission-fusion-fission bomb.

Gottschalk describes these bombs as "10 to 100 times more powerful than atom bombs".

In March this year De Klerk publicly admitted that during the seventies the South African government had manufactured six atom bombs — devices similar in strength to those which devastated the Japanese cities of Hiroshima and Nagasaki at the end of World War II. 55

Altech earnings knocked by 2%

(189D) CT 4/5/98

From DUMA GQUBULE

JOHANNESBURG. — Allied Technologies (Altech) reported a 2% dip in attributable earnings to R90m (R92,1m) on a 10% increase in turnover to R1,02bn (R930m) for the year ended February.

Earnings for the electronics and telecommunications group in the Altron stable, came to 857c (880c) a share from which an unchanged dividend of 297c was declared.

Newly-appointed CE Peter Wilson said the improvement in sales and orders noted at the interim stage had gained momentum in the second half.

Altech's R156m investment in Alcatel Althsom shares and an increase in cash resources to R253m provided the group with its strongest balance sheet to date. The Alcatel Althsom shares were received in part consideration for French firm Alcatel-CIT taking a 50% stake in Altech's telecommunications interests in a R225m deal announced last year.

Wilson said Altech, with capital employed of over R600m, was in a strong position to make major acquisitions, locally and overseas.

Altech's turnover topped the R1bn mark for the first time and operating income was up 9% to R131,3m (R120,4m).

Interest received on the group's R253,2m (R244,8m) cash pile dropped to R26m (R32,1m) and pre—tax income was 3% higher at R157,3m (R152,6m).

The tax rate increased slightly and after-tax income was R94,1m (R94,8m). Payments to outside shareholders rose sharply to R4,1m (R2,7m) and attributable earnings dropped to R90m (R92,1m).

The group's balance sheet was adjusted to reflect the link up with Alcatel-CIT, although the transaction was effective after the financial year end.

Wilson said the recently announced tender for licenses to operate mobile cellular telephone networks was expected to provide major growth opportunities for the group's telecommunications division in the year ahead.

The division had expanded market opportunities, including export potential. It had improved capability to develop products for wider markets now that it had Alcatel support for a major new telecommunications softare house.

Altech's systems division had shown exceptional progress in diversification and had launched sevral major new products.

Companies in the Altech Industrial group, now headed by Craig Venter, performed well and showed great potential.

Altech Industrial Electronics had made significant progress in the development of advanced power metering systems, for which major orders had been received.

Altech Mining Electronics was continuing negotiations with major local and international corporations in respect of a locally-based joint venture to produce electronic detonators for the mining industry.

Altech directors were confident its new management team would exploit all market opportunities.

Altech earnings down 2%

DUMA GQUBULE

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Companies in the Altech Industrial group, now headed by Craig Venter, performed well and Altech Industrial Electronics made significant progress in developing advanced power metering systems.

Star 6/5/93

Altron earns and pays more

By Stephen Cranston

Altron, the holding company for Altech, Powertech and Fintech, has reported an 11,1 percent increase in earnings per share to 543,1c in the year to February. The dividend has been raised from 159c to 170c.

Turnover increased slightly from R2,645 billion to R2,719 billion, but operating income fell from R294 million to R281 million, reflecting an austere market environment.

Net interest received increased by 52 percent to R26,5 million.

The star performer of the group was Fintech, which increased attributable earnings by 31 percent, despite pressure on margins.

Altech's attributable earnings were slightly lower, but it has diversified into new products and markets, making a breakthrough in the pre-paid electricity metre business.

Powertech acquired the remaining interest in Aberdare Cables from SA Philips and minorities.

It diversified into the electrical appliances market through the acquisition of Gentech. It improved attributable earnings by seven percent.

Chairman Bill Venter says the group pursued its policy of strategic acquisition, while simultaneously investing in new markets and growth opportunities in the high-tech industry at home and abroad.

(189b)

He says that through its technology development programme, Altron remains responsive to its markets and opportunities.

Altron remains a leader in its core operations and continues to be well-positioned in its current markets and for markets that will develop once political settlement has been reached, he says.

Altron links up with French giant Alcatel

CT 6/5/93 (189D)

JOHANNESBURG. — High-tech holding company Allied Electronics (Altron) has acquired an investment in the world's largest manufacturer of telecommunications systems, the $32bn French industrial group Alcatel Althsom.

Alcatel has in turn taken a 50% stake in Altech Alcatel Telecoms.

This and the group's existing strategic alliances with major multinationals such as the ABB group of Switzerland have positioned Altron competitively in world markets.

The new company was launched in Pretoria yesterday by the executive chairman of Altron, Dr Bill Venter and vice president of Alcatel and chairman and CE of Alcatel CIT Pierre Guichet.

Alcatel Altech Telecoms is the culmination of 18 months of negotiation with Alcatel.

In the 50-50 joint venture Altech retains management and board control with Venter as chairman.

Alcatel Altech Telecoms becomes the sole representative of Alcatel for telecommunication infrastructure products in South Africa and neighbouring countries.

Meanwhile, Altron yesterday reported an 11,5% increase in attributable earnings to R103,3m (R92,7m) on a higher turnover of R2,7bn (R2,6bn) for the year ending February.

This was equivalent to earnings of 543,1c (488,9c) a share, from which a dividend of 170c (159c) a share was declared.

Venter said the group had maintained a creditable performance despite difficult trading conditions.

Operating income was down 4,5% to R281,2m (R294,5m) because of the austere market environment, he said.

Interest received had jumped 52% to R26,5m (R17,5m), but pre-tax income was lower at R307,7m (R311,9m). A lower tax bill saw after-tax income increase marginally to R194,6m (R192,7m).

The group's earnings performance had been improved by a reduction in outside shareholders' interests after Aberdare Cables became a wholly owned subsidiary, and by lower preference dividend payments.

Venter said Altron had ended the year in a sound position with net cash and deposits of R187,1m (R197,5m).

Powertech had performed satisfactorily against a background of protracted industrial unrest in the first half. The group had taken over remaining interests in Aberdare Cables, financed from cash resources and a rights issue, and expanded into the electrical appliances market by acquiring Gentech (formerly Picapli).

Fintech had recorded another year of strong growth despite pressure on margins in a highly competitive market. — Business Staff, Own Correspondent and Reuter

Altron earnings climb 11,5%

DUMA GQUBULE

HIGH-tech holding company Allied Electronics (Altron) reported an 11,5% increase in attributable earnings to R103,3m (R92,7m) on a higher turnover of R2,7bn (R2,6bn) for the year ending February.

This was equivalent to earnings of 543,1c (488,9c) a share, from which a dividend of 170c (159c) a share was declared.

Chairman Bill Venter said the group had maintained a creditable performance despite difficult trading conditions.

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The group's earnings performance had been improved by a reduction in outside shareholders' interests after Aberdare Cables became a wholly owned subsidiary, and by lower preference dividend payments. Venter said Altron had pursued its policy of strategic acquisition while investing in new markets and growth opportunities in the high-tech industry.

Altron had acquired an investment in the world's largest manufacturer of telecommunications systems, Alcatel Althsom

☐ To Page 2

Altron 8/0172 6/5/93

(189 1) ☐ From Page 1

of France which, in turn, took a 50% stake in Altech Alcatel Telecoms. This and the group's existing strategic alliances with major multinationals such as the ABB group of Switzerland had positioned Altron competitively in world markets.

Venter said Altron had ended the year in a sound position with net cash and deposits of R187,1m (R197,5m), despite the substantial investments. Altech continued to make steady progress diversifying into new products and markets.

Powertech had performed satisfactorily against a background of protracted industrial unrest in the first half. The group had taken over remaining interests in Aberdare Cables, financed from cash resources and a rights issue, and expanded into the electrical appliances market by acquiring Gentech (formerly Picapli).

Fintech had recorded another year of strong growth despite pressure on margins in a highly competitive market.

Venter said the progress made by the Altron group during the past year in achieving a number of its strategic objectives had placed it on a firm foundation.

FM 7/5/93 , (189D)

LESS INTEREST

Altech

Year to February 28	1992	1993
Turnover (Rbn)	0,93	1,02
Operating income (Rm)	120	131
Attributable (Rm)	92	90
Earnings (c)	880	857
Dividends (c)	297	297

earnings from Alcatel Alsthom.

The stronger balance sheet, cash available for acquisitions and broadening of operations augurs well for a better earnings performance in financial 1994.

Listed Altech subsidiary, Autopage, continues to perform well in the highly competitive paging market. EPS for the year to February rose 16% and the group sold its local Telerate business back to its former UK parent for R5,6m — well above the 1989 purchase price. Autopage, 71%-held by Altech, appears well placed to capitalise on the expected cellular telephone boom.

STILL ON TARGET

Powertech

Year to February 28	1992	1993
Turnover (Rbn)	1,15	1,09
Operating income (Rm)	117	105
Attributable (Rm)	43	46
Earnings (c)	32,3	33,9
Dividends (c)	9,7	9,2

Altron's power engineering subsidiary, 55%-owned Powertech, has been its most solid performer in recent years and again met expectations.

Though turnover and operating income fell slightly — largely because of the sale at the end of last year of some industrial operations to Swiss partner ABB — attributable earnings grew nearly 7%. This was mainly due to the purchase late last year of the remaining shares in now-delisted Aberdare. This reduced outside shareholders' interests by nearly R11m.

EPS growth was limited and DPS fell by 5% owing to the issue of 15,75m new shares to take out other interests in Aberdare, and a further 7,5m shares issued to acquire control of Gentech (formerly Picapli). Since year-end 2,8m Powertech shares were issued, bringing the stake in Gentech to 75%. Despite the increase in capital, and the write-off of R56m goodwill, NAV strengthened by nearly 8% to 196,5c. Gearing is only 2%.

The strong balance sheet, full contribution of cash-generator Aberdare and improved operational focus should ensure Powertech matches this year's performance.

Extensive reorganisation at 67%-owned Fintech has enabled Altron's information technology subsidiary to enjoy a strong recovery in the past three years. After good earnings growth in 1992, it lifted atributable earnings 31% to R26,2m, despite single-digit growth in turnover and operating income. EPS were by provisions to a tax equalisation fund. After its large losses in the late Eighties, Fintech is expected to resume significant tax payments in financial 1995.

Fintech has significantly strengthened its balance sheet, with interest-bearing debt, including redeemable prefs, down to 4% of permanent capital.

With the three-year recovery programme complete and few potential acquisitions on the horizon, earnings growth will have to be driven by good operating performances. However, on the face of it, it seems unlikely growth will match that achieved in 1993.

Simon Cashmore

ALTRON GROUP FM 7/5/93.

Vive la différence!

(189D)

Against a backdrop of weak domestic markets and substantial changes at some large subsidiaries, Altron's listed operations — Altech, Powertech and Fintech — performed creditably over financial 1993. Altron's biggest contributor to earnings, 56%-owned Altech, was a minor disappointment. Attributable earnings at the electrical engineering group dipped 2%, largely due to a net increase in income attributable to outside shareholders.

The reorganisation of Altech's telecommunications operations has had a considerable impact and management has adjusted the year-end balance sheet accordingly. The restructure has resulted in long-standing French partner Alcatel taking a 50% stake in Altech's telecommunications business.

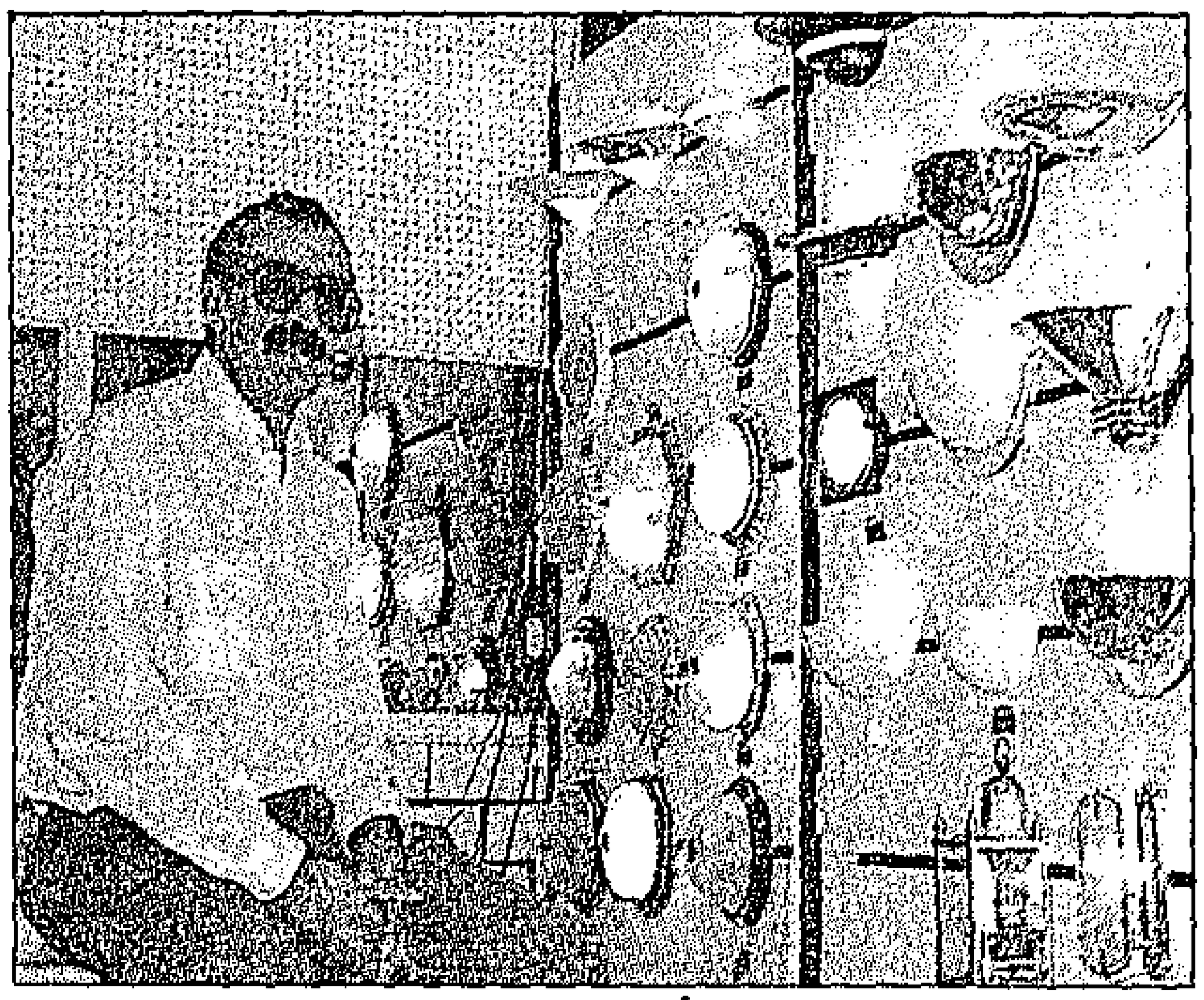
In return Altech secured a modest stake in Alcatel Alsthom in France and redeemed the 7% of its equity previously held by Alcatel. The deal was effectively a share swap but after adjustments to its balance sheet Altech showed an extraordinary gain of R136m, of which nearly R50m was offset against various contingencies.

The R156m investment in Alcatel Alsthom, with an increase in cash resources to R253m, has left Altech with its strongest balance sheet in its history, says chairman Leslie Boyd. The deal looks good for Altech, with about a third of its NAV now in a strong offshore group, but the short-term earnings effect is unclear. The group will lose half the contribution of its local telecommunications operations, which were responsible for about a third of consolidated earnings last year; presumably, that's meant to be offset by

(*) cont→

Firm provides the light stuff

In only five years Unilite has grown into a company with an enviable reputation for its excellent lighting range.



Unilite's Yunus Goga ... "Style and quality at affordable prices."

(189D)

IF YOU are in the market for anything from a single light fitting to an illumination for a rugby stadium, townhouse complex, factory or office block, Unilite will be able to meet your needs.

Unilite was established five years ago by Yunus Goga, a man who came from the electrical industry, a man with no experience managing his own business but driven by a determination to succeed and with some very definite views on how to.

Today Unilite has a reputation that has spread far and wide throughout the country, a reputation for excellence of product and service, range, integrity and an ability to deliver on time and to spec.

"We have built up a nice little operation," is the way Goga puts it. "We are not one of the major conglomerates. We stay small, we provide real service and our prices are very, very competitive." Unilite is based in Wynberg and Mayfair and it has a Johannesburg factory which produces a wide and increasing range of locally manufactured fittings — outside bulkheads, standard lamps and more.

Imports make up the rest of the range and Unilite sources from some of the best suppliers overseas of fittings.

"Our range is enormous. There is literally something for everyone and invariably when someone has been hunting for fittings and comes across us, they buy with us because they realise they are getting the best possible deal," says Goga.

STAR 10/5/93

The company deals from a position of considerable strength in that it is able to draw on the expertise of a qualified lighting engineer with some 20 years' experience who can literally design any type of lighting.

Walk into the Mayfair showroom and you will find a friendly, relaxed team of people. The atmosphere is very informal. Fittings are on show, others are being dispatched, visitors come and go in a steady stream.

"We don't stand on ceremony here," said Goga. "The whole idea is to perform and perform well and never mind the frills."

This no-nonsense policy has clearly endeared him to many from the largest buyers to the man in the street.

This has recently also secured for Unilite some of the best contracts, including some major project work.

The company has secured business throughout SA.

It also supplies to neighbouring territories and business in this respect is increasing steadily.

Its success has made it possible for Unilite to ride out the recession successfully. "Conditions are not easy, but we are winning more than our fair share of the market place, so obviously we are doing something right," says Goga.

Unilite is very much Goga's brainchild. It remains under his direct control with a number of family members involved. Consequently decisions can be taken rapidly and the company is able to react to changing market needs and urgent demands from clients.

The company's reputation is spreading. Goga reports that buyers come from all over the country — and generally go away satisfied with their deal.

Goga says: "In today's business climate, we have to meet a specific need and we believe we are doing just that."

Jasco foresees improved profits

6/0/19 10/5/93

JASCO expected profits to improve in the coming financial year with several new projects planned and the securing of new foreign markets, said chairman John Sherry in the group's annual report.

Jasco Electronics Holdings is an investment holding company concentrating on companies marketing a broad range of electronic and related products.

"We have identified a number of very exciting opportunities in the telecommunications and medical industries which we are looking forward to developing in the coming financial year," said Sherry.

The group planned to secure futher business from markets previously closed to SA. Jasco had made inroads "in our quest to penetrate other African and Indian Ocean markets", said Sherry.

KELVIN BROWN

Despite a rise in turnover of only 2% to R73,9m (R72,3m), operating income rose by 61% to R5,9m (R3,7m) for the year to end Febuary 1993. Earnings a share increased by 160% to 11,7c (4,5c). Payment of a dividend was resumed with a dividend of 4,2c a share declared. (189D)

Most of the subsidiaries showed improvements in profits, said Sherry. Special Cables turned in good results despite a concentration of sales in sectors most severely affected by the poor economy. Customers include the car industry and manufacturers of domestic appliances.

Plascom remained a problem with revenue falling almost 50%, said Sherry. During the year 40% of the staff had to be retrenched.

African Cables shows 14% drop in earnings

B|DAY 13/5/93 (18LD)

DUMA GQBUBULE

ELECTRICAL power cable manufacturer African Cables today reported a 14% drop in its attributable earnings to R7,5m (R8,8m) on a 6% decline in turnover to R122,5m (R130,9m) for the half year ended March.

The group, enlarged after last year's acquisition of Rosslyn Cables, saw its earnings plummet to 19c (22,2c) a share from which a dividend of 8c (12c) a share was declared.

Directors said trading conditions in the power cable sector had continued to weaken with both turnover and margins under severe pressure.

The previous year's profit levels had not been maintained despite significant expense reductions, including the closure of its Dundee factory, and a more favourable tax rate.

Margins were squeezed resulting in a 17% drop in operating profit to R12,7m (R15,2m).

Income from investments fell sharply to R469 000 (R1,1m), reflecting a reduction in investments on the balance sheet to R1,7m (R16,6m).

Profit before interest and tax decreased 19% to come to R13,2m (R16,3m).

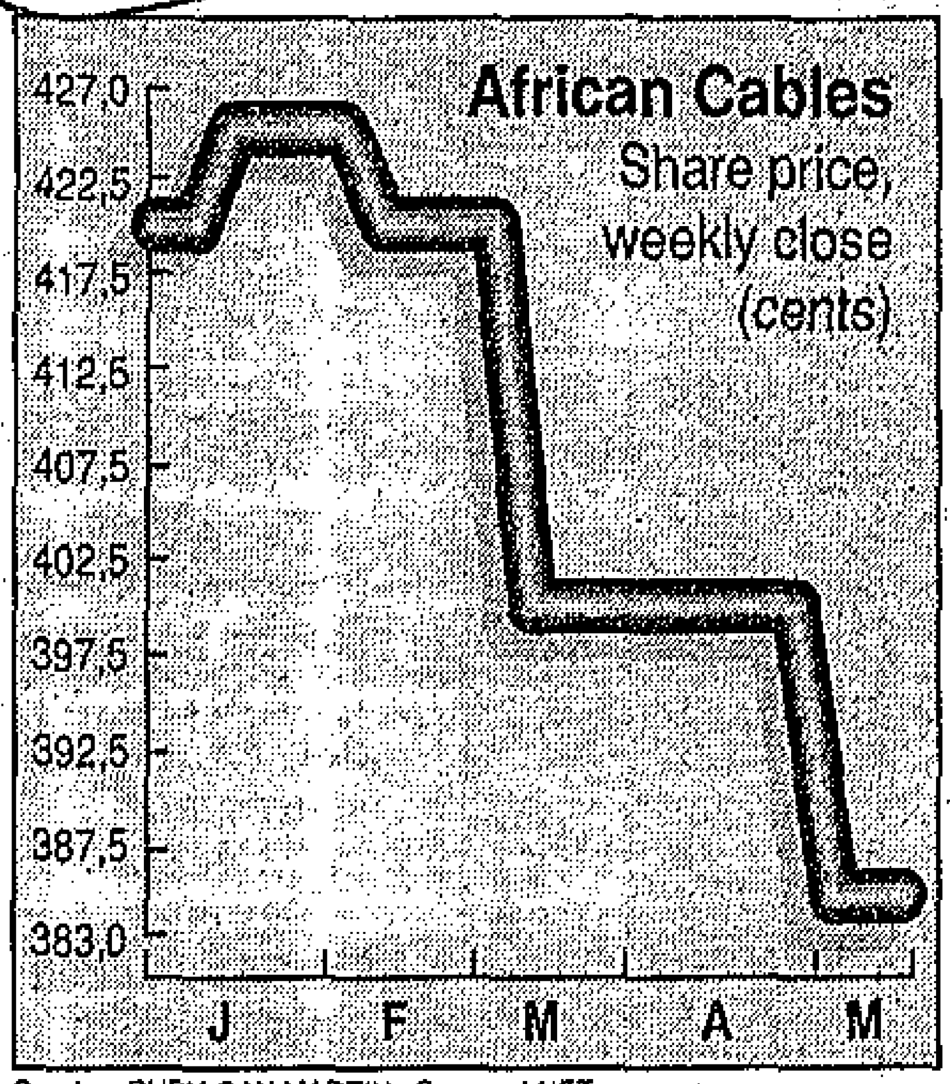
Interest payments dropped toR25 000 (R827 000) as interest bearing debt was cut to R754 000 (R12m).

The tax bill, including the new secondary tax on companies, was R5,6m (R6,5m) and attributable earnings were R7,5m, previously R8,8m.

Directors said that no significant improvement was predicted for the second half neither in the country's economy nor in the industrial sector in which the company operated.

Rationalisation and productivity would continue to be addressed for the company to be well placed to benefit from future reticulation requirements.

African Cables shares were yesterday trading at 385c, down from last December's high of 420c, but off their October low of 250c.



Graphic: RUBY-GAY MARTIN Source: I-NET

Plessey to merge wih GEL

Star 14/5/93

By Sven Lünsche (189 D)

Grinaker Electronics (GEL) and Sankorp subsidiary Plessey Tellumat have announced a merger which will see combined sales improve to R600 million and initial earnings of about R25 million.

In terms of the deal GEL's listed parent company Grintek will take up a significant minority stake in a share issue by Plessey.

Grintek this morning issued a cautionary announcement to its shareholders.

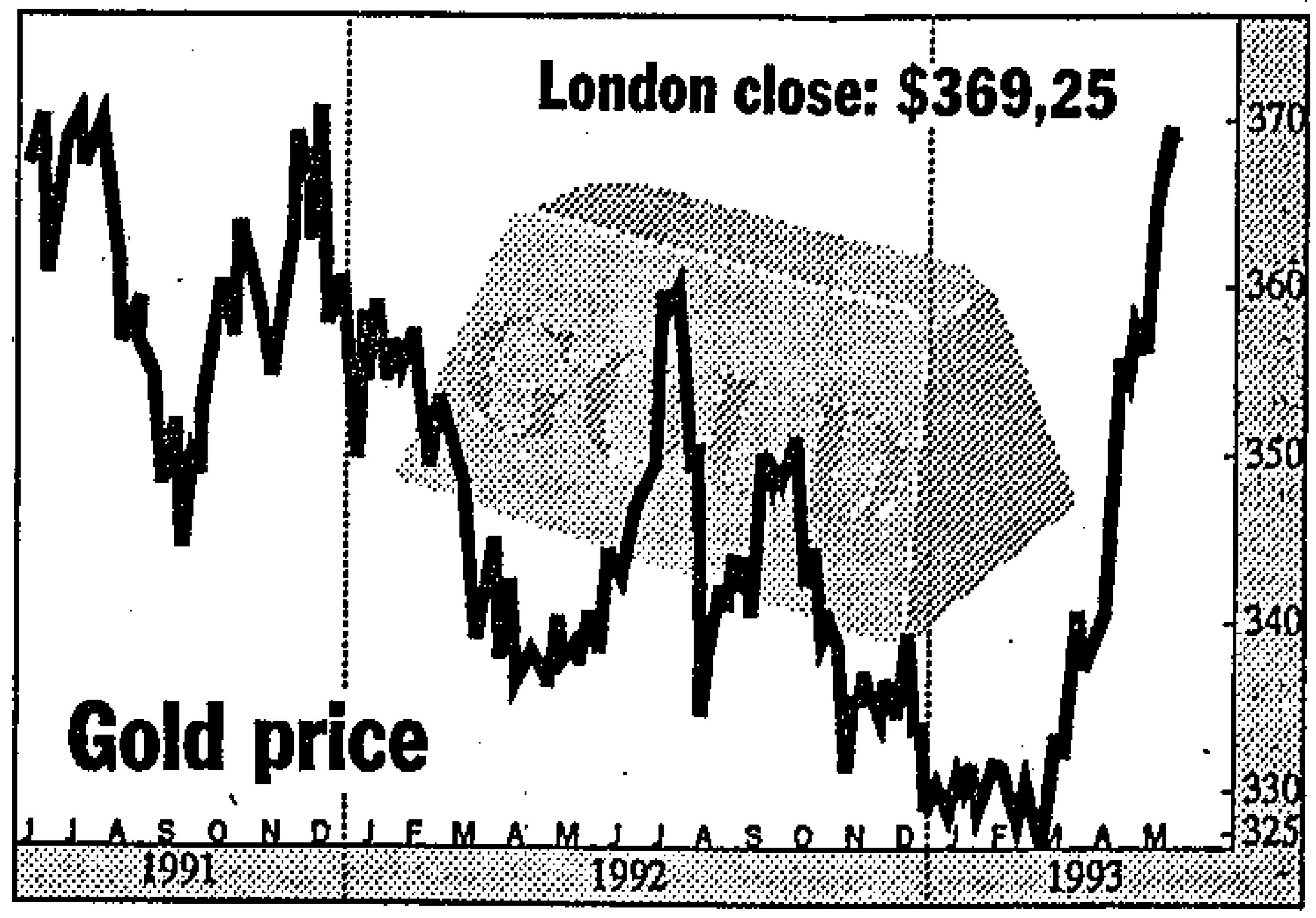
The new company, which will have about 3 000 employees, will change its name to Plessey Grinel.

Plessey chairman Derek Hunt-Davis said the two companies operated in complementary areas. The new company would spend over R70 million a year on research and development.

Hunt-Davis will be chairman of the new company while Plessey MD Dr John Temple will be group MD. Grintek chairman Jack Saulez and directors Tony Mitchell and Sybrand Grobbelaar, currently MD of GEL, will join the Plessey board.

Gold surges to 17-month high

Star 14/5/93



LONDON — Frenzied buying has re-ignited the fire started in the gold market by high-profile investors Sir James Goldsmith and George Soros.

The price surged in London by nearly 3,5 percent to $369,25 an ounce yesterday, its highest level for 17 months. Gold started 1993 at a seven-year low of $327.

In New York last night gold closed at $368,25, after briefly touching $370. The metal eased further in Hong Kong today, opening at $366,40.

"The market is explosive," a London dealer said. "It has lost contact with reality.

"You have to admire what Goldsmith and Soros have achieved with their incredible hype. But Americans think those guys can walk on water." (219)

Gold's upward surge was sparked three weeks ago by well-orchestrated revelations that Soros had bought $400 million of shares in Newmont Mining, the largest US gold producer, from Goldsmith who had turned some of the proceeds into options to buy physical gold.

Both Goldsmith and Soros are believed to have bought a series of gold options — rights to buy — at various prices all the way up to $420 or even $450.

Since the Newmont acquisition the gold price has risen by $25 or seven percent and Goldsmith has sold another 9,5 percent of Newmont, leaving his personal holding at 19 percent.

Ted Arnold, analyst at the Merrill Lynch financial services group, said: "It will all end in tears.

"But in the very short term the weight of fund buying and buying to cover positions by those people who have granted options can push gold prices up to virtually any level."

Andy Smith, analyst at the Union Bank of Switzerland, said the rally was inspired by options activity while buying of physical gold was falling steeply.

He estimated that the first 10 percent rise in gold's price had knocked 400 tons off Middle East demand. — Financial Times.

● South Africa property pundits are cheering the gold price rise, Meg Wilson reports.

At gold's current level, it has been calculated that an additional R1 billion a year would flow into the economy, with knock-on effects for residential property.

The addition to forex revenues could also give scope for further bond rate cuts.

Even more important might be the boost to confidence which could lift office and retail leasing and encourage investment in non-residential construction.

R600m Plessey, Grinaker merger on the cards

CT 14/5/93

1-591D

JOHANNESBURG. — A major new player in the SA electronics industry, with sales of more than R600m, initial earnings of about R25m and 3 000 employees, is set to be created through the proposed merger of Sankorp subsidiary Plessey Tellumat SA Ltd (PTSA) and Grinaker Electronics Ltd (GEL) from July 1.

The proposed merger will be achieved through a share issue by Plessey Tellumat through which GEL's parent, Grintek Ltd, will acquire a substantial minority stake in PTSA. The deal is subject to a due diligence investigation.

In a joint statement following a cautionary announcement to Grintek shareholders, Derek Hunt-Davis, chairman of PTSA, and Jack Saulez, chairman of Grintek, said PTSA will, subject to the necessary approvals, change its name to Plessey Grinel.

They said the involvement in a larger electronics group was in line with the strategic objectives of both Sankorp and Grintek.

"The new group will spend over R70m a year on research and development, making it the largest SA non-government investor in technology development," Hunt-Davis said.

Grintek directors Tony Mitchell and Sybrand Grobbelaar, currently MD of GEL, will join the PTSA board with Saulez from July 1.

Hunt-Davis will act as chairman of the merged company and John Temple will continue as group MD, with Grobbelaar becoming deputy MD.

Electronics groups in R600m merger

BDAY 14/5/93 DUMA GQUBULE (189D)

SANKORP's unlisted subsidiary Plessey Tellumat SA (PTSA) and Grinaker Electronics (GEL), the third and fourth largest electronics groups in SA, are to merge to form a group with an annual turnover of more than R600m.

In a statement after a cautionary to shareholders of GEL's listed parent Grintek, the companies said the merger would be achieved through a share issue, of undisclosed value, by PTSA. Grintek would take up the shares and acquire a substantial minority stake in PTSA.

The deal, subject to a due diligence investigation, would be effective from July 1. PTSA would, subject to necessary approvals, change its name to Plessey Grinel.

PTSA chairman Derek Hunt-Davis said the new group would be formed from complementary rather than competing businesses and would serve existing customers and retain existing sources of technology.

Plessey Grinel would spend more than R70m a year on research and development, making it the "largest non-government investor in technology development in SA", Hunt-Davis said.

Hunt-Davis would act as the new company's chairman while John Temple would continue as group MD, with GEL MD Sybrand Grobbelaar becoming deputy MD.

GEL reported a 52% drop in attributable earnings to R45,8m on a marginally higher turnover of R256m for the year ended June 1992.

Reunert puts in another impressive performance

BDM 17/5/93. (189D)

DUMA GQUBULE

REUNERT continued to build on its impressive recovery last year, posting a 26% improvement in attributable earnings to R46,3m on a 7% increase in turnover to R1,2bn for the half-year ended March.

Chairman Clive Parker predicted in the latest annual report the group would report a small increase in earnings this year. This was after several acquisitions helped lift financial 1992 earnings 24% to R92,4m.

The electronic, telecommunications and electrical engineering group in the Barlow Rand stable lifted interim earnings to 145,8c (116,5c) a share from which a dividend of 33c (27c) a share was declared.

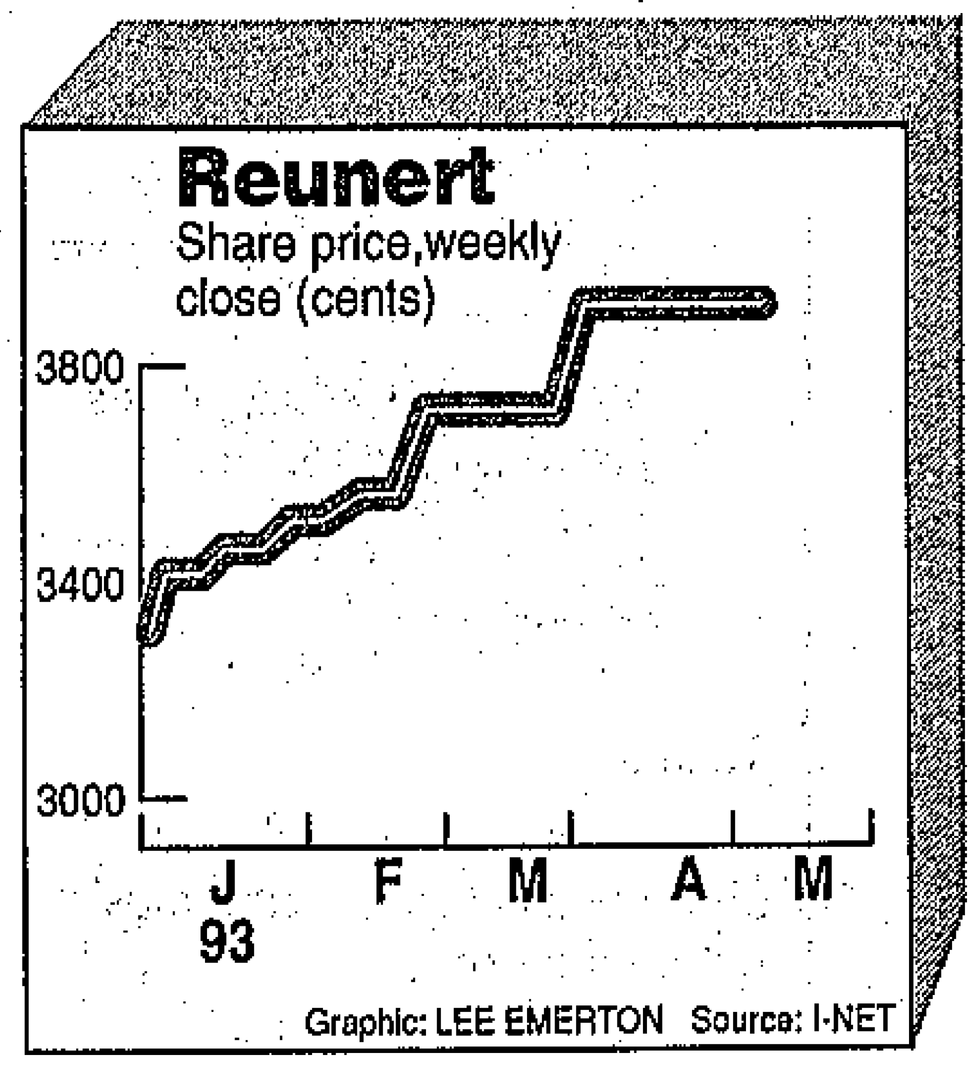
Parker said the market segments serviced by the group had not shown any improvement, with turnover growth failing to keep pace with inflation.

Operating profit was up 18% to R113,4m. Interest received jumped 41% to R7,9m as cash deposits and other short-term investments on the balance sheet increased to R149,3m (R88,5m).

The tax rate was virtually unchanged, absorbing R53,3m (R44,3m). After tax profit rose 18% to R68m.

Tax losses in certain subsidiaries reduced the effective tax rate in the first half of the previous year. These losses had been utilised by the end of last year. The recent change in company tax had reduced the first half's tax charge by R5,5m.

Parker said improved productivity and tight controls over working capital and costs were the main reasons for the 18% increase in after tax profit.



A relatively better performance by wholly owned subsidiaries, which contributed R21,7m (R20,9m) helped the group lift attributable earnings 26% to R46,3m.

Parker said the electronics, mechanical engineering, telecommunications and electrical engineering divisions of the group had all performed to expectations.

Weak cable demand and declining operating margins resulted in African Cables returning disappointing results.

Circuit Breaker Industries had a good first six months on the back of a buoyant low voltage market, mainly because of Eskom's electrification drive.

No improvement in current economic conditions was expected this year. Full year attributable earnings were expected to show an improvement over those of the previous year.

Star 19/5/93

Usko restructuring bears fruit

(189D)

By Sven Lünsche

Usko, now undergoing a major restructuring engineered by major shareholders Iscor and Metkor, is showing the first benefits of the programme.

It reports attributable earnings of R9,4 million in the six months to end-March, against a R3,5 million loss in the first half last year.

While operating income was sharply lower at R3,8 million (R9,4 million), the decline in debt led to a reversal of last year's R14 million interest bill to interest income of R1,3 million.

However, retained income was reduced sharply to R95 000, as the group paid R9,3 million to preference shareholders.

In terms of the restructuring, borrowings of more than R100 million were converted into preference shares.

'A' prefs received an interim dividend of R6,04 million for the interim period and 'B' prefs R3,3 million.

GRINTEK FM 21/5/93 . (189D)

Premium information

The ongoing slump in the domestic electronics industry, particularly the defence sector, has prompted Grintek to relinquish control of its unlisted Grinaker Electronics (GEL) subsidiary.

Grintek intends merging GEL, in which it now holds 94%, with unlisted Sankorp subsidiary Plessey Tellumat. The transaction, by way of a share swap, will give Grintek a minority stake in the combined company, expected to range between 25%-40%.

Though information about the proposal is scarce, the deal should be good news for Grintek shareholders. GEL has been hard hit by the sweeping changes in the local electronics industry, particularly by extensive capital expenditure cuts, and earnings have declined for three years.

Both of Grintek's two operating units, GEL and separately listed Siltek, have restructured to reverse a slide in earnings. While 63%-held information technology group Siltek returned to earnings growth in financial 1992, earnings at GEL more than halved to R5,8m in the 12 months to June. At the December interim GEL reported a pretax loss of R4,1m — largely the result, apparently, of something which went badly wrong with a large export order.

By contrast, unlisted Plessey Tellumat is understood to have generated attributable income of R16,5m in the year to March from a turnover close to R280m. According to Plessey MD John Temple who is expected to head the combined group, attributable income has been fairly constant during the past three years. He believes the merged company should deliver attributable earnings of around R25m this year.

While the effect of the proposed transaction in Grintek is difficult to gauge, it could unlock some of the Anglovaal subsidiary's underlying value. Though GEL is expected to be profitable at year-end and boasts a large order backlog, its poor short-term prospects have dented its parent's share price.

The exchange of control in GEL for a stake in a larger and more profitable electronics group with greater export potential could benefit Grintek in the longer term. Investors should hold their shares till a clearer picture of the transaction emerges.

Simon Cashmore

FM 21/5/93

(189D)

JASCO ELECTRONICS FM 21/5/93.

Restoring the circuitry

Activities: *Makes and markets a broad range of electronic and related products.* (189D)
Control: *Directors 50,2%, Delta Electrical Industries 20,7%.*
Chairman: *J A Sherry; MD: P J Rush.*
Capital structure: *28,9m ords. Market capitalisation: R21,7m.*
Share market: *Price: 75c. Yields: 5,6% on dividend; 15,6% on earnings; p:e ratio, 6,4. 12-month high, 80c; low, 27c. Trading volume last quarter, 125 000 shares.*

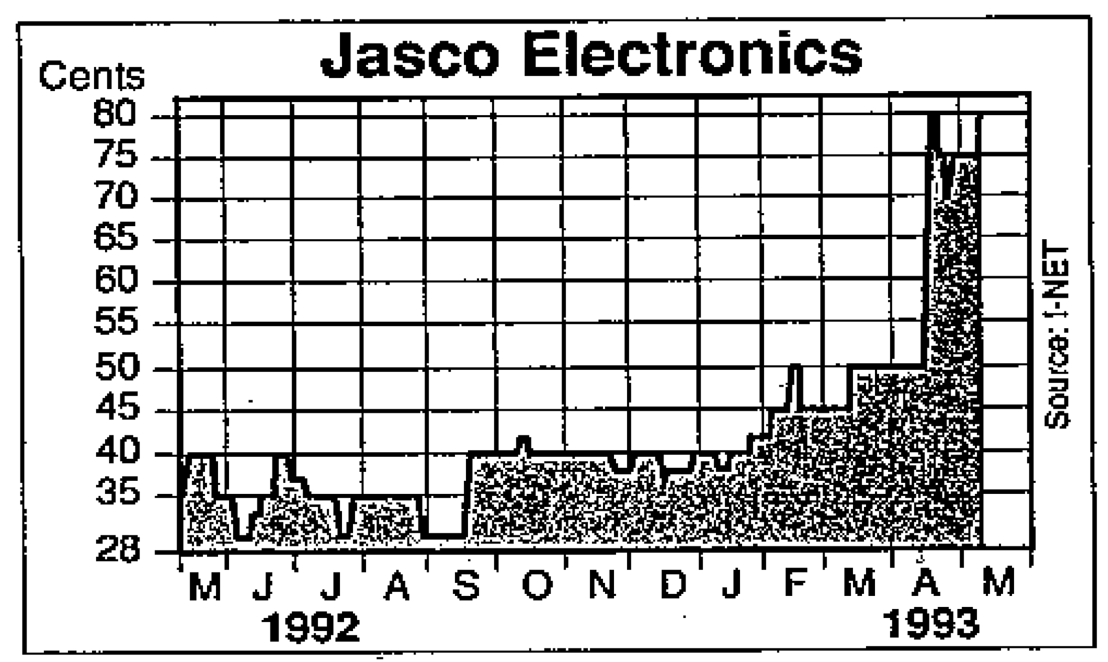
Year to Feb 28	'90	'91	'92	'93
ST debt (Rm)	2,8	0,6	5,0	1,3
LT debt (Rm)	0,2	5,8	5,7	5,3
Debt:equity ratio	0,34	0,61	1,09	0,57
Shareholders' interest	0,39	0,33	0,31	0,36
Int & leasing cover .	-5,0	6,4	1,8	3,4
Return on cap (%) ..	26,3	22,8	11,4	18,5
Turnover (Rm)	54,5	64,2	72,3	73,9
Pre-int profit (Rm) ...	5,6	7,0	3,7	5,9
Pre-int margin (%) ..	10,2	10,9	5,1	7,9
Earnings (c)	12,8	16,4	4,5	11,7
Dividends (c)	3,5	4,0	nil	4,2
Net worth (c)	33	35	34	40

Investors who kept faith with Jasco during the past year must be pleased with the electronics group's most recent performance. Management has come a long way after a disastrous 1992 when earnings plummeted more than 70%, operating income nearly halved and the dividend was passed.

With turnover static at around R73m, operating income rose more than 60% to R5,9m. Attributable earnings, bolstered by lower finance charges and tax levels, soared 160% to R3,4m and dividends were resumed. The balance sheet benefited from a strong cash flow and substantially reduced borrowings and gearing at year-end. Returns on equity and capital improved considerably.

It is difficult not to be impressed by Jasco's turnaround. The litany of woes recorded in the previous annual report was all too familiar to investors who supported the many small electronics groups listed in the late Eighties. After a few years of steady growth, fuelled largely by acquisitions, management discovered too late that costs were out of control and several of its new operations were losing money seriously.

Fierce measures to turn the business around have delivered results much sooner than similar manoeuvres implemented in other electronics groups. According to Jasco MD Peter Rush, the group's principal pillars — communications firm Jasco International, the scientific group which supplies medical equipment and consumables, and paging company Skypage — all performed well. The only loss-maker was cable firm Pascom Electronics which cost the group about R1m last year. This operation has been further scaled down and Rush expects it to make a positive, if modest, contribution to group earnings in the current year.



It seems likely the recent corrective action will continue to enhance earnings this year and most of Jasco's operations, particularly in the medical and telecommunications markets, are enjoying strong growth. Though the group's consolidated tax rate this year is expected to be well above the 18% experienced in financial 1993, Rush is confident of a substantial improvement in earnings. Rush believes EPS will surpass the 16,4c achieved in financial 1991. This would point to earnings growth of around 40%.

Two question marks that have hung over the group's medium-term performance for some time appear to be fading. Long-running litigation between Jasco and four former managers is likely to be resolved soon; that will remove a running sore. Rush adds that R3m in contingent liabilities, most of which arises from tax deductions by subsidiaries relating to investments in film ventures, is unlikely to weaken Jasco's improving balance sheet.

Prospects for the company certainly look more attractive than a year ago. The share has strengthened from a meagre 35c to its current level of 75c. The recent performance of the group and management's confidence in future growth indicate the counter, with an historic p:e of 6,4, certainly has potential for good returns. *Simon Cashmore*

Jasco penetrates new markets in export drive

MZIWAKHE HLANGANI

(189D)

JASCO Electronics Holdings said the group had shown dramatic improvement in its export drive as it made inroads into foreign markets.

In his annual report chairman John Sherry said the group had budgeted for substantially improved profit in the year ahead in spite of an expected increase in the tax rate.

Sherry said new projects identified in the communications and medical industries would be developed. Opportunities abounded even in depressed economic times, he said.

BIDAY 21/5/93

Jasco expected to improve profitability in the current financial year after recording a 160% leap in attributable earnings to R3,4m for the year ended February.

Sherry said despite a turnover rise of only 2% to R73,9m operating income had improved by 160% to R5,9m.

This had been achieved by implementing three main goals for the year: to improve profit, reduce borrowings and resume dividend payments.

Sherry said the group had reduced its gearing to 53% from 105%. This was the result of improved profit and reduced working capital.

Earnings a share rose to 11,7c (4,5c) and Jasco resumed payment of dividends at 4,2c a share.

Tax absorbed R737 000 (R289 000) and net income after tax jumped to R3,4m (R1,3m).

Preshold's R11m rights issue

DUMA GQUBULE

PRESMED Holdings (Preshold) is to raise nearly R11m through a rights issue to the minority holders of President Medical Investments (Presmed) equity instruments.

After the rights issue, which closes on May 28, Preshold shares will be listed on the JSE and the company will be the pyramid of Presmed, an announcement to shareholders published today said.

The proceeds of the Preshold offer will be used to acquire nearly 1,9-million new Presmed shares which are to be issued as payment to the vendors of three clinics — in Cape Town and Pretoria — in which Presmed has acquired a controlling interest.

(189)

The vendors will renounce the shares in favour of Preshold for a cash payment of R8,47m, placing a value of 450c on each Presmed share. Preshold will issue 5,77-million shares at 190c a share.

BD 21/5/93

Johnson Matthey, JCI in fuel cells deal

BIDAY 25/5/93.

JONO WATERS

JOHNSON Matthey (JM) and JCI have agreed to develop and exploit the market for electricity-generating platinum fuel cells. 189D

Yesterday JCI chairman Pat Retief said fuel cells represented a potentially large market for platinum. JCI and JM were taking action to maximise the demand and ensure it occurred soon.

The fuel cell, seen as a major generator of clean power for the future, has a platinum catalyst which produces electricity from the chemical reaction between hydrogen and oxygen, which in turn produces water.

JM is the sole marketing agent for JCI's platinum producers, which include Rustenburg Platinum, Lebowa Platinum and Potgietersrust Platinums. JCI has a 10% stake in JM.

Spescom shows a 69% jump in performance

Buss day 2/6/93

(189B)

DUMA GQUBULE

SPESCOM Electronics reported a 69% jump in attributable earnings to R3,1m (R1,8m) on a 34% increase in turnover to R61,4m (R45,9m) for the year ended April.

This was equivalent to earnings of 15,65c (9,27c) a share from which shareholders received a total payout of 5c (3c) a share.

An extraordinary charge of R6,5m which came below the line represented technology acquired in previous years, fixed assets relating to discontinued operations and a premium on the acquisition of a subsidiary.

Spescom's sharp increase in profits came off a relatively high base as the company more than trebled attributable earnings to R1,8m in financial 1992.

MD Johan Steyn said the company had shown positive earnings growth for the past three years and hoped the company was now back on a long-term trend of improved profits.

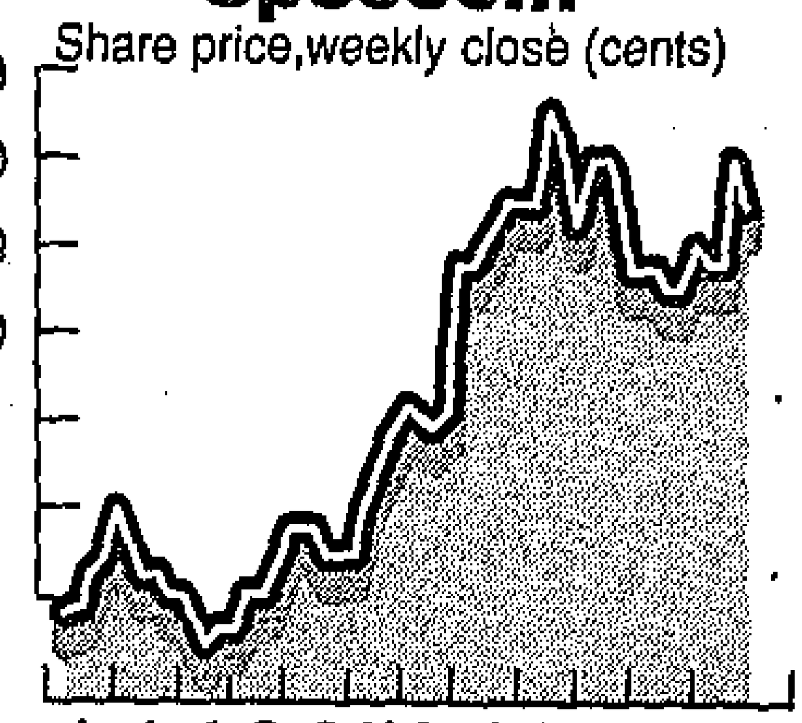
He attributed the company's growth to its long-term development strategy and said 70% of sales now came from innovative products introduced into the security, electronics and electricity markets.

The profit achieved (on a R60m turnover) was not satisfactory and the group intended to focus on this issue.

Turnover had increased 34% to R61,4m from R45,9m, Steyn said — and operating income had jumped 65% to R5,6m (R3,4m).

Income from investments contributed R802 000 (R15 000) and interest payments absorbed R2m (R1,8m), resulting in net income of R4,2m (R1,6m).

An abnormal item, representing project development expenditure on discontinued product lines, absorbed R1,1m while a tax writeback added R24 000. Attributable earnings came to R3,1m (R1,8m).



Graphic: LEE EMERTON Source: I-NET

During the year Spescom received R15m from the sale of patents relating to an electronic credit supply system used in the prepayment electricity market.

Steyn said the patent transaction would substantially reduce the company's interest burden. Royalty outflows would increase, but the net effect would be positive.

Current trading conditions were expected to persist, if not deteriorate, which would undoubtedly affect domestic sales figures.

Sales, which had doubled over the past two years, would not grow at the same rate as the previous year, but could be offset by increased export orders.

Spescom's exclusion from the Eskom National Contract for prepayment electricity meters had contributed to the group's circumspect attitude for the coming year.

But there continued to be noteworthy demand for the company's products from Eskom, local authorities and international markets.

Spescom earnings soar

JOHANNESBURG. — Spescom Electronics reported a 69% jump in attributable earnings to R3,1m (R1,8m) on a 34% increase in turnover to R61,4m (R45,9m) for the year ended April.

This was equivalent to earnings of 15,65c (9,27c) a share from which shareholders received ~~a total~~ payout of 5c (3c) a share. 159B

An extraordinary charge of R6,5m which came below the line represented technology acquired in previous years, fixed assets relating to discontinued operations and a premium on the acquisition of a subsidiary.

Spescom's sharp increase in profits came off a relatively high base as the company more than trebled attributable earnings to R1,8m in financial 1992. MD Johan Steyn attributed the company's growth to its long-term development strategy and said 70% of sales now came from innovative products introduced into the security, electronics and electricity markets.

Turnover increased 34% to R61,4m from R45,9m and operating income jumped 65% to R5,6m (R3,4m).

Income from investments contributed R802 000 (R15 000) and interest payments absorbed R2m (R1,8m), resulting in net income of R4,2m (R1,6m).

An abnormal item, representing project development expenditure on discontinued product lines, absorbed R1,1m while a tax writeback added R24 000. Attributable earnings came to R3,1m (R1,8m).

During the year Spescom received R15m from the sale of patents relating to an electronic credit supply system used in the prepayment electricity market. Spescom's exclusion from the Eskom National Contract for prepayment electricity meters had contributed to the group's circumspect attitude for the coming year. CT 2/6/93

NEW VENTURES . . . Cape Town-based electronics company Rhomberg-Bräsler Holdings has a factory in Santiago to serve the South American market, and the consul general of Chile, Eugenio Parada (left), was among guests at the formal opening of its new R4m headquarters and factory in Retreat. Others at the function were, from left, Balantina Parada, Gabriella Bieber, Rhomberg-Bräsler MD Peter Bräsler and Rhomberg-Bräsler chairman Peter Bieber.

Rhomberg beefs up world export plan

CT 3/6/93

(189D)

Business Editor

CAPE Town-based Rhomberg-Bräsler has successfully carried out Phase 1 of its campaign to penetrate European markets, concentrating on the smaller national economies, and is now preparing to move into Britain, Germany, France, Italy and the US.

MD Peter Bräsler said yesterday that its corporate mission was to become a world player in the industrial process control markets.

Its Slimline range of 11-pin plug-in modules for industrial automation control already has more than 50% of the SA market, between 50% and 60% of this market in Chile and about 45% in Argentina "where we have been selling for only two years."

Rhomberg-Bräsler is also the leader in the SA proximity sensor market with its locally designed and made Detechtor range.

The company exports more than 45% of its present production worldwide, to 20 countries and has an international co-ordinating sales force based in Zurich.

To meet the demand for its products, it moved its head office, new product development department and factory to new 4 000 square metre premises in Retreat earlier this year. Bräsler said it had bought adjoining land to allow for further expansion.

Discussing plans for expansion into new markets he said:"At this stage it is envisaged that trading operations in each targeted country will be established either through joint-venture partnership companies with well established industrial trading organisations or through the formation of wholly owned trading subsidiaries."

Bräsler said company products were designed and developed through in-house know-how and technology.

CENTRAL AFRICAN CABLES

FM 4/6/93

Feeble currents

(189D)

Central African Cables (Cafca), Zimbabwe subsidiary of the UK's BICC, had a difficult year in the light of low copper prices and the dearth of large capital projects.

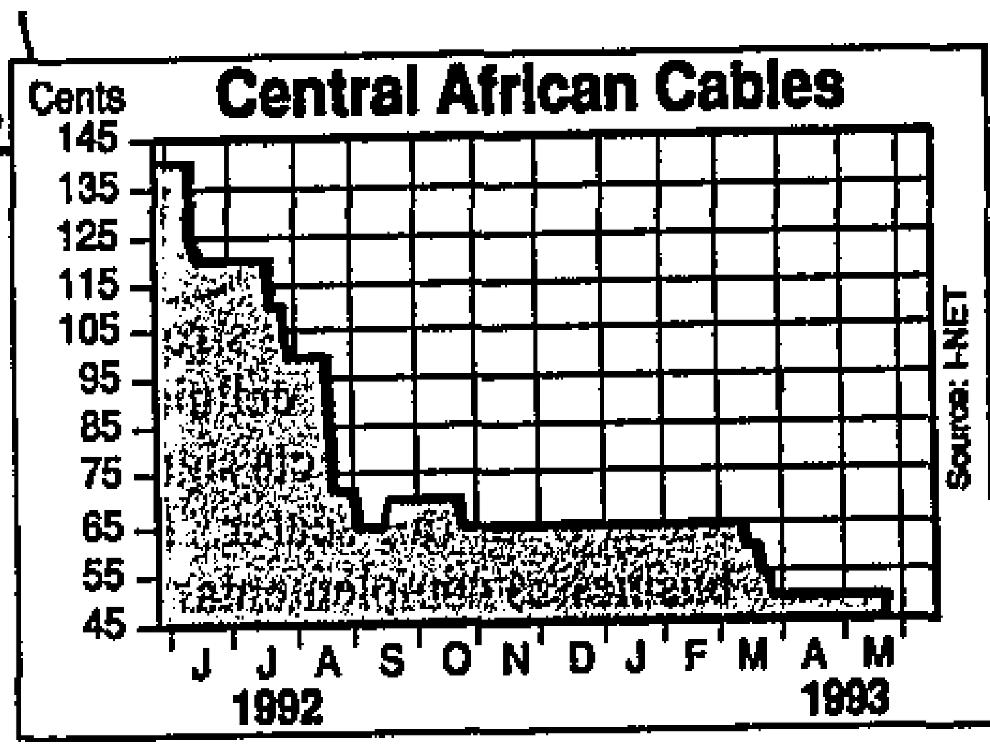
FM 4/6/93

(189D)

Cafca makes copper electric cables and aluminium conductors; cables account for over 98% of sales. Volumes depend mainly on large capital projects in mining, agriculture and telephone reticulation. But capital spending has been deferred by the most severe droughts and interest rates of 35%-40% that led to widespread destocking. "Everyone has been cutting back," says finance director Alastair Macfarlane.

Activities: *Mainly marketing and distribution of electric cables, high voltage products and cable-related products.*
Control: *BICC 75,4%.*
Chairman: *J M Magowan; MD: W R Galbraith.*
Capital structure: *30,6m ords. Market capitalisation: Z$15,3m.*
Share market: *Price: 50c. Yields: 20,4% on dividend; 82,2% on earnings; p:e ratio, 1,2; cover, 4,0. 12-month high, 73c; low, 50c. Trading volume last quarter, 7 911 shares.*

Year to Dec 31	**'89**	**'90**	**'91**	**'92**
ST debt (Z$m)	nil	nil	2,3	0,8
LT debt (Z$m)	nil	nil	0,8	nil
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,65	0,61	0,61	0,76
Return on cap (%) ..	34,2	36,2	33,8	23,8
Turnover (Z$m)	68,9	93,0	121,4	117,3
Pre-int profit (Z$m) .	15,9	23,9	30,0	20,0
Pre-int margin (%) ..	23,2	25,8	24,7	17,1
Earnings (c)	24,9	43,0	62,9	41,1
Dividends (c)	6,2	10,7	15,7	10,2
Net worth (c)	99,2	131,6	178,7	209,7



Turnover fell a modest 3%, though volumes in finished copper products slumped to 3 089 t (5 284 t). Aluminium volumes remained low because of the lack of infrastructural demand. Operating profit took the sting, falling by about a third to Z$20m.

High fixed costs and the change in sales mix — sales from aluminium products fell from $9,4m to $1,8m — meant there was little cushion from the low commodity prices and economic conditions.

The export drive continued well. Exports rose by 117% to $30,2m, over a quarter of total sales. While most exports are to other sub-Saharan countries, new markets were found in Russia and others have been identified in Europe and the Middle and Far East.

The domestic order book has come down dramatically, from $62m at end-1991 to $13m. Macfarlane says it is now at "more appropriate" two months. This reduction, though it included some cancellations, was due to a better delivery performance and the downturn in the market.

Zimbabwean inflation has been running at about 40%; inflation-accounted earnings would be significantly less than the stated figure. Macfarlane doesn't believe earnings will see any nominal growth in 1993. Continued pressure on the copper price (the copper price forms 50% of the product price) and high interest rates due to tight monetary policy will restrict earnings growth.

The share price at 50c is at a 12-month low. On a p:e of 1,2 and high earnings yield of over 80% the price looks on the bottom, and a 76% discount to NAV. Cafca's fate, like all other copper cabling companies, will to some extent be determined by the copper price as much as the Zimbabwean economy: exports will also play an important role. Timing and risk are central to any investment decision.

Louise Randell

SPESCOM FM 4/6/93. (189D)

Adapting to survive

The highly competitive nature of the electronics industry is synonymous with the adapt-or-die adage, as Spescom found out several years ago. But latest results show, for the third consecutive year, significant growth in earnings. EPS rose by 69% and there's a final dividend of 3c a share.

MD Johan Steyn attributes ongoing growth to the long-term development strategy, with 70% of sales now coming from innovative products in the security, electronics and electricity markets.

Operating income leapt 65% to R5,6m on turnover, up by 34% aided by streamlined operations, enhanced asset management and in particular, a R15m cash injection.

The sale of patents relating to an electronic supply system used in prepayment electricity meters for R32m (of which it has received R15m) to private company Meter Patent Developments has cut short-term gearing, with considerable cash flow advantages. Steyn says in terms of the agreement, Spescom continues to have exclusive use of the patent but in return must pay royalties.

"The main benefit is the reduction of our interest burden. Though royalty outflow goes up, with a guaranteed minimum annual royalty, the total royalty depends on sales. This contrasts with interest, which is almost a fixed overhead," notes Steyn. The deal, effective from March, adds 2c a share to EPS with significant bottom-line benefits expected in the years ahead.

The balance sheet looks healthier. The increase in stocks is contained to 12% and creditors are up 22%. Current ratios have moved from 1,10 to 1,72 and cash resources, up sixfold at R15,1m, can be used to offset interest-bearing debt of R11,3m (R10,3m).

Assessed losses in previous years and an abnormal item of R1,1m, relating to project development expenditure on discontinued product lines, are reflected in a tax credit of R24 000 (R215 000). Extraordinary items of R6,5m below the line relate to the write-off of intangibles and fixed assets associated with discontinued operations.

Difficult trading conditions will hit domestic sales but Steyn believes export orders

FM 4/6/93 (189D)

could offset this. Though Spescom has been excluded from the Eskom National Contract for prepayment electricity meters, he adds

CASH SURGE

Year to April	1992	1993
Turnover (Rm)	45,9	61,4
Operating income (Rm)	3,4	5,6
Attributable (Rm)	1,8	3,1
Earnings (c)	9,3	15,7
Dividends (c)	3	5

that excluding the standardisation programme, there's still noteworthy demand for the product by Eskom, local authorities and international markets. New products, if successful, will help earnings growth.

The share has appreciated considerably in the past year. At 140c, it looks fully priced. But much will depend on the success of future innovations and the ability to sustain recent performances. *Marylou Greig*

Asea back in SA under new name

S/Times (Buss) 6/6/93 (189D)

THE world's largest power generation group, ABB, has gradually bought its way back into SA and plans to use it as a base for expansion in sub-Saharan Africa.

By DON ROBERTSON

ABB represents the merged operations of Asea of Sweden and Brown Boveri of Switzerland. It operates in 140 countries, has 210 000 employees and sales of $30-billion.

Sanctions forced the Asea division of the combined group to quit SA in 1987. But Brown Boveri Company (BBC) stayed.

Changes in SA's political direction in 1990 encouraged Asea to return. It invested more than R100-million in re-establishing its presence last June.

This involved the establishment of Brown Boveri Technology, ABB Industry, ABB Ferralin, ABB Powertech and ABB Services, which had operated under the Powertech or BBC banners.

The combined group makes turbines, boilers, transformers, high-voltage switch gear and electrical systems. It is also involved in process automation and servicing.

Three months ago, ABB Sub-Sahara Africa was established in Sandton to oversee the group's operations. The office is headed by regional president Lave Lindberg.

ABB Sub-Sahara co-ordinates the operations of 11 companies in 45 countries south of the Sahara.

Mr Lindberg says about a third of the international group's taxed profit of $1,1-billion is generated in Africa. He believes that the manufacture of electrical components will double in SA in the next three to four years provided production costs are kept down and the economy improves.

"Europe does not have much time for Africa and is reluctant to become involved. SA, on the other hand, understands this market. Rather than be a multinational in Africa, we will become multi-domestic. SA will become a major supplier to the rest of Africa.

"Sales and engineering will be carried south of the Sahara, but manufacture will be in SA."

Mr Lindberg says most projects in Africa are financed by aid agencies. ABB Sub-Sahara "must improve its association with the World Bank and other aid centres".

Mr Lindberg returned to SA three months ago after eight years abroad.

He says: "Productivity is still below average, although this is probably because there has been little investment. It seems that companies merely try to stay ahead of their opposition. Customer care is also a problem."

Spescom wins major order from the Congo

Buss Day 7/6/93

DUMA GQUBULE

SPESCOM Electronics has received the first phase of a multimillion rand project from the Congo, which has decided to standardise on the company's Cashpower 2 000 electricity prepayment meters.

Marketing director Johan Leitner said Spescom estimated the Congo market to be more than 100 000 units, or R30m-R40m. The deal was a confirmation of the company's predictions of at least R30m in export orders during the year.

Leitner said Congo was the second West African country to standardise on Spescom's meters, the first phase of a R15m project having been installed and commissioned at the beginning of the year.

The Congo project was a long-term one, which would last over the next five to 10 years. (189 b)

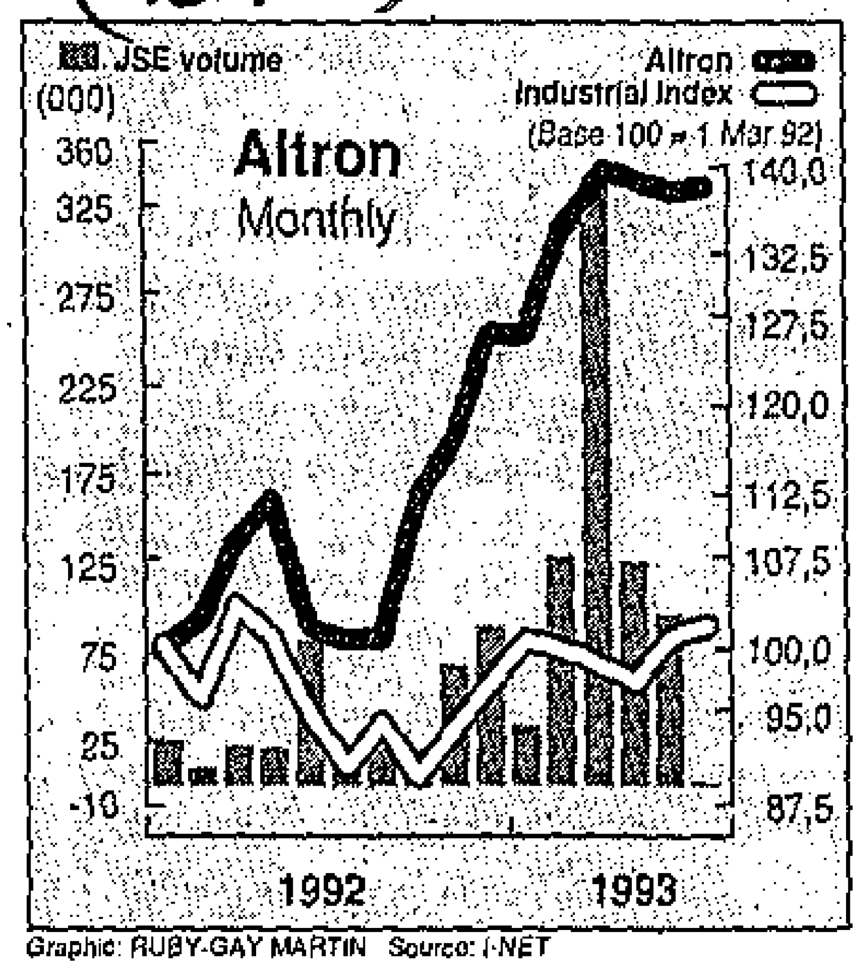
June 10 1993

Govt 'must help high-tech sector'

BiDay 10/6/93

(189 D)

MATTHEW CURTIN



Graphic: RUBY-GAY MARTIN Source: I-NET

GOVERNMENT needs to adopt a multipronged incentive package to foster local research, development and production of high-technology goods if the industry is to prosper in SA, says Altron executive chairman Bill Venter.

SA had only two out of a wide range of incentives currently in place in Taiwan which had proven necessary to develop high-technology businesses worldwide.

Venter said SA enjoyed export incentives and direct technology development grants, but an effective package would include:

- Development contracts from government-owned companies;
- An "RSA Inc" mind-set to promote buying of local products;
- Accelerated depreciation allowances to promote capital investment;
- Incentives for expanding technology development facilities and new products; and
- Tax credits for new equipment designed and manufactured in SA.

Such a package would put SA on a level with international competitors. Venter said he was encouraged by government's willingness to receive industry nominations for seats on the IDC-chaired standing committee for electronics, which would advise government on suitable incentives for technology development.

Group executive director: technology David Jacobson said Altron's technology development programme had generated more than R150m in new business. It was vital that private and state sectors collaborated more closely to identify and address priorities in technology development.

New areas where Altron was focusing its resources were rural communications, radio telecommunications in Africa, prepayment electricity meters and computer-aided mine management.

Venter said Altron — the electronics, telecommunications and power electrics holding company 53,7% held by Ventron — had pulled through a year of "unfulfilled expectations and major disappointments" for business.

Venter said many companies were simply reacting to changing circumstances when what was needed was an active approach, "structurally, culturally and commercially flexible to meet the demands of change".

Altron's prospects for 1993/4 were lifted by its strengthened relationships with French and German partners Alcatel and ABB. Alcatel would collaborate with Altech in setting up an advanced software development centre.

However, Altron was budgeting in line with economists' predictions that the second half of calendar 1993 would be as uncertain as the first.

Venter added: "I wish to reiterate my confidence in the basic, long-term growth prospects of Altron and SA itself."

The group reported attributable earnings of R103m (R92,7m) on sales of R2,72bn (R2,65bn) in the year ended February 28, equivalent to 543,1c (488,9c) a share.

COMPANIES

Chubb secures strong figures

ANDY DUFFY

SECURITY group Chubb Holdings' earnings leapt nearly a third to 165,2c for the year to March 1993 as trading profit surged and costs fell back.

Although turnover for the UK-owned company was only slightly ahead at R176,4m (R167,8m), strong operating performance lifted trading profit nearly 20% to R16,2m. B/Day 11/6/93

Stringent cash control and asset management underpinned Chubb's performance. (189D)

Its interest burden dropped from R3,9m to R1,7m, with debt as a percentage of shareholders' funds cut back from 47,4% to almost 10%.

Its final dividend was 25% up on last year's at 20c, with cover falling marginally to 4,86 times.

Chubb's physical securities division reversed the dismal performance it turned in last year, hiking its trading profit by more than 300% to R5,7m.

Electronic security — which included crime monitoring and rapid response — rose from R9,8m to R11m.

The results were marred by those of the embattled fire security division, which incurred a R500 000 loss (R2,4m).

An increase in its prices coupled with rationalisation lifted Chubb's overall trading margin from 8,2% to 9,2%.

Despite the strong showing, chairman Dirk Ackerman warned that the group was expecting little growth in its main markets during the year ahead, "which is in line with the projected business trend".

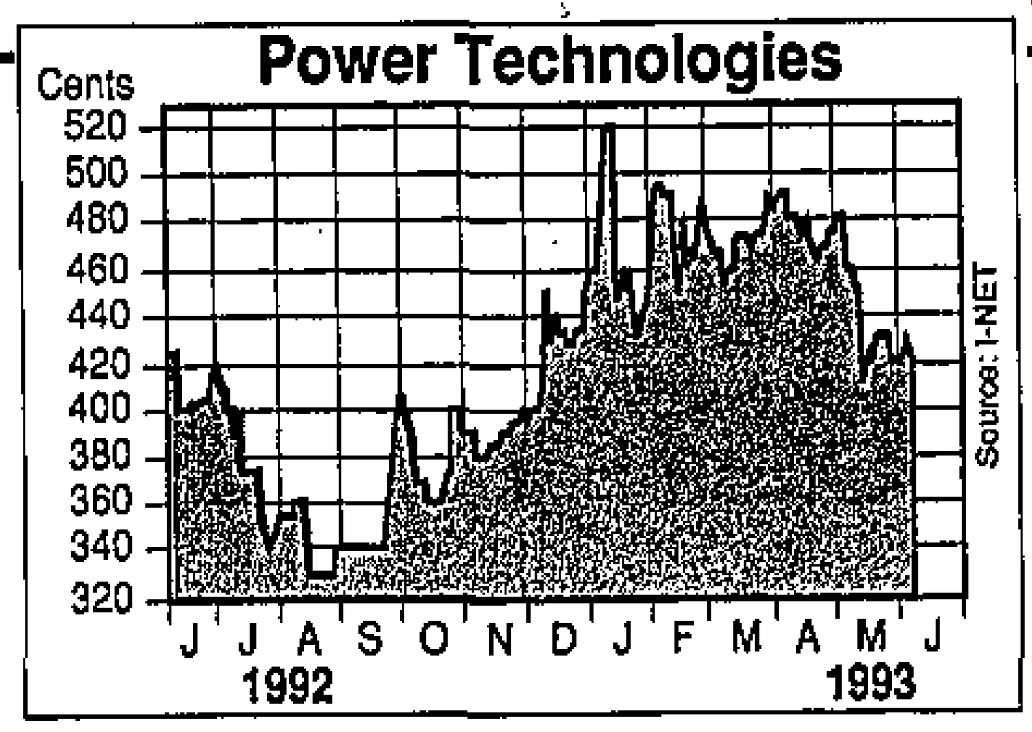
The tax charge, which included secondary tax, rose 91,3% to R5,4m, taking attributable profit to R9,1m (R6,9m).

FM 18/6/93 (189D)

POWERTECH FM 18/6/93. (189D)

An active year

Powertech has become the most consistent performer in the Altron stable. Despite the weak economy and heavy spending cuts by major customers, the power engineering and cabling group has continued to improve EPS.



Activities: *Makes and distributes electrical and communications cables, power and lighting equipment, batteries and household appliances.*
Control: *Altron 55%.*
Chairman: *W P Venter; CE: P A Watt.*
Capital structure: *158,9m ords. Market capitalisation: R667m.*
Share market: *Price: 420c. Yields: 2,2% on dividend; 8,1% on earnings; p:e ratio, 12,4; cover, 3,7. 12-month high, 520c; low, 330c. Trading volume last quarter, 2,1m shares.*

Year to Feb 28	'90	'91	'92	'93
ST debt (Rm)	37,3	2,3	3,6	19,1
LT debt (Rm)	10,1	10,3	8,6	6,3
Debt:equity ratio	0,07	n/a	n/a	0,01
Shareholders' interest	0,50	0,53	0,59	0,56
Int & leasing cover	7,6	29,8	n/a	82,1
Return on cap (%)	20,5	21,3	18,7	17,3
Turnover (Rm)	1,16	1,20	1,15	1,09
Pre-int profit (Rm)	116,7	131,3	117,9	106,5
Pre-int margin (%)	10,0	10,7	9,8	9,1
Earnings (c)	27,8	30,8	32,3	33,9
Dividends (c)	8,4	9,3	9,7	9,2
Tangible NAV (c)	140	161	183	197

Attributable earnings climbed nearly 7% in the 1993 year, even though difficult operating conditions saw pre-tax income falling 14% from turnover that was almost static.

EPS and DPS growth was curbed by the issue of 24m additional shares; the former edged up 5%; the latter dipped marginally.

Financial 1993 was a year of considerable activity for the group. It reorganised and strengthened ties with major international partner Asea Brown Boveri (ABB) of Switzerland, moved into the household electrical appliance market by acquiring control of Picardi Appliances (now called Gentech), and bought out the other shareholders in its Aberdare Cables subsidiary — Powertech's biggest earnings and cash generator.

The industrial project business was transferred to a local subsidiary of the Swiss group; this contributed to the 5% decline in Powertech's turnover. In return ABB Powertech — owned jointly by the two parties — gained access to ABB's high-voltage products as well as its distribution infrastructure in sub-Saharan Africa. This should enlarge ABB Powertech's share of the electrical power generation and transmission markets in SA and neighbouring states and expand its air pollution control group.

Some analysts have reservations about Powertech's move into the household appliance market. Management points out the cost of acquiring control of Gentech was only about R6,5m, and the appointment as MD of Simon Nash, who holds 18% of the white goods maker and distributor, will ensure the expansion is not a drain on management resources. A Gentech rights issue is expected in the near future.

CE Peter Watt contends the group is at the forefront of technology for developing low-cost electrification. Township electrification is a huge potential market for Powertech and opportunities in the appliance side of the business appear considerable.

Gentech will be consolidated in Powertech's accounts only from this year. Since year-end the stake in Gentech was lifted from 43% to 75%.

The buyout of the Aberdare subsidiary — now delisted — has increased Powertech's exposure to the solid if unspectacular cables market. Powertech spent R112,8m buying Philips's stake in Aberdare, and a further R36m to take out minorities.

To help fund acquisitions Powertech raised R63m by issuing 15,7m new shares. Though cash flow remained strong, cash reserves were sharply lower at year-end, the year-ago net cash surplus of R37m being whittled down to net borrowings of nearly R5m. Goodwill of R56m was written off.

Powertech's Watt ... *at the forefront of technology*

Profitability remains in a falling trend, as shown by the further declines in turnover, operating income, margins contracted and returns on equity and capital (see table).

It is hoped that diversification, further improvements in asset and cost control, a full contribution from Aberdare and a lower effective tax rate will enable maintained EPS this year. However, an upswing in trading performance is needed. Watt says there are signs that more funds are being made available for housing and related infrastructure, but is cautious about short-term prospects.

At 420c, with the earnings multiple at 14,8, the share has one of the better ratings on the electronics sector. It looks fully priced for now.

Simon Cashmore

GENTECH FM 18/6/93 (189 D)

Still needs recapitalising

White goods maker and supplier Gentech (formerly Picapli) has had a difficult year and one of change. In January Powertech

Activities: *Makes and supplies white goods.*
Control: *Powertech 74%.*
Chairman: *P Watt; MD: S V Nash.*
Capital structure: *25,9m ords. Market capitalisation: R48m.*
Share market: *Price: 185c. 12-month high, 185c; low, 80c. Trading volume last quarter, 119 383 shares.*

Year to Feb 28	'90	'91	†'92	*93
ST debt (Rm)	99	36	42,8	42,3
LT debt (Rm)	11,1	27,7	24,3	23,7
Debt:equity ratio	3,2	1,3	1,4	1,6
Shareholders' interest	0,2	0,3	0,27	0,24
Int & leasing cover	0,52	1,9	1,7	0,6
Return on cap (%)	7,7	19,8	13,9	3,0
Turnover (Rm)	n/a	n/a	264	177
Pre-int profit (Rm)	14,1	31,6	22,5	4,4
Pre-int margin (%)	n/a	n/a	8,5	2,5
Earnings (c)	(52,7)	54,0	27,3	(2,5)
Dividends (c)	nil	nil	nil	nil
Tangible NAV (c)	128,4	183	169,1	133,5

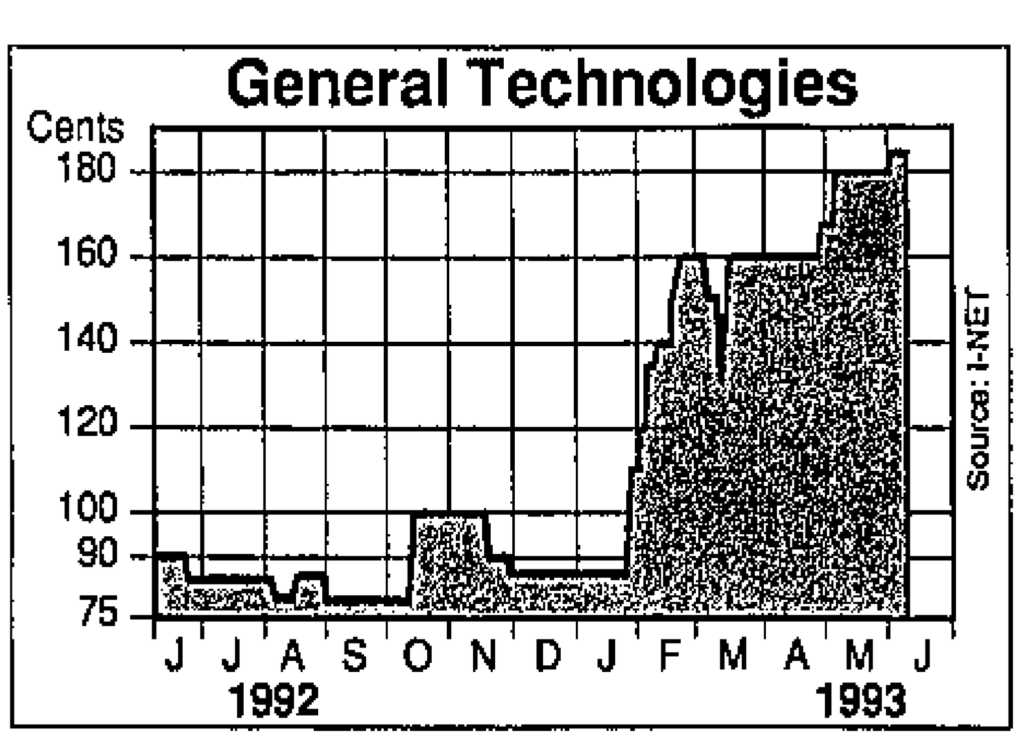
* Eight months to February 28 1993.
† The prior year adjustment has not been reflected in previous years.

bought a controlling stake. The 1993 accounts reflect the write-down of assets after the acquisition.

EPS showed a loss of 2,5c (1992: 27,3c profit), because of intense pressure on operating margins, which fell from 8,5% to 2,5%. But year-on-year comparisons are complicated: 1993 measures an eight-month period and the prior year adjustment in 1992 has not been reflected in previous years.

Gentech is largely focused on the home market, with about 5% of turnover coming from exports in 1993. Exports are likely to form an even smaller portion of operating profit, since these margins tend to be smaller due to tougher competition.

Prospects for the domestic appliance industry, says Gentech, will depend on an increase in the number of low-income homeowners with access to electricity. This is not expected to benefit Gentech in the short term, because Eskom's electrification drive is a long-term project. But MD Simon Nash is confident that these homeowners will be buying new, brand-name products, despite recession.



Low operating profit has been worsened by interest payments: in 1993 net interest charges of R7,1m swallowed profits of R4,4m. Gearing remains high at 1,6 and interest cover is low at 0,6. Gentech intends to have a substantial rights issue to strengthen the capital base, the details of which are expected to be released soon.

As a result of the change in ownership, an extraordinary charge of R9m was made in

(189 D).

1992, related mainly to a provision made for the potential exposure — arising from a change in fiscal policy — regarding investments in film productions. In the 1993 results, an extraordinary charge of R8,6m was made after writing down assets to comply with a more conservative accounting policy.

The share price of 185c — a two-fifths premium to NAV — is up from less than 90c in January this year, probably driven by the acquisition of control by Powertech. Reducing gearing and continued attention to operating costs will help to boost earnings, but demand for white goods is not expected to improve significantly until consumers' confidence and disposable income rise. There is little reason for further appreciation of the share until then.

Louise Randell

June 19 to June 23 1993

Employers, unions can get along

South 19/6-23/6/93

RELATIONSHIPS between trade unions and the companies at which they represent workers do not have to be stormy.

Metal and Electrical Workers Union of South Africa (Mewusa) shop steward at Power Engineers, Mr Ashraf Samaai, said since the union was recognised at the Epping company in 1989, conditions between management and the union have been rosy.

"We have received lots of benefits for the workers, for example an Emergency Distress Fund has been set up where workers in financial difficulty can come to the union for assistance," Samaai said.

He said the good relationship between the company and Mewusa was a direct result of improved communication between management and shop stewards.

"A more open attitude prevails and decisions aren't taken unilaterally anymore," he said.

Mewusa has successfully negotiated for arbitration to be compulsory during a dispute, and the establishment of a Death Benefit Fund.

Mewusa, Samaai said, was also happy about Power Engineers' commitment to training workers.

Mr Jim Lappin, managing director of Power Engineers, believes his company's philosophy is different from that of other businesses.

"We believe in working towards a common goal. When it is achieved, everyone benefits," Lappin said.

Lappin said the company tried to make employees aware of the need to be productive and competitive.

Through this philosophy, Lappin said, Power Engineers are a success.

"As a result, in the past two years, we have had no retrenchments and we even employed a further 100 people," he said.

According to Lappin, both management and the union are firm but have a fair approach.

"The union keeps us on our toes," Lappin said.

189D

Leadership is the key to union success

South 19/6 - 23/6/93

LEADERSHIP is the most important factor in deciding whether any organisation will be successful.

Metal and Electrical Workers Union of South Africa (Mewusa) regional secretary Mr Brian Williams believes leadership is the foundation of an organisation, and that without a strong foundation there can be no effective structure.

A full-time staff member of the union since 1985, Williams joined the labour force as an unskilled electrical worker in the early seventies.

"I had my first taste of labour relations when I was doing an electrical apprenticeship at a Cape Town company," Williams said.

"The company wanted to cancel my contract because they said I was an agitator and my union, the Electrical and Allied Trades Union, supported the cancellation.

"I had to fight to maintain my position."

Having succeeded, he became involved in union work, attending meetings.

Williams said the union was segregated and under white control when he first joined.

"To be a member you had to be a coloured, an artisan, an apprentice or an electrician," he said.

No African or white members, women, unskilled or semi-skilled workers were allowed.

"We started to fight against this discrimination and eventually managed to overthrow the union's racist control."

The Cape Town office has two other people who play an important strategic role in the union, Mr Russell Sabor and Mr Phillip Benjamin.

A qualified electrician and electrical inspector, Sabor has been a member of Mewusa's national executive for 13 years.

"Russell is a strong union leader and has guided the union through many difficult periods," a union spokesperson said.

During the time when the union was still "under white control", Sabor was instrumental in fighting racism.

"Everything he does is done with a passion. He is involved in adult education, especially in the electrical industry, and is also very concerned about homeless children," the spokesperson said.

Sabor had made many personal sacrifices as part of his commitment to workers and Mewusa members in particular.

Mr Phillip Benjamin, a worker leader and a union shop steward, has been involved in trade union organisations since the early eighties.

"When I started in the industry as a trainee there was lots of unfairness. There were vast contrasts between our working conditions and those of whites," Benjamin said.

He said there was no proper representation for workers.

"We received some help from the Radio and TV Union, who tried to raise some of our grievances, but it wasn't until we came into contact with the Electrical and Allied Workers Union — now Mewusa — that things started changing.

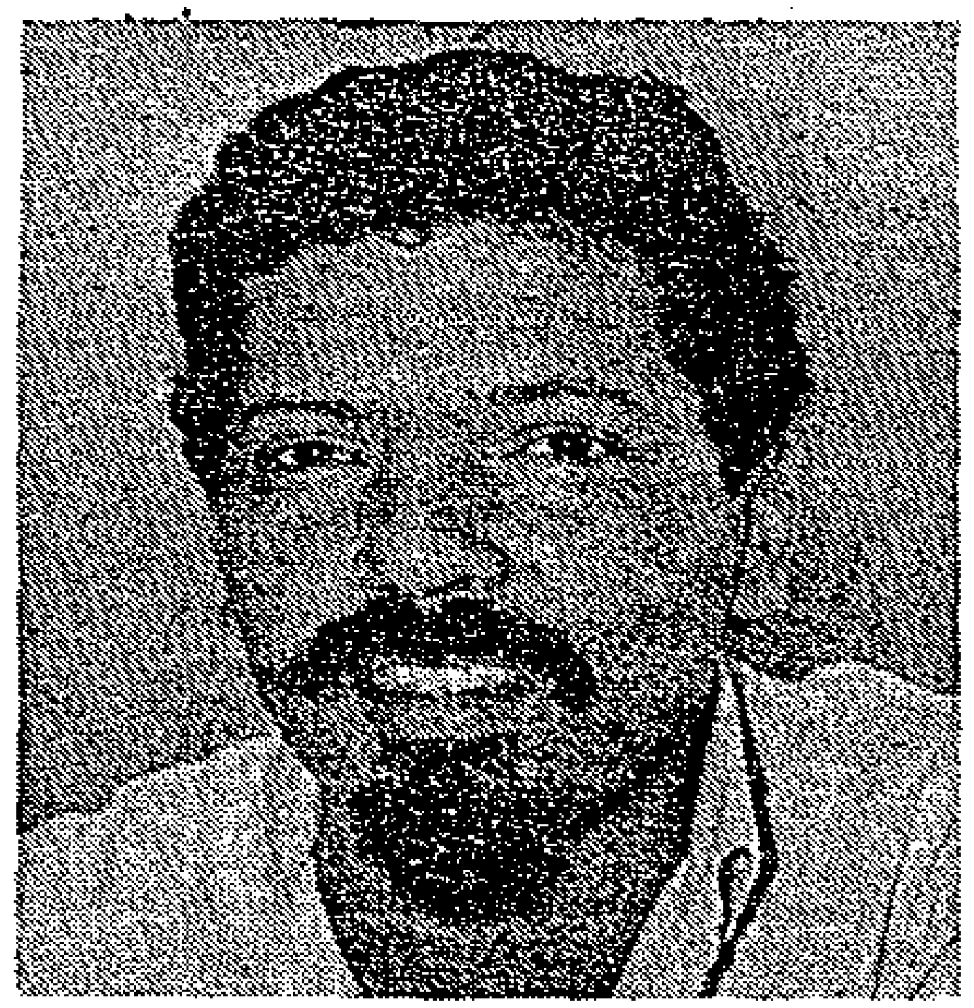
"I am committed to fighting injustice in the workplace and in the community and that is why I became involved with worker struggles," Benjamin said.

Described by Williams as "almost fearless", Benjamin played a key role in leading Western Cape workers to understand the new challenges of the changing social and political environment.

Employed at Plessey Tellumat as a technician, Benjamin served on Mewusa's national executive until last year.

"I decided to step down to allow others the opportunity to develop," Benjamin said.

"All but two of the next executive committee will be new members. We're hoping that they will inject fresh ideas into the organisation as well as create new developments in education and training."



BRIAN WILLIAMS

PHILLIP BENJAMIN

189D

R300m export deal for Laser

CT 21/6/93

(189D)

Own Correspondent

JOHANNESBURG. — Laser Optronic Technologies had secured a R300m order to supply locally developed and manufactured laser diamond cutting systems to China, Laser MD John Bond said at the weekend.

The venture was originally funded by a R4m grant from the Industrial Development Corporation in 1991 and a R29m technology transfer from Baasel Lasertech in Germany.

Bond said the system could earn SA billions of rands by adding value to rough diamonds. For example, SA exported 886 000 carats of unpolished stones and 12,7-million carats of rough diamonds to India, which had no diamond deposits. The country employed about one million people in its gem polishing industry and added value of about R2bn to imported stones.

Milstan notice offers some hope

B Day 6/7/93

MARCIA KLEIN

TROUBLED electronic products retailer Milstan today issued its third cautionary announcement, which points to some hope for minority shareholders. (891)

It said Milstan was negotiating with major creditors to restructure the company. A source close to the company said the only way minorities could be helped was if there was an opportunity to rescue the company — which negotiations indicated was possible.

It is understood that urgent winding up proceedings were launched late last week but later withdrawn.

The first cautionary, issued in mid-June, said Milstan planned to delist after making an offer to minorities. The second said results to end-February could "adversely affect the intended offer to minorities".

The JSE suspended the share on Thursday after failure to issue annual provisional statements on time. A Milstan spokesman said this gave some commentators the impression that majority shareholders intended "to use the JSE committee as a ploy to obtain a delisting without buying out the minority stakeholders first".

But corporate consultant Peter Curle said directors had advised shareholders as soon as "the preparation of results began to indicate an adverse situation". Their priority was to rescue the company to the benefit of shareholders and creditors. "If and when" that was addressed, buying out the minorities would become "a key issue".

Today's cautionary said audited results for the year to end-February had not been finalised. Discussions were taking place with a consortium of Milstan's principal creditors with a view to a restructuring. A further announcement would be made by next Tuesday.

'Great future in new markets for Altech'

BDay 8/7/93

DUMA GQUBULE

ALLIED Technologies' (Altech) performance over the past four years — when earnings and dividends had moved sideways — had been remarkable given the rapid diminution of its previous markets, MD Peter Wilson said yesterday.

Addressing members of the Investment Analysts Society in Johannesburg yesterday, Wilson said the offtake from Telkom and the military had fallen sharply over the past four years.

(891)

Military spending (as a percentage of GDP) had fallen from 4,3% to 2,6% and was expected to fall further over the next couple of years.

He said Altech had been spending a lot of effort and making significant investments in moving resources previously used in the military arena into non-military applications.

The group was investing over R50m a year in technology development and there were over 60 programmes in progress which would come on to the market over the next couple of years.

There were products already contributing to group revenues and others which were still in the development phase.

Altech was involved in an ongoing process of developing new products to replace those of previous markets, he said.

These inculded an electronic detonator for the mining industry, rural telecommunications, smart card and keypad prepayment metering and technology-enabled training and education delivery systems.

Wilson said Altech now had three divisions — Altech Industrial group, Altech Electronic Systems and the newly established Altech Mining Group.

Substancial investment was going into Altech Mining Group, which was negotiating joint ventures with international partners. A new product, the electronic detonator with applications in deep-level and open-cast mining, was expected to show exponential growth in production during the next few years.

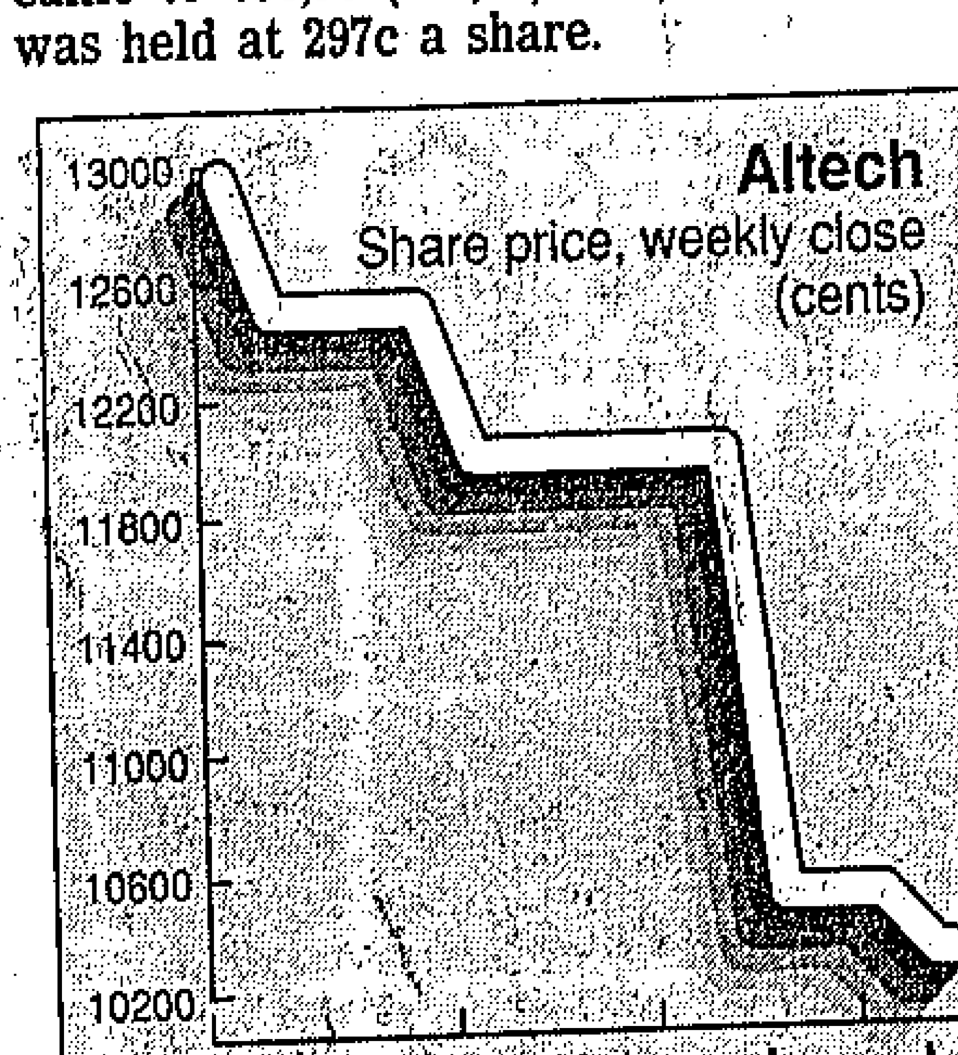
Wilson said there were significant areas of opportunity which would be exploited over the next few years. The recent joint venture with French telecommunications firm Alcatel had already yielded benefits.

The group had received an export order from Alcatel which was worth more than Telkom's annual offtake of the product.

The joint venture had secured access to the technology of the world's largest telecommunications multinational, which in turn opened the door to export markets.

The area of cellular telephony also presented significant opportunities. Altech's role in the industry would be as one of the main equipment suppliers for the new network.

Altech reported a 2% dip in attributable earnings to R90m (R92m) on a slight increase in turnover to R1bn (R930 000) for the year ended February. Earnings a share came to 856,5c (880,1c) and the dividend was held at 297c a share.



Graphic: RUBY-GAY MARTIN Source: I-NET

ALTECH

189D

Diversification continues

Activities: *Develops, makes, supplies and maintains electronics and telecommunications systems.*

FM 9/7/93.

Control: *Altron 56%.*

Chairman: *L Boyd; CE: P B Wilson.*

Capital structure: *9,9m ords. Market capitalisation: R1,09bn.*

Share market: *Price: R105. Yields: 2,8% on dividend; 8,1% on earnings; p:e ratio, 12,4; cover, 2,9. 12-month high, R140; low, R105. Trading volume last quarter, 58 598 shares.*

Year to February 28	'90	'91	'92	'93
ST debt (Rm)	0,1	—	0,1	0,4
LT debt (Rm)	0,4	0,4	0,9	0,3
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,59	0,61	0,64	0,70
Int & leasing cover .	n/a	n/a	n/a	n/a
Return on cap (%) ..	25,9	21,3	17,9	15,3
Turnover (Rm)	793	926	930	1 023
Pre-int profit (Rm) ...	134,3	127,3	120,4	131,3
Pre-int margin (%) ..	16,9	12,5	11,4	11,7
Earnings (c)	834	822	880	857
Dividends (c)	268	268	297	297
Tangible NAV (c)	2 850	3 444	4 038	5 115

While investors are probably disappointed with the 2% dip in earnings in financial 1993, they should be pleased with management's efforts to broaden the business, particularly into international markets.

At the heart of this international expansion was the reorganisation, with European partner and shareholder Alcatel, of Altech's telecommunications division. Alcatel acquired half of Altech's flagship telecommunications division — now known as Alcatel Alsthom in France — and redeemed the 7% of its equity held by the European telecommunications group.

The transaction became effective from March 1, but the balance sheet has been adjusted to reflect resultant changes. Though effectively a share swap, the deal resulted in an extraordinary gain of R136m, almost R50m offset against contingencies.

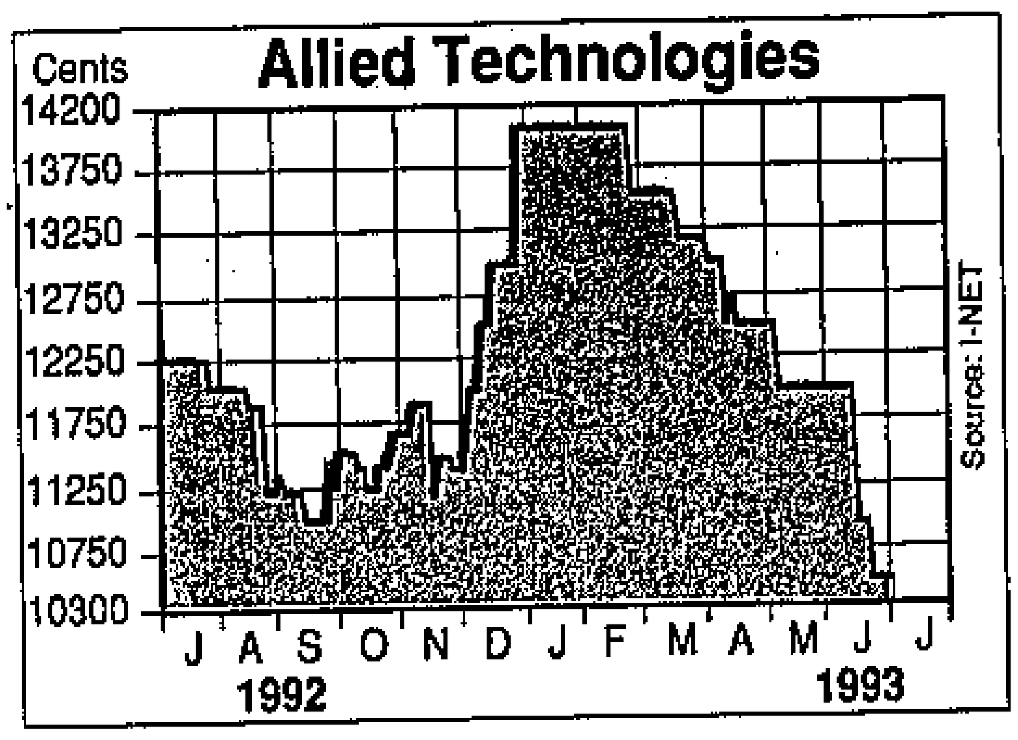
The R156m offshore investment in Alcatel Alsthom, and a slight increase in net cash reserves at R253m, has provided Altech with what management describes as its strongest balance sheet ever. Since last year-end, NAV rose more than a quarter; about a third is in the new offshore investment group. Charles Stride, deputy chairman of parent company Altron, says Altech is considering

to continue

 FM 9/7/93 (189D)

restructuring international operations to take better advantage of any acquisition opportunities offshore.

Altron overhauled its management structure. This, with the retirement of former Altech executive chairman Don Snedden, saw Amic chairman Leslie Boyd become nonexecutive chairman of Altech; former Aberdare Cables head Peter Wilson was appointed CE. The appointments are unlikely to significantly change Altech's efforts to diversify — more than R100m was spent last year on research and development — or weaken its reputation for tight financial and asset management.



Most analysts have reacted favourably to the restructuring with Alcatel and the reorganisation of management. Though Altech will lose half the contribution of its telecommunications division, which last year contributed about a third of consolidated earnings, this should be more than offset in the longer term, says Stride.

The tie-up with Alcatel is expected to boost Altech's penetration of the telecommunications market in SA and in sub-Saharan Africa. Capital spending of about R1bn that will follow the setting up of two independent cellular telephone networks in SA later this year is seen as a big opportunity.

Altech continues its diversification to reduce its dependence on traditional telecommunications business with Telkom, Eskom and Transnet. Last year Altech's payroll shrank 12% to 3 966; in the past four years employees have been reduced by more than a quarter.

Improved sales and lower costs resulted in an operating turnaround. Operating income climbed for the first time in three years. It was 9% up on the previous 12 months, turnover rising a tenth.

Earnings were largely depressed by falling investment income and a slightly higher effective tax rate.

The reorganisation of Altech's telecommunications interests, stronger balance sheet, substantial cash for acquisitions and extensive broadening of operations point to a better earnings performance in financial 1994.

After trading in a narrow price band for much of the year, the counter has weakened from a high of R140 in the past few months, possibly because of a report that Telkom will not rely solely on long-term suppliers to provide infrastructure for its new cellular phone network. At R105, the share stands on a p:e of 12,4 and is worth considering by long-term investors.

Simon Cashmore

Altech turns from the front line to the home front

S Times [Buss] 11/7/93

By JULIE WALKER

A PHONE shop in a squatter camp? Altech's know-how and the funding of the Small Business Development Corporation or Anglo American's Small Business Unit could set up an entrepreneur in a business for which there is constant demand.

Chief executive Peter Wilson took members of the Investment Analysts Society on a "treetop view" of developments at Altech. Anglo is a large shareholder and executive director Leslie Boyd is Altech's chairman.

Mr Wilson returned to Altech after seven years at sister company Powertech running Aberdare Cables. He showed how Altech's earnings and dividends have moved sideways since 1989.

Guns (89b)

The main reason is the reduction in Government spending on the military, which used to be 70% of Altech's business.

His challenge is to swing the percentage to civilian applications of high technology. "We have to turn guns into ploughshares," says Mr Wilson, describing Altech's employees — 500 are graduate engineers — as its biggest off-balance sheet asset because of their ability to apply technology in innovative fields.

Operations have been split under three headings: Altech Industrial Group, Altech Electronic Systems and Altech Mining.

Mr Wilson says Altech sold 50% of its largest profit centre to multinational Alcatel because its supply agreements with the SA Post Office expire in a year or so. Competition for new contracts from foreigners and SA groups will be stiff.

Alcatel has invested more than R160-million in SA. The deal allows Altech access to Alcatel's research efforts and its customer base.

Altech received an initial export order bigger than Telkom's annual offtake in one product.

Mr Wilson says cellular telephones will be good business for Altech. People are surprised that Altech did not apply for the second licence, but as an equipment supplier it was barred from doing so. He thinks M-Net will get the second licence.

SA has learned from Britain, where in a wholly deregulated environment 93 service providers led to a dogfight. Only 41 are still in business and some are even giving away the telephone handsets in an effort to write service contracts. Many fingers have been burned.

Mr Wilson expects handsets to sell at between R1 000 and R3 000. Users need only a SIM (subscriber identification module) swipe card to use a cellular phone. They do not need to own a handset and can go to phone shops. All taxis are likely to carry phones and people can even go to the squatter-camp phone shack to make calls.

Camps without electricity will use Altech's solar-powered remote telephone linker Rurtel, similar to the emergency motorway phones. Altech exports this product widely in Africa where the World Bank is paying.

Boost

This is one of many products Mr Wilson says will boost Altech in coming years. Other products are a mine-blasting management system. It sequentiates blasts and optimises the miner's ability to remove rock.

An on-line titro-analyser keeps mining-chemical costs down and has a pay-back time of mere weeks.

The science used for image-spotters in military application has been applied to labour-intensive and time-critical fruit sorting. This is another potential export.

Educational needs can be met through Mass-Ed, a computerised teaching system aimed at the masses.

"Even a quarter or a half-percent of the R20-billion national education budget will be good for us," says Mr Wilson.

On the road, a total fleet-management system has evolved from the satellite-tracking concept. A manager can watch all his vehicles from a control point and know immediately one leaves the pre-determined route.

Altech has received orders for 7 000 hand-held two-way radio tuners which spare drivers from fiddling under the dashboard to retune.

A driver-simulator looks like a lot of fairground fun, but Mr Wilson says an under-trained driver in charge of a R250 000 truck carrying R500 000 of freight is no laughing matter. Altech's driver trainer is half the cost and of superior performance to an imported model.

Pre-paid electricity dispensers are big business and Altech has both a smart-card and a keypad type. Mr Wilson believes there will be 10-million smart-cards soon. Altech is ready to provide the infrastructure needed at vending and charging outlets.

The presentation gave me the impression that Altech is a big cash-flush graduate playground where potential money-spinning ideas are taken seriously.

As long as orders can outstrip costs, Altech's share prospects look attractive.

Altech is at a year's low of R103 on only 12 times earnings. When the gold bull market is over, underpriced industrials like it will start to get a look in.

PETER WILSON: High-tech playground Picture: ABDUL SHARIFF

CHUBB FM 16/7/93

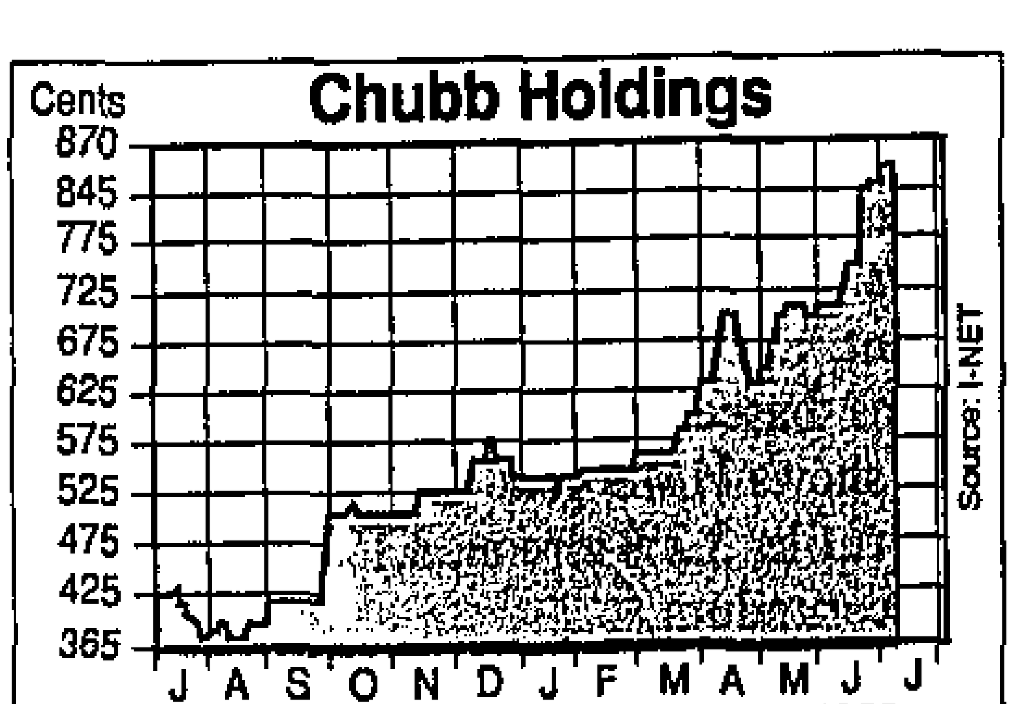
Safe as houses (189D)

Activities: *Makes, distributes and services security products.*
Control: *Chubb Security Plc (UK) 67,8%.*
Chairman: *D E Ackerman.*
Capital structure: *5,5m ords. Market capitalisation: R46,8m.*
Share market: *Price: 850c. Yields: 4,0% on dividend; 19,4% on earnings; p:e ratio, 5,1; cover, 4,9. 12-month high, 850c; low, 380c. Trading volume last quarter, 39 000 shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	14,9	8,0	3,6	1,2
LT debt (Rm)	8,5	6,1	4,1	0,8
Debt:equity ratio	0,59	0,31	0,04	nil
Shareholders' interest	0,36	0,42	0,46	0,60
Int & leasing cover	3,3	3,1	3,2	6,7
Return on cap (%)	15	19	16	20
Turnover (Rm)	144	173	167	176
Pre-int profit (Rm)	13,5	16,5	13,6	16,3
Pre-int margin (%)	9,4	9,6	8,2	9,2
Earnings (c)	98,6	137,9	124,9	165,2
Dividends (c)	25	28	25	34
Tangible NAV (c)	591	641	725	857

By the look of these results, people must be spending more on security than ever before. Chubb increased 1993 earnings by one third and degeared its balance sheet, ending the year with an R8m cash pile.

Better productivity and a much improved cash flow enabled large debt repayments; the interest bill fell by 56%. Turnover, meanwhile, increased 5,1% to R176m, while trading profit rose 19,1% to R16m. Chairman Dirk Ackerman says the improvement in margins was achieved without the benefit of the pension contribution holiday which was enjoyed the previous year. Ackerman says the Physical Security division's three-fold increase in trading profit was because of a concerted effort to reduce costs and increase efficiencies.



Chubb's Ackerman ... *static security market volumes* (189D)

While most firms are demanding physical security, the demand for fire hoses and extinguishers is static; Chubb Fire Security division's results were poor. Turnover grew marginally despite fierce competition in the building industry but there was a trading loss. Management blames the division's weak performance on low prices on products and services being offered to maintain market share. Ackerman is confident that better efficiencies, rationalisation of operations and cost savings will restore the division to profitability this year.

With business confidence low, political tension high and the recession continuing, Ackerman expects volumes will remain static in the security market. The balance sheet indicates Chubb has the financial capacity to expand its operations or make acquisitions.

The group is developing new security products for major clients which are expected to make a positive contribution in the 1994 year's results. These include bullet-proof screening and access cubicles.

Had the new secondary tax on companies not been introduced, EPS would have been 35% higher, at 168,2c. The share has climbed to a new high of 850c and stands on a p:e of 5,1. It's worth watching. *Kate Rushton*

Eureka maps out a successful route

Sowetan 4/8/93

MZIWAKHE HLANGANI

INVESTMENT holding company Eureka Industrial expected its cash flows to remain positive as the economy moved into an upward cycle, chairman Ronnie Price said in the annual report.

Eureka had more than trebled earnings for the year ended February. Its focus on asset management had a marked effect on return on assets and on shareholders' interests. Market share had been increased without compromising working capital ratios and operating margins.

Price said positive cash flows had been achieved during the year, reducing interest-bearing debt by R7,2m. (189B)

Earnings trebled to 6,7c from 2c a share from the previous year.

Amic-Daewoo project talks

B/Day 9/8/93

MATTHEW CURTIN

ANGLO American Industrial Corp (Amic) and South Korean conglomerate Daewoo are in talks with a third partner aimed at getting their multimillion-rand colour TV tube plant project off the ground.

Amic chairman Leslie Boyd said the group was "serious" about the project and "we are talking to a potential partner".

The group signed a joint venture with Daewoo early last month which resulted in the new company, Daewoo Amic JV, investing R20m in electrical goods manufacturer General Technologies. (1890)

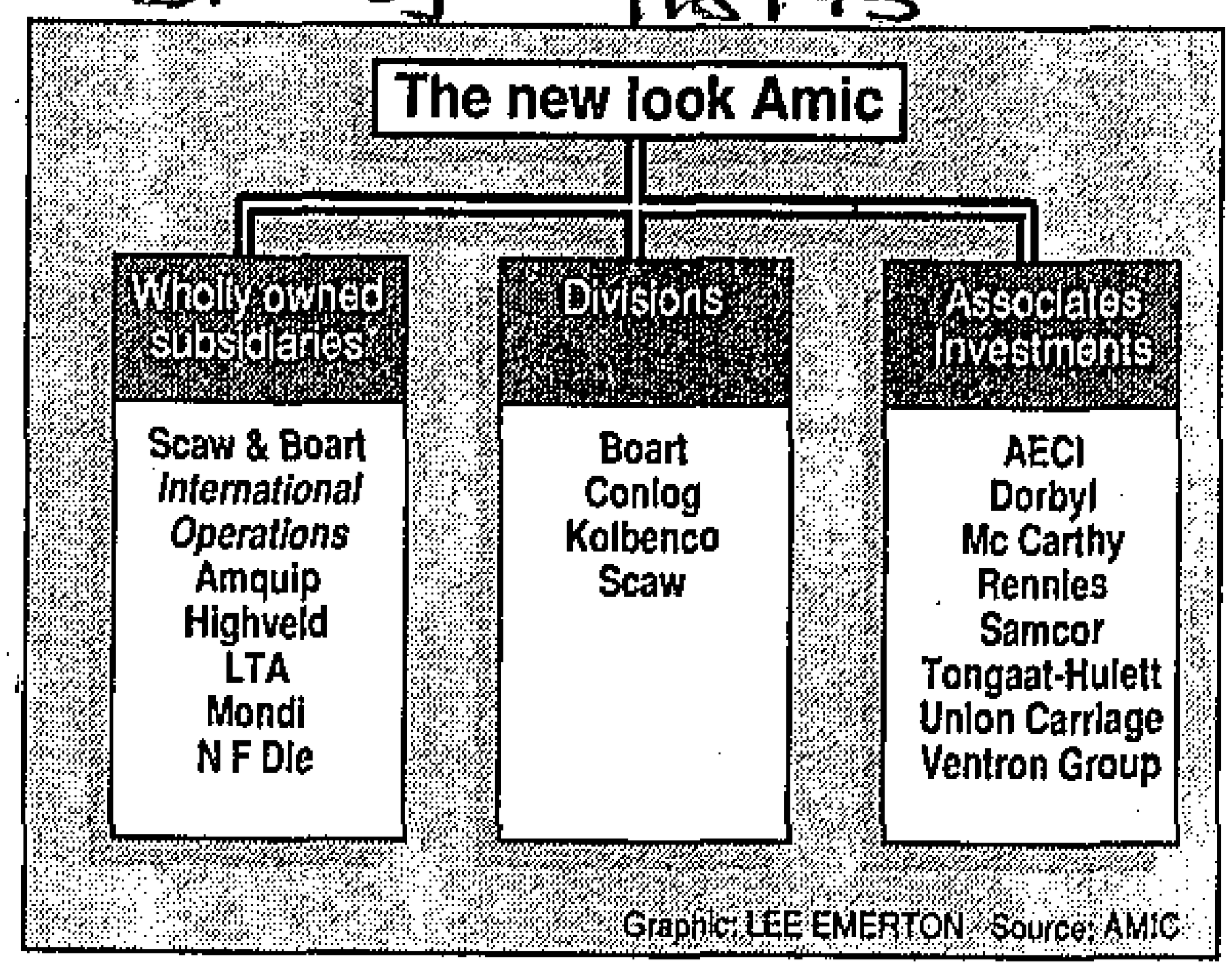
Boyd said the outlook for the electrical appliance market in SA was exciting. Market research showed demand for appliances surged — up 72% for TV sets and 54% for fridges — as soon as electricity was supplied to new or previously unsupplied urban areas.

The group's link with Daewoo gave it a base for investigating other ventures and access to new technology, he added.

Setting out Amic's expansion plans last week, Boyd said the group was "well down the road" with plans to divisionalise some of Amic's businesses, but noted the objective was to improve financial efficiency and not to centralise management.

He said the new-look Amic, which would emerge in January, would retain investments in a wide range of associate companies — from car maker Samcor to consumer product group McCarthy — but would have four new divisions. They would be the domestic operations of mining equipment group Boart and engineering group Scaw Metals, plus electronics supplier Conlog and vehicle component maker Kolbenco.

It was difficult to divisionalise Amic companies with significant international profiles. The group would retain as wholly or partly owned subsidiaries the international operations of Boart and Scaw, as well as Highveld Steel and Vanadium, Mondi, and former associate companies LTA and Amquip.



Graphic: LEE EMERTON Source: AMIC

Boyd added that Amic planned to list Mondi sometime in the future, given the size and independence of the pulp and paper group's businesses.

Boart chairman Hilton Davies said the group was pressing ahead with major restructuring as the slump in commodity prices and the mining sector had hit demand for its specialised mining and drilling products. Boart, having cut its workforce from 15 000 to 7 000 in recent years, had reduced the number of its Canadian operations from seven to three.

The group was reorganising its international businesses by region rather than by division, and had made new investments in Germany, Poland and Indonesia, said Davies.

In SA, the group was making good progress with its diamond wire project. Pilot schemes suggested diamond wire — thin cable studded with industrial diamonds — could be applied to two-thirds of stopes underground on gold and platinum mines, providing an economical and safer method of extracting ore.

Reunert's acquisitions 'fill an important gap'

BiDay 12/8/93

MATTHEW CURTIN

REUNERT'S acquisition of computer products supplier Persetech has significantly improved the exposure of the integrated electronics and electrical engineering combine to commercial and business markets as opposed to capital markets.

In an interview yesterday, chairman Clive Parker said the addition of the computer business, together with the Nashua and National Panasonic interests acquired from Barlows, filled an important gap in its portfolio.

The acquisitions follow Barlows' decision to bundle, announced on Monday, in which Persetech joined the Reunert fold. Barlows' other computer business, Information Systems Group (ISG), emerged as an independent business, controlled by a staff trust set up after former owner Industrial Business Machines (IBM) disinvested.

Parker said the new interests complemented the group's aim to reduce its relative exposure to the capital intensive, cyclical mining, power generation and distribution markets in which it had been concentrated.

Part of the improved balance had been achieved by its move into the lamp business, with the purchase of Thorn EMI operations in 1991 and the formation of new company Consolidated Lamp Manufacturers last year.

In all other respects the refocusing of Reunert was complete. The group was firmly established as the leading integrated electrical supply business in SA, from the supply of GEC Alsthom power generation equipment to lightbulbs.

Persetech, the local distributor of Hitachi computer products mostly to large corporate clients, would become the group's sixth division. Reunert reorganised its businesses in 1992 on the basis of the products they supplied, creating five divisions: electronics, mechanical engineering, telecommunications, electrical engineering, and cables.

(189B)

Persetech and the telecommunications division were likely to move closer together. Communications would provide the most exciting internal growth, whether through exports or the development of a cellular phone network in SA.

Reunert had outgrown the need for the backing of a conglomerate parent for its success, but it was important to realise that the modern Reunert was "a product of Barlow Rand".

"Barely a rand of turnover comes from the businesses which made up Reunert when it was bought by Barlows in early '80s," Parker said.

Barlows' name had given Reunert extra punch in pushing into overseas markets and had provided important management and financial services, while Barlow Park had provided the company's managerial talent. However, Parker said, Reunert now had momentum of its own.

Reunert reported pretax profits of R121m on sales of R1,16bn in the half-year ended March 31. Year-end results in 1992 showed turnover of R2,28bn and pretax profits of R222m.

Persetech turned in interim pretax profits of R29m on sales of R315m and full-year pretax profits of R58m on turnover of R504m.

Star 19/8/93

Delta Electrical maintains dividend

BY STEPHEN CRANSTON

Delta Electrical Industries had a difficult first half, with earnings per share up two percent to 26,8c in the six months to June. The dividend has been maintained at 9,5c. (189A)

MD Evan van Zyl says the majority of operating companies showed a small improvement in trading volumes.

Operating profit rose six percent to R22,5 million.

The weak point was Delta Cables. Progress has been made with the production-related problems in Cables, but margins remain under pressure.

Taxed income rose nine percent to R13,6 million, but there was a drop in income from associates following the sale of the group's holding in Valhold.

The completion of the expansion project at Delta EMD in September will be one month later than planned. Cost estimates to completion indicate the project will be within budget.

Strong cash flows continued and the balance sheet is strong. Interest-bearing debt of R4,49 million is almost entirely offset by cash on call of R4,27 million, despite significant expenditure on the Delta EMD expansion.

Delta slightly improved

EDWARD WEST

MOST of Delta Electrical Industries' electrical repair, cable, conductor, insulation and engineering accessory companies showed a small improvement in profit in the six months to end-June 1993, said MD Evan van Zyl.

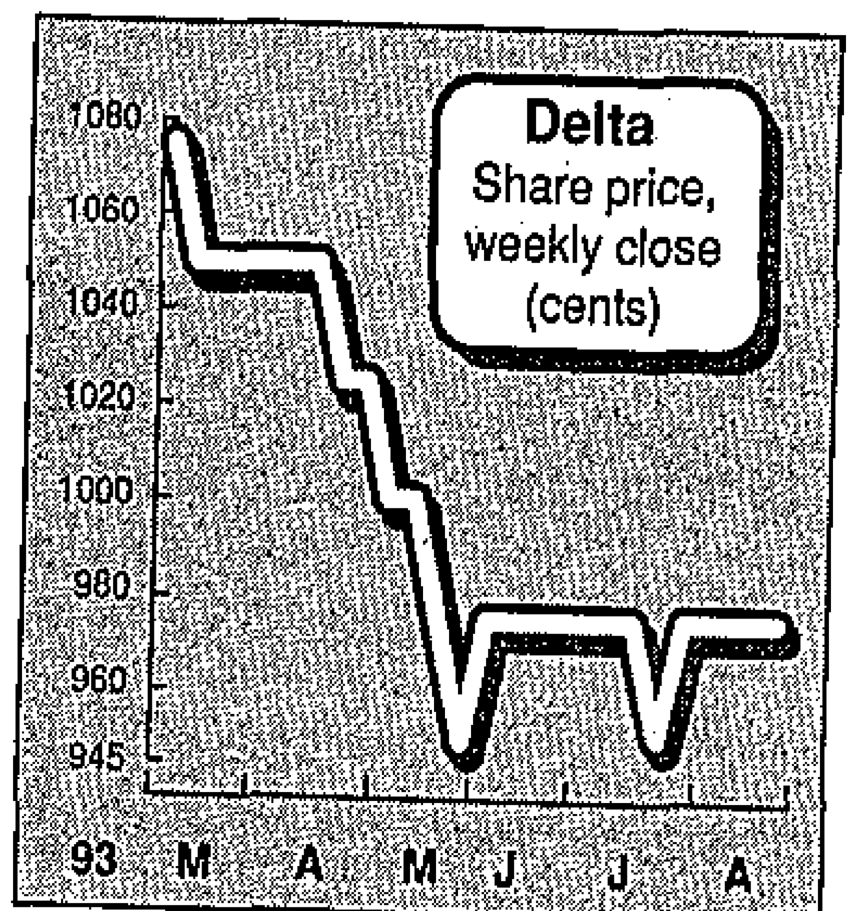
Operating profit climbed 6% to R22,5m (R21,3m). Turnover was not disclosed. Interest paid dropped to R140 000 (328 000) and pre-tax income was 7% higher at R22,4m (R21m). Taxed income was nearly a tenth higher, at R13,7m (R12,6m). B Day

Earnings a share were virtually unchanged at 26,8c (26,3c). The interim dividend was maintained at 9,5c.

Van Zyl said earnings in the second half were expected to remain at interim levels if economic conditions did not deteriorate further. 19/8/93

Income from associated companies fell sharply to R314 000 (R955 000) because of the sale in March 1992 of Delta's investment in Valhold.

Completion of the R25m expansion project at Delta's EMD company — which makes and exports electrolytic manganese dioxide for dry cell batteries — was expected in September, one month later than originally anticipated. Estimates of project cost were, however, within budget, said Van Zyl. (1898)



Graphic: KAREN MOOLMAN Source: I-NET

The expansion had disrupted existing production slightly. Benefits of the expansion, although not expected to significantly affect results in the second half this year, would begin to be realised in 1994, he said.

Delta's main markets were the mining, industrial and electricity utility sectors, which appeared to be "bumping along" at the bottom end of the recessionary cycle. Restructuring and cost-cutting measures had placed Delta in a good position to take advantage of an upturn when it materialised, Van Zyl said.

Siemens wins R210m Alusaf contract

MATTHEW CURTIN

SIEMENS, the German-based electronics and electrical engineering multinational, has won a R210m contract to supply equipment to the new R7,2bn Alusaf smelter, in Richards Bay. B/Day 20/8/93

Division manager Johan van der Westhuizen said yesterday a feature was the contract's sizeable local component, providing the group with business which would save jobs at its local operations. The contract would account for 50% of business at one of the group's project departments.

The high local component was a main factor behind the competitiveness of Siemens' tender for the smelter contract.

Siemens would supply the smelter's main electrical substation and two rectifier substations for the two lines of smelting cells supplied by French group Pechiney.

Alusaf secured R3,28bn in local finance on Tuesday, raised by a consortium of local banks. The outstanding foreign finance component, raised by a consortium of French banks, is being negotiated. (89A)

Economy drive puts Seardel on growth path

BIDay 20/8/93

LINDA ENSOR

CAPE TOWN — Clothing, toy and electronics group Seardel Investment Corporation slashed borrowings and contained expenses in the year to end-June, achieving a 50% rise in earnings a share on a marginal turnover growth.

Earnings of 64,8c (43,2c) a share were well above the maximum 53c forecast by chairman Aaron Searll in the last annual report. The earnings growth also represented a dramatic turnaround from the 61% slide suffered last year.

A final dividend of 9c (1,5c) increased the total by 37% to 13c (9,5c) for Seardel Investment Corporation and its parent Seardel Consolidated Holdings. Dividend cover was raised to five times (4,5).

Turnover rose marginally by 0,9% to R1,1bn and pre-tax profit was up 27,5% to R23,3m (R18,2m) after plummeting 61% last year on a 7% increase in turnover. The margin after interest and tax showed a strong improvement to 2,2% from 1,7%.

Clothing exports were maintained at about R77m. Searll stressed the importance of maintaining export incentives to remain competitive.

Deriving the benefit of a lower tax rate, the group generated a 56,8% hike in after-tax profit to R17,6m (R11,2m).

Searll said overheads had been contained and stock and debtors reduced, with the result that interest-bearing debt had been cut by R17m and finance charges had been lowered. Cost-cutting measures had included the shutdown of unprofitable operations and the retrenchment of about 2 000 people.

Group equity had risen 3% to R168,8m and the debt:equity percentage had fallen by year-end to 62% (74%). (189D)

Searll said the group was still on a recovery path and would run the business as efficiently and innovatively as possible.

He said 1992 had been one of the most difficult years experienced. The severity of the recession had been beyond the group's control.

The group would introduce strategies to enable it to move ahead when consumer confidence returned.

Searll said the substantial growth in imports of secondhand clothing was of great concern to the industry.

These imports had grown from 33-million units in 1989 to more than 100-million units in 1992.

"This is a very serious problem for the clothing industry in that it undermines local manufacturing and consequently leads to large-scale job losses."

SA needed a strong, vibrant economy able to provide the necessary infrastructure to achieve the minimum socioeconomic aspirations of the majority of the population.

Electronics sector in period of consolidation, say analysts

ROBYN CHALMERS

THE electronics sector has entered a consolidation period, say analysts, but could be given a boost in the medium to long term through increased government spending on low-cost housing and electrification.

Bibsey

It has gone from being the growth sector of the '80s, when the electronics index grew at a compound rate of 40% a year from 1982 to 1987, to underperforming the industrial sector after the 1987 crash.

The sector experienced a resurgence last year to achieve the third highest growth on the all share index by undergoing a significant rerating towards the end of 1992. Analysts say it is consolidating now.

23/8/93

They say the rating is more realistic, and predict the next 12 months could see a share price return of 15%-20%, compared with last year's 35% return.

The sector is traditionally divided into three groups — electronics, computer and related industries and electrical engineering. Analysts say the electrical engineering and electronics sections have lagged recently, largely because the bigger companies such as Altech, Voltex and Delta have been suffering.

"Most electrical companies have been forced to diversify and many have become export driven in order to beat difficult local conditions," said one analyst.

However, most concur that the future for organisations in the electrical group is a bright one if a new government decides to increase spending on low-cost housing.

Should Eskom's ambition of electrifying every house in SA come to fruition, these companies "will be sitting pretty" and Powertech in particular will profit, say analysts. The power electrical group will benefit not only through increased electrical engineering contracts, but it is well positioned to exploit greater demand for domestic appliances through its 43% holding in Gentech.

(189D)

The computer segment of the electronics sector has recently been buoyed by excellent results from Q Data and Didata, both of which have cornered small niche markets in the computer industry.

Mathison and Hollidge analyst Bruce Krugel said increased competition could see many of the bigger organisations in the industry such as ISG and Persetech suffer.

"Companies dealing in software will also pick up speed in the medium term, but it is the organisations like Q Data and Didata which will do well," he said.

Electronics sector gets extra R100m in grants

ROBYN CHALMERS

THE Department of Trade and Industry has released further details of its controversial subsidy scheme for the electronics sector. 25/8/93

Under the new Support Programme for Industrial Innovation, which replaced the original Innovation Support for Electronics (ISE) programme instituted in 1989, government will make grants of up to R1m for individual research and development projects.

A department spokesman said about R100m would be available to all secondary manufacturing industries by way of a grant amounting to one third of valid direct development for approved projects.

The spokesman confirmed the Industrial Development Corporation (IDC) would administer the programme after it had successfully overseen the initial ISE programme.

"Qualifying projects will be based on innovative new product or process development aimed at commercial markets, both locally and abroad, and the design and manufacture will have to be done in SA."

Details released on the ISE programme showed that 39 projects had been completed, receiving grants of more than R11,2m.

A further R60,2m had been approved for 74 projects which had not been completed and six other schemes worth R1,3m were awaiting approval.

Four projects under the scheme had been cancelled after R641 105 of the R1,3m approved for the programmes had been paid out.

"Seen against the ISE scheme's intention to assist companies bearing a high development risk, the failure rate is considered low."

Estimated tax revenue garnered from the completed projects amounted to R4,6m in terms of VAT and R1,65m from estimated corporate tax paid on sales.

In spite of these achievements, the ISE came in for fierce criticism because much of the earmarked R72m-odd funding was given in the form of non-repayable grants.

The biggest beneficiary was Anglovaal subsidiary Grinaker Electronics, which received more than R5m, followed by Anglo American's Control Logic and Sanlam's Plessey Telumat to the tune of R3,3m each.

Siltek increases earnings by 24%

Star 25/8/93

BY STEPHEN CRANSTON

Siltek saw operating profit fall by eight percent in the year to June, although a sharply lower tax and interest bill and higher income from associate Q Data enabled it to report a 24 percent increase in earnings per share to 93,35c.

This is a substantial improvement over the first half, when earnings fell by two percent.

The dividend has been lifted by 17 percent to 27c.

Sales for the year exceeded R1 billion for the first time, rising by 14 percent to R1,12 billion. (1891D)

MD Mike McGrath says gross margins on hardware continued to fall. Margins were also hit by research costs, which were written off against income.

There were also losses from disk drive distributors Electronic Back-Up Services and Rotating Memory.

These companies have merged since year-end and have returned to profitability.

Flagship company HiPerformance Systems, which distributes Hewlett Packard products, had an excellent year, significantly increasing turnover and profits.

It reflects the continued dominance by its principal of the Unix open systems market and a trend away from clone computers back to brand names, as the price differential has been eroded.

After year-end, networking companies, Grinaker Network Systems, Microsciences, Tecnetics and Tran, announced their intention of merging.

McGrath says the development of inter-networking, in which local area networks have been expanded to take on larger units, has meant a larger company, able to pool the resources needed to give clients the right service.

Tran Systems acquired half of cash dispenser manufacturer Identity Payment Systems and Micro Design, which makes card and cheque verification terminals.

Siltek's balance sheet was greatly strengthened, with cash resources up R60 million to almost R72 million and borrowings reduced from R11 million to R3 million.

Siltek looks cheap on a P/E ratio of 8,3, compared with 11,2 for Persetech, 12,1 for Fintech and 9,1 for Datakor.

Company: Siltek
Sector: Electronics

SHARE PRICE: 775c — **MARKET VALUE: R389,0m**
YEAR HIGH: 925c — **PE RATIO: 8,3**
YEAR LOW: 625c
Net asset value: 347c — **Dividend yield: 3,5%**

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	822	57,7	60,12	20
1992	979	69,8	75,10	23
1993	1120	64,2	93,35	27
% Change	14	-8	24	17

Altech signs up top team for networking drive

S/Times (Buss) 29/8/93

By JULIE WALKER

ALTECH Industrial hopes to increase its share of the fast-growing networking market after recruiting two high-calibre staff members for its Data division.

Running the division will be Jan Spies, who spent 24 years with Datakor. Graham Bell, formerly of Siltek and Grinaker Data Systems, becomes managing director of LAN Designs. (189D)

Chief executive Craig Venter says Altech Industrial cannot afford to miss opportunities in the high-growth networking market.

LAN Designs represents network groups Novell, SMC, 3Com and DCA.

The focus will be on the VAR arm. This stands for value-added reselling, or systems integration, says Mr Venter. Altech intends to enter a venture with a major group and benefit from its expertise.

The third arm of Altech Industrial is Isonet Data, which will provide up-market technical products, such as management systems.

Last in the quartet is Altech Smart Card Technologies. Mr Venter says it won a tender for 20 000 cards from Telkom.

Altech has an agreement with Schlumberger, the world's largest manufacturer of smart cards and of systems infrastructure, such as terminals and meters.

Smart cards can control free spenders. A holder may be poor and entitled to a subsidy on bread, medicine, education or electricity. Credit loaded on the card for them may not be used at a bottle store because the reader will reject it.

Mr Venter is the chairman of another Altron company, Autopage, which aims to be a service provider for cellular telephones.

Smart subscriber-identification module cards (SIM) for use with cellular phones can be provided inter-group.

Mr Venter says Altech Industrial's Data division will turn over about R300-million in its first year. Some businesses will trade profitably from the start and the rest will follow after incurring start-up costs.

Star 1/9/93

Grintek earns more but pays the same

(189b)

BY STEPHEN CRANSTON

Electronics group Grintek has reported a 28 percent increase in earnings per share to 17,6c, but in order to preserve cash the dividend has been maintained at 3,7c.

Chairman Jack Saulez says earnings were influenced by the reduction in the tax rate, use of tax losses from previous years, export incentives and a 55 percent increase in the group's share of associated companies' earnings, derived from Q Data.

Siltek, which has already reported, increased earnings by 25 percent to R47 million.

The other major subsidiary, Grinaker Electronics increased earnings by 37 percent to R8 million, despite unchanged sales of R255 million.

Pre-tax profit fell by 39 percent, but this was offset by the reversal of part of the deferred tax provision.

Specialised system engineering operations had excellent results, but there were poor performances from project management, agencies and international operations.

Grintek subsidiary Cellstar Cellular Networks has submitted an application for a licence to operate a cellular mobile telephone service.

Star 3/9/93

Improving Cullinan stages turnaround

BY STEPHEN CRANSTON

An improved operating performance and reduced borrowings enabled Cullinan Holdings to turn around from an attributable loss of R33,5 million to an attributable profit of R136 000 in the year to June.

Although it only earned 0,9c a share, chairman Alan Clark said yesterday a 10c a share dividend would be paid, as the group was well on the way to achieving "an acceptable level of earnings".

It more than made up a R2,44 million loss in the first half.

Clark said all divisions were better focused on their markets. There was renewed emphasis on performance and training and incentive programmes were in place.

MD Ed Harbuz said the mature businesses Cullinan Refractories and Cullinan Electrical had both performed well, though Power Projects suffered from reduced infrastructural activity.

The removal of sanctions had brought new business to Refractories, particularly in the Far East.

(189 b)

The electrical division had improved marketing and distribution.

Cullinan Brick's Midrand tunnel kiln, which suffered teething problems in the previous year, finally performed to specification and was producing quality bricks at peak capacity.

It had succeeded in reducing stock levels, despite the depressed conditions and was now trading profitably.

Cullinan's share price is likely to stage a recovery on the declaration of a dividend.

As it trades at a discount of more than 70 percent to net worth, it could be a recovery buy, but investors should wait until the interim result to see if the turnaround is confirmed.

Alan Clark. . . .all divisions better focused

Company: Cullinan Holdings
Sector: Industrial Holdings

SHARE PRICE: 260c
YEAR HIGH: 300c
YEAR LOW: 230c
Net asset value: 922c
MARKET VALUE: R37,8m
PE RATIO: 288,9
Dividend yield: 3,8%

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	666	9,9	-2,2	3,4
1992	510	4,7	-23,4	—
1993	430	15,3	0,9	10
% Change	-16	226	N/A	N/A

Reshaped Cullinan on comeback trail

B/Day 3/9/93

EDWARD WEST

RESTRUCTURING at industrial ceramics and electrical power products group Cullinan Holdings has begun to pay off and the group has moved back into the black, albeit slightly, in the year to end-June 1993.

Turnover from continuing operations dropped to R430,2m (R462,2m), but operating income rose 226% to R15,3m (R4,7m). Net attributable income amounted to R136 000 after last year's loss of R33,5m. Earnings a share improved to 0,9c compared with a loss equivalent to 230,4c a share last year. A dividend of 10c was declared.

(189N)

Chairman Alan Clark said he was satisfied with the group's performance, especially as Cullinan's market had deteriorated off an already low base over the year. The group still had a way to go in terms of a real recovery, he said.

Clark attributed the improved results to considerable effort from management and the workforce. Divisions were better focused on markets; training, performance assessment and incentive programmes were in place; and tight asset management would continue. Group employment fell by about 400.

Together with a R15m preference share issue in January, this brought borrowings down to R67,2m (R95,5m) and gearing fell to 44,7% (68,5%). Interest paid fell to R14,7m (R21,9m). A property was sold for R25m. A R496 000 tax credit reflected further recoupment of past taxes paid to UK subsidiary Denge Power Projects and the benefit of deferred investment allowances. A R3m extraordinary loss related to a surplus on properties sold, capitalisation of the UK subsidiary and a tax rate adjustment.

Cullinan Brick, previously beset with teething problems at a new plant, was producing at full capacity while sales were in excess of production. However, due to depressed building conditions, prices were low. The division made a small loss during the year but was profitable at present.

The electrical division's profits and turnover was boosted as a result of Eskom's electrification programme, but demand for its insulation and industrial ceramics from factories was low because of the recession.

Contracting division Cullinan Power Projects made a small profit, but prospects remained uninteresting due to falling infrastructural activity.

Denge Power Projects made a small loss, but better profits were forecast. Denge's activities include purchasing for Third World power and water supply projects, typically with aid money.

Cullinan Precision Engineering was repositioned in the year to take advantage of opportunities to manufacture motor car body assembly equipment for local and European markets. An alliance had been signed with a UK company. The division made a small loss, but substantial profits were expected in future.

MD Ed Harbuz said trading conditions were not expected to improve this year, but the group expected to achieve a level of real earnings growth over the past year.

Grintek opens a door to Siltek

SITHHWO

By JULIE WALKER

GRINTEK looks a cheap way into Siltek. (BUSS)

Grintek has two components — 60% of listed Siltek and 93% of unlisted Grinaker Electronics. Grintek's market capitalisation at 130c a share is R253-million. 5/9/93

The market value of its 30,4-million Siltek shares of R8 is R243-million.

Take Siltek out of the Grintek share price and all Grintek's other assets are valued at R10-million. They earned R8-million in the past year and are conservatively worth R50-million.

The Grintek balance sheet at June 30 shows net asset value of 81c, but this is a contrived number. The balance sheet counts in the value of Siltek's listed investment of 43% in Q Data at R24-million when its market value at that date was R72-million, and is now R84-million.

Q Data's earnings rose by a third in the past year and Siltek's by a quarter.

Grintek raised earnings a share by 28% in the year to June, largely through favourable tax. Turnover was 11% up at R1,38-billion, but operating profit fell 7% to R69-million.

Chairman Jack Saulez says the dividend was maintained at 3,7c because Grintek needs to conserve cash in case economic recovery falters. (189B)

Grinaker Electronics' earnings climbed by 37% to R8-million off maintained turnover of R255-million.

ABB Powertech wins contract in Philippines

BiDay 7/9/93

ROBYN CHALMERS

ALTRON subsidiary ABB Powertech has been awarded a multimillion-rand contract for the supply of three 37,5 MVA 13,8/230 kV generator transformers to the Philippines.

An Altron spokesman said the transformers would be used for the Philippines Napocor power barge project. They would form an integral part of an installation where generators were mounted on a barge and coupled by overhead cables to the transformers, which are on land.

The system was unique and would contribute to the strengthening of the Philippines national grid.

A team of ABB Powertech engineers recently returned from the Philippines, where they supervised the installation of the transformers.

"The contract was awarded to ABB Powertech on the basis of a very short delivery time and in the face of strong international competition," said the spokesman.

Future opportunities in the Philippines were good, said the spokesman, particularly since the organisation had made contact with industry in the country.

ABB Powertech is linked to Altron via Powertech and operates almost exclusively in the power generation sector, manufacturing power transformers, high voltage switchgear, relays, distribution transformers and capacitors.

(189b)

The contract came in the wake of a reduction in capital expenditure by Eskom and other electricity undertakings as well as a lack of any major industrial projects.

Industry spokesmen said revenue growth in the sector was expected to remain at low levels during the remainder of this year.

This situation, they said, was compounded by regular mass action and strikes in the sector.

The industry has traditionally depended for its development on spending by large parastatals such as Eskom and Telkom and by municipalities, all of which have experienced a decline in the development of major projects.

Grinaker's turnaround puts group back in black

B/Day 8/9/93

EDWARD WEST

ANGLOVAAL's construction and electronics group Grinaker Holdings has turned the previous year's loss to profitability in the year to end-June 1993.

Earnings a share jumped back to 85,1c from the equivalent of a 3,3c loss a share in 1992. In 1991 earnings amounted to 108,7c a share. A final dividend of 13c was declared, lifting the dividend for the year to 18c (5c).

The turnaround was due to the non-recurrence of substantial write-offs in Grinaker Construction last year, relating to amounts written off in low-cost housing and retrenchments, and a lower tax rate, the group said yesterday. Turnover was 5% higher at R2,28bn (R2,16bn), but operating profit soared 91% to R75,5m (R39,6m).

Operating profit margin was 3,3%.

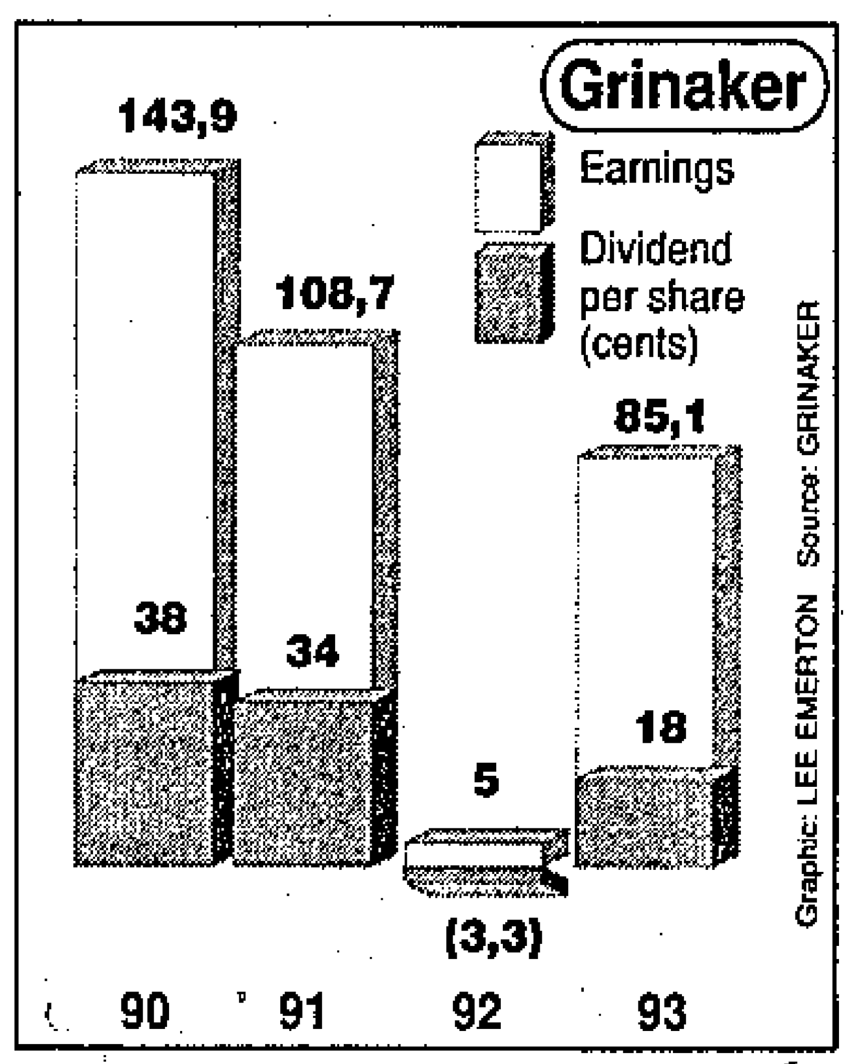
Income from investments was lower at R19,7m (R22,6m) and interest paid was slightly up at R16,5m (R15,6m). Pre-tax profit was more than two thirds higher at R78,7m (R46,6m). Tax paid dropped 19% to R20,3m (R25m).

Earnings from associate companies rose nearly two fifths to R4,4m (R3,2m), largely as a result of a good performance by Q Data. Gearing fell to 17% (27%). Deposits and cash climbed to R81,4m (R43m).

Chairman Jan Robbertze said work was keenly contested and margins remained under pressure.

Favourable factors during the year included the reduced corporate tax rate, lower interest rates and a marked decline in inflation. (1898)

Grinaker Construction produced earnings of R9m on a 2% lower turnover of R898m, compared with a R17m loss in earnings last year. Building and certain sectors of the supplies and services division performed well and previous losses incurred in the cement brick and paving operations had been reversed.



The civil engineering division improved its performance despite losses on a road contract in Malawi and the depressed market.

Silica producer Commercial Granite made a loss of R4,4m (1992 loss: R5,9m) and available sales volumes continued to inhibit recovery. Operations were cash neutral in the final quarter of the financial year.

Grinaker Electronics raised earnings 37% to R8m (R6m). Specialised systems engineering operations produced good results, but manufacturing capacity remained under utilised.

Grinaker's listed information technology subsidiary Siltek lifted earnings 29% to R47m on a turnover of R1,12bn and new strategies were in place to address changes taking place in information technology.

Application was made to operate a cellular mobile telephone service in SA.

Robbertze said Grinaker planned for modest earnings growth this year.

Switched-on Telemetrix makes handsome gains

B/Day 8/9/93

MARCIA KLEIN

TELEMETRIX, a supplier to the international telecommunications and networking industries, improved earnings in the six months ending June on the back of good performances from major divisions GTI, Zetex, and Trend.

The group, listed in London and Johannesburg, and in which Altron has a 6% stake, reported earnings of 3,8p from 1,7p a share in the previous year after adjusting for exceptional costs now taken above the line in terms of UK accounting standards.

Turnover rose 31% to £61,5m (R314m) from £46,8m, and operating profit doubled to £7,9m from £3,9m.

Chairman Arthur Walsh said net cash resources had risen to £6,6m from £1,2m at the December year-end.

GTI, the US-listed manufacturer of networking products and electronics components for the computer, communications, electronics and semi-conductor industries, produced a strong performance. This was largely due to higher sales and earnings from its computer networking subsidiary Valor.

In rand terms, GTI's sales rose to R217,9m (R168,4m), while operating profit rose 72% to R33,3m (R19,4m).

Walsh said it was unrealistic to expect this rate of growth to be sustained at such high levels.

GTI had increased its stake in Valor to 97,2% by the acquisition of 6,4% of its capital, financed by a public offer of shares. This reduced Telemetrix's effective interest in GTI to 58,3% (60,6%).

Zetex, the UK semi-conductor manufacturer, reported strong sales in the UK and US, and increased operating profit by 50% to R6,1m (R4,1m). (189D)

Since the interim stage, Zetex bought plant and equipment in the former East Germany from the German government. This would "enhance development of new products for the group's worldwide customer base".

Trend, which was restructured, improved its operating profits by 175% to R3,6m (R1m).

Walsh said additional capacity had been created in Valor to meet growth in orders from the networking and communications markets. Demand for Zetex's specialist semi-conductors remained strong.

Walsh said new products introduced by Zetex and Trend would contribute to sales in the second half. Order levels for the group for the first two months since end-June had been higher than for the same period last year.

Where does the money go?

FM 10/9/93 (189B)

The latest progress report on the Innovation Support for Electronics programme — the controversial subsidy scheme for the electronics sector — shows that large companies, such as Plessey Telumat and Grinaker Electronics are still the main beneficiaries.

The Department of Trade & Industry started the programme four years ago after extensive lobbying by the electronics sector. With the aim of promoting the local design and manufacture of innovative electronic products, the department agreed to grant R40m a year until at least 1994 to help finance new R&D projects.

Since the start of the programme, however, only R60,3m has been approved for 123 projects. Of those, only 39 have been completed, with recipients receiving R11,3m.

Electronic Industries Federation executive director Dirk Desmet says the reason for the low number of projects completed is the poor state of the economy and bad publicity surrounding the programme. He also blames the Industrial Development Corp (IDC), which administers the programme, for being bureaucratic and not taking enough risks in the allocation of the funds. (Only 45% of the applications and 39% of the money requested have been approved.) Desmet points to the low failure rate — only four projects, representing 1% of total funds allocated — were cancelled prior to completion. "The IDC can afford to be less cautious. Being too restrictive stifles innovation."

Proponents point out that though the 39 completed projects received financing of only R11,3m, they generated R54,9m in turnover and employed 269 people.

Nevertheless, the programme has come in for fierce criticism. Only after a petition drive by disgruntled members of the electronics sector who were not getting grants did the department even agree to disclose who was receiving funds. Some critics say government handouts fly in the face of trade agreements such as Gatt. Others believe that instead of financing industrial development, government should focus on social projects.

Mike Cato, former president of the Johannesburg Chamber of Commerce & Industry, is highly critical. "The system of allocating funds is arbitrary, with the large firms controlling where the money goes. Instead of money being pumped into the large organisations, we should be supporting the small businesses. We should not be encouraging uncompetitive local development and manufacture when we could be buying overseas products at a fraction of the local cost."

Keith Levenstein, MD of Johannesburg-based software company Clipper Expert Group, says the scheme is another example of government interference in the economy.

Hi-tech handouts

Top 10 recipients of Pretoria's electronic grants

Completed projects	Rand
1 AECI Process Computing	1 906 494
2 Grinaker Electronics	1 833 105
3 The EFT Co	1 224 310
4 Mecalc	980 500
5 Tek Logic	730 740
6 Kavi-Comm	575 303
7 Meter Systems	554 942
8 Triwave Technologies	515 228
9 Standard Telephones & Cables	452 010
10 Tekpro Projects	375 943

Projects approved but not yet completed	
1 Plessey Telumat	5 742 807
2 Grinaker Electronics	2 971 850
3 Macsteel Commercial Holdings	2 861 550
4 Tran Systems	2 856 350
5 Alcom Systems	2 842 500
6 Control Logic	2 426 600
7 Technetics	2 028 250
8 The EFT Co	2 000 000
8 Laser Optronic Technologies	2 000 000
10 Standard Telephones & Cables	1 990 545

Period: Oct 1989 – March 1993

Source: Department of Trade and Industry

"Government takes my money and diverts it where it thinks best. The problem is that it does not know what is best, as we have seen from Mossgas and other fiascos."

But Plessey Telumat MD John Temple believes that the scheme has been a success "from our persepective" — hardly surprising considering that Plessey has been allocated the most money of any company, R5,7m for seven projects that are still in the works. Though he agrees that 39 completed projects in four years are not enough, he says "one must realise that the lead time from research to sale of products is two to five years." The scheme is not corporate welfare, he says. "It is a 'leg-up' which is quickly recovered. If we do not develop SA industry, there will be no income for social projects." ■

CULLINAN FM 10/9/93

New lease of life

Benefits of the new lease of life given this electrical and ceramic group by new management flowed through to June year-end results. The effects of lower gearing and a streamlining of assets were already visible in December. But the second half saw operating income rally to R10m, making R15,3m for the year — an increase of over 200%.

As management had hoped, this generated a bottom-line profit — a small R136 000, translating into EPS of 0,9c. More significantly, the exceptional performance of the six months to June produced net attributable income of R2,6m against a first-half loss of R2,4m. This turnaround prompted management to pay a dividend of 10c, even though it meant dipping into shareholders' funds.

Borrowings were cut by R28,3m to R67,2m. In January, Cullinan's main bankers converted R15m short-term debt into 37-month redeemable cumulative preference shares. Gearing fell from 68,5% to 44,7%.

Turnover of continuing operations was down almost 7% at R430,2m, but better market focus by all divisions and stringent asset management more than compensated for weak demand. (189b)

Electrical operations, taken together, are the biggest contributor. In 1992, though turnover was down 24% at R242m, they kicked in 56% of the group figure and operating income of R12,3m (1992: R3m loss). Cullinan Electrical, traditionally a stable business, did well, though its true potential will be realised only when, and if, massive low-cost housing schemes are implemented.

Reduced infrastructural activity hurt Cullinan Power Projects though a small profit was achieved. Wholly owned UK subsidiary Denge Power Projects, which acts as a purchasing agent and manages projects in small and Third-World countries, increased its

OPTIMISTIC

Year to June 30	1992	1993
Turnover (Rm)	509,6	430,1
Operating income (Rm)	(13,2)	15,3
Attributable (Rm)	(33,5)	0,1
Earnings (c)	(230,4)	0,9
Dividends (c)	nil	10

level of contracting, helped by management changes and a re-organisation of activities.

Cullinan Refractories, the joint venture with Iscor that's one of the group's more mature businesses, did well, exceeding budgets. MD Ed Harbuz says this year will be

FM 10/9/93 . NA

boosted by a maintenance contract with the main Gulf producers and new business for the Far East. Management hopes for increased local business in the medium term.

The brick-making plant, which has been beset with commissioning problems, is now operating at capacity. When the building industry turns, management believes the shortage of bricks, because of recession-linked closures of other brickmakers, will make the business extremely profitable.

Together, these two divisions contributed 42% to turnover and R11,2m (R0,5m) to operating income. (189b)

Cullinan Precision Engineering, loss-making for several years now, has been strategically repositioned to take advantage of opportunities to make car body assembly equipment for local and European markets.

Management believes offshore operations have substantial growth potential. Offshore contracts will, says management, reflect in 1994 and 1995, as will opportunities from unbundling of public corporations in the UK.

The share has bounced back to 275c since the results were released, but remains below its annual high of 310c. Though the emergence of a more solid operation suggests risk is low, the counter is still widely viewed as speculative. Investors looking for a recovery stock may wish to wait for the interim before committing new funds. *Marylou Greig*

Sharp decline in Altech earnings

(189D)

From ROBYN CHALMERS

JOHANNESBURG. — Electronics group Allied Technologies (Altech) saw attributable earnings decline by almost a third to R33m (R43m) for the half year to August as margins were squeezed in the telecommunications sector.

Turnover increased to R527m (R477m) but operating income dropped 14% to R52m (R61m) as a result of reduced margins on traditional telecommunications activity and on newly developed business.

Net income was 6% lower at R42m (R44m) and income attributable to outside shareholders jumped almost sixfold to R8,7m (R1,5m). This arose mainly from the inclusion of Alcatel, which now owns 50% of the group's telecommunications group.

French-based Alcatel is the world's largest manufacturer of telecommunications systems, and the two organisations embarked on a joint venture which resulted in the formation of Alcatel Altech Telecoms in April. The new organisation is expected to have an annual turnover of R400m.

The transaction had an adverse effect on attributable earnings, but directors said it offered significant long-term advantages. These included access to Alcatel's technology, which would open the door to exports, particularly in southern Africa. In addition, a new telecommunications software house would be established in SA.

As a result of the inclusion of Alcatel in the interim report and difficult economic conditions, earnings a share declined 19% to 334c (410c).

A dividend was not declared, in line with group policy of having a single annual payout.

Long-term interest-bearing liabilities were cut from R1,2m to R335 000, while current liabilities rose from R192m to R208m. The balance sheet was strong, showing net cash balances of R258m (R242m).

The restructuring programme on which Altech embarked last year resulted in the rationalisation and, in certain cases, closure of underperforming companies.

Directors announced the launch of a joint venture with Transtel and Grinaker in trunking, an improved means of vehicular communication and control.

Electronics sector's challenge

ROBYN CHALMERS

TWO of the biggest challenges facing the electronics sector were increased overseas competition and big capital spending cutbacks, both of which were causing companies in the fast growing industry to diversify.

Altech electronic systems chief operating officer Hannes Steyn said the level of defence spending on electronic equipment had fallen by half, compared with four or five years ago, while telecommunications volumes in real terms were about 25% of peak spending.

Spending cuts by government departments, traditional buyers of electronics systems and products, had been mostly in the area of power generation and distribution, telecommunications, strategic equipment and systems.

Customers such as Armscor, Telkom, Transnet, local government and the mining industry had all reduced capital spending.

The result had been a diversification by the major electronics organisations into new markets, locally and internationally.

Barlow Rand subsidiary Reunert was forced to refocus its business after two years of poor growth, which led to several acquisitions, notably African Cables, and a strengthening of overseas ties.

Chairman Clive Parker said in the annual report that overseas relationships were being formed in areas where technology or products had been lacking, with long-term benefits from these ties expected. B/Day 13/9/93

Altron corporate relations group executive Jacques Sellschop said the organisation had moved into ventures such as electronic mining detonators and electricity prepaid meters.

"More and more homes are going to be electrified over the next decade and the only way to control this effectively is through prepaid meters," said Sellschop. (189 A)

Spescom is also looking abroad for new opportunities in the face of a dwindling local market and has set up an extensive dealer network spanning five continents.

Gerard Morse, chairman of Trade and Industry's reconstituted standing committee for electronics, said there was a need for electronics companies to get up speed again in terms not only of technology, but plant and equipment.

Sophisticated plant and technology required a skilled workforce, so education and training in the industry were essential.

Kopp generates R1m

ROBYN CHALMERS B/Day

A LOWER tax rate and profit realised on property sales helped Kopp Electronics to almost double attributable income to R1m (R634 000) in the year ended June in spite of a slight dip in turnover to R32m (R32,4m). 16/9/93

Executive chairman Albert Kopp said the group produced good results during the year under review, marked as it was by a continuation of tough trading conditions.

He said management implemented overhead reduction measures as a result of static turnover which boosted net income before tax 9% to R1,3m (R1,2m) and the lowering of the company tax rate lifted after tax income by more than a quarter to R814 000 (R640 000).

Earnings a share rose 28% from 6c to 7,7c and directors declared a dividend of 3c a share, an improvement over last year's 2,5c a share. An extraordinary item of R199 000 related to profit on the sale of property.

Net asset value gained 11% from 65c to 72c and return on equity improved from 9% to 10%. Kopp said the group's increased cash flow resulted in lower finance charges and gearing reduced from 19% to 10%. (189L)

Kopp said the component company, Advanced Semiconducter and Active Technology, achieved a moderate increase in turnover.

He said manufacturing company Automatic Systems Manufacturing should experience growth in the medium term due to the introduction of cellular telephony, which had resulted in major orders.

Based on financial stability and low borrowings, Kopp said the group expected to show continued growth and improvement in earnings in the current financial year.

Commercial role for Grintek's Avitronics

ROBYN CHALMERS

GRINTEK sudsidiary Grinaker Electronics (GEL) has merged two of its companies to consolidate resources after major cutbacks in defence expenditure which affected the electronics sector across the board.

A new company, Avitronics, has been formed through the merger of Grinaker Electronics Agencies and Grinaker Avitronics. B/Day

MD Alan Holloway said the merger had strengthened the new organisation's engineering, software and microwave resources and aided its diversification into the commercial market. 17/9/93

Grintek has two companies — 60% of listed Siltek and 93% of unlisted GEL. Following the merger, GEL's subsidiaries will consist of Avitronics, Grinel, Grinaker Systems Technology and Grinaker Electronic Systems.

Avitronics was traditionally an electronic warfare company and was heavily involved in the development of military technology in the sanctions period.

In 1990, Holloway said the organisation identified the future decline in worldwide defence spending and diversified into and commercial ventures.

"We are still involved in the development of military hardware, however, and derive about half of our turnover from exporting defence goods. We also advise three foreign powers on military products," he said.

Avitronics' move into the commercial sphere has led to the development of television antennas for consumer and professional use and antennas for Telkom. This could obviate the need for copper wire links, which has cost Telkom millions of rands from theft in the past. (189B)

Avitronics has moved into a new building at the Highveld Technopark near Pretoria, with facilities including digital electronics laboratories, software development resources, electro-optic laboratories, microwave development, test areas and a sputter facility.

SPESCOM Fm 17/9/93

Investing in exports

Activities: *Develops, makes and distributes electronics products.*
Control: *Directors 43,6%.*
Chairman: *T Farah; MD: J Steyn.*
Capital structure: *19,8m ords. Market capitalisation: R18,8m.*
Share market: *Price: 95c. Yields: 5,3% on dividend; 16,4% on earnings; p:e ratio, 6,1; cover, 3,1. 12-month high, 160c; low, 40c. Trading volume last quarter, 1,63m shares.*

Year to April 30	*'90	'91	'92	'93
ST debt (Rm)	7,2	8,4	9,3	10,2
LT debt (Rm)	0,1	0,6	1,1	1,4
Debt:equity ratio	0,57	1,47	1,41	n/a
Shareholders' interest	0,44	0,22	0,21	0,61
Int & leasing cover	2,0	1,1	1,9	2,51
Return on cap (%)	10,0†	11,3	11,8	7,8
Turnover (Rm)	31,2	32,9	45,9	61,4
Pre-int profit (Rm)	2,2	2,4	3,3	5,1
Pre-int margin (%)	7,0	7,4	7,1	9,1
Earnings (c)	5,3†	2,6	9,2	15,6
Dividends (c)	—	—	3	5,0
Tangible NAV (c)	73,1	70,2	76,1	204,1

* 14 months. † Annualised.

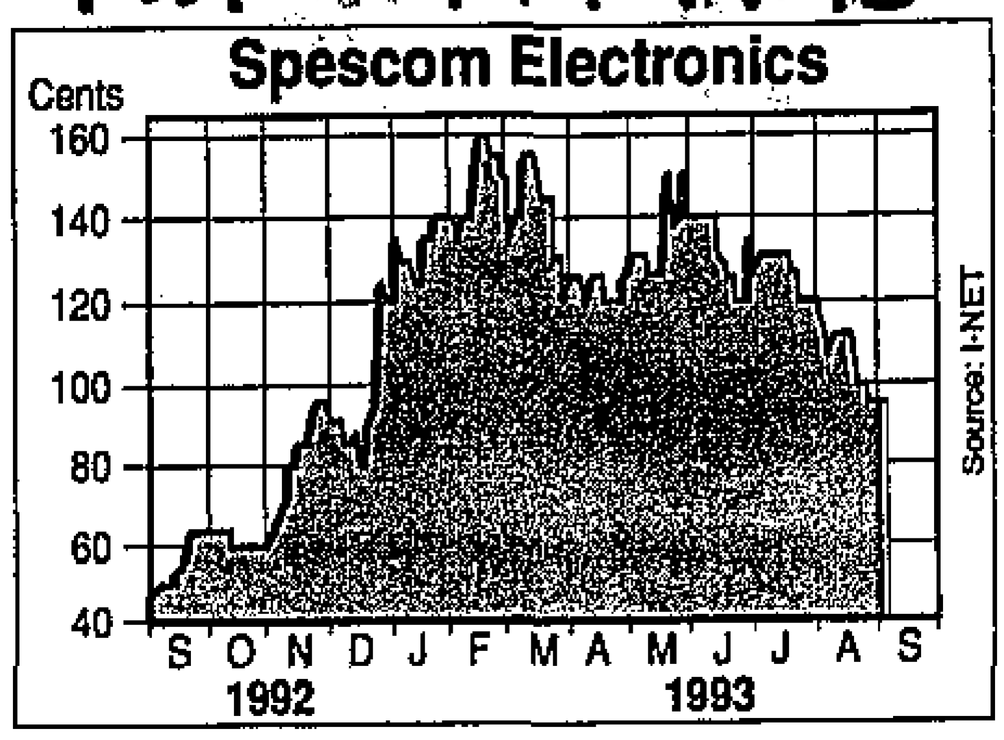
(189b)

There have now been two good years since profitability buckled in 1990 and 1991. EPS fell to only 2,6c in 1991, when profits were bruised by weak turnover growth, a thin margin and an overgeared balance sheet.

The deterioration was partly because of a shift in nature of the operations and product range, emphasis being placed on volume manufacturing and investment in plant and research, which constrained cash flow during the transition.

Spescom's Steyn ... *investing in export promotion*

Fm 17/9/93



The new strategy has worked well. MD Johan Steyn points out there has been a sharp change of direction, with new markets penetrated and more than half of turnover now derived from business in which the group wasn't involved two years ago.

EPS grew by 258% in 1992 and by 68% in 1993 — though the latest figure is still 2,2c short of the 17,8c a share earned in 1989. The dividend has only just matched the 1989 distribution.

Various profitability ratios have yet to return to levels seen before the earnings collapse. Return on equity and capital are not particularly impressive at 7,6% and 7,8% respectively. The pre-interest margin, at 9,1%, is well down on 1989's 12,2%, though it's now rising comfortably.

However, the balance sheet was radically transformed by the sale towards the year-end of patents relating to the credit transfer system used in electricity prepayment meters (Spescom retains use of the patents). The sale was for R32m, of which R15m was received in cash.

Though net interest of just over R2m was paid — absorbing two-thirds of operating profit — on borrowings which totalled R11,6m at year-end, there was net cash of R3,4m at balance sheet date. If the group remains ungeared this would be extremely favourable; elimination of the interest bill alone could add about 8c (51%) to EPS.

The tax charge was only R23 785 last year and it seems little or no tax will be paid over the next few years. There are computed tax losses of R11m (1992: R5,8m). But there's also no indication of measures being taken, such as a high dividend cover, to cushion effects on dividends when the tax rate rises.

It's unclear how soon liquidity will be drawn down. Steyn says cash will be invested in export promotion and in funding development and expansion of exports. Exports now account for about 10% of turnover but are expected to reach 20% "in the immediate future" and could later exceed 40%.

Domestic markets remain tough. Chairman Tony Farah notes, for example, that unrest and violence in black residential areas has severely hampered installation of electricity connections; a direct consequence is a stock build-up at Spescom's major prepayment metering customers with a resultant drop in order intake.

Management intends to concentrate on areas that have most profit potential and reduce or eliminate low contributing activities. This, Farah says, will have the short-

(189b)

term effect of reducing turnover for this year. "Yet through greater efficiency we expect to sustain our profit trend," he adds.

Concerns about the local market may be weighing on the share price. It hardly seems to have discounted the historical results, let alone the potential for further profit improvement. At 95c, on a 5,3% dividend yield and 6,1 earnings multiple, it looks attractive.

Andrew McNulty

Jasco rises despite tax blows

S Times

By JULIE WALKER

JASCO lifted earnings a share by 46% to 7,5c in the six months to August on a 21% increase in turnover to R44-million. [BUSS]

The group supplies equipment and electricals for the communications and networking industries, private paging, appliance components and medical and pharmaceutical products.

Operating income of R3,7-million was 28% up. Financing costs fell by a third to R621 000. 19/9/93

Jasco had to pay more tax because assessed losses have been used. (1815)

It wrote off R700 000 on goodwill and tax paid for a film disallowed by the Receiver of Revenue.

Managing director Peter Rush says the order book is healthy. Jasco's SA Scientific has been appointed agent for Roche laboratory and diagnostics products and good progress is being made in exporting to Africa.

Jasco is introducing Datatrak, an automatic vehicle-locating system developed in England by security group Securicor.

The directors believe second-half earnings will match or exceed those of the first half.

The shares are at a year's high of 85c, having climbed from 37c last December.

COMPANIES

Jasco achieves 46% earnings rise

EDWARD WEST

JASCO Electronics Holdings lifted earnings 46% a share to 7,5c from 5,1c in the six months to end-August on the back of strong turnover growth in its electronic, electrical, medical and pharmaceutical divisions. B/Day

Jasco is the investment holding company for subsidiaries distributing private paging systems, communications equipment, electrical products for domestic use and computer networking, motor vehicles, and pharmaceutical and medical products.

Turnover climbed by just more than a fifth to R44,11m (R36,46m) in the six months and operating income was 28% higher at R3,67m (R2,88m), reflecting an increase in operating margins resulting from cost-containment.

Increased turnover was reported by all Jasco companies, directors said.

Finance costs fell to R621 000 (R999 000) because of reduced borrowings over the period. Long-term interest-bearing debt was R5,31m at the end of the interim period, from R4,76m at year-end in February, and short-term debt was R5,32m, from R1,36m over the same period.

The tax charge was higher at R885 000 (R396 000) after the tax rate increased owing to the further utilisation of assessed losses. The tax rate was expected to remain at a similar rate in the second half. (183)

Attributable income was 46% up at R2,17 (R1,48m). Dividends were declared only at year-end. A R701 000 extraordinary item comprised goodwill written off and legal costs and tax paid for film ventures now disallowed by government.

Directors were confident about second-half results because order books were healthy, SA Scientific had been appointed agents for Roche laboratory and diagnostic products, and progress was being made in other African countries. A positive attitude prevailed in the group. 20/9/93

The Datatrack vehicle tracking and fleet management system would have little impact on earnings in 1993, but good long-term benefits were expected.

The project would be financed by a rights issue, directors said. The share was traded 5c higher at 90c on Friday. Net asset value was 45c (38,2c). (189D)

Big interest bill batters Gentech into a R2m loss

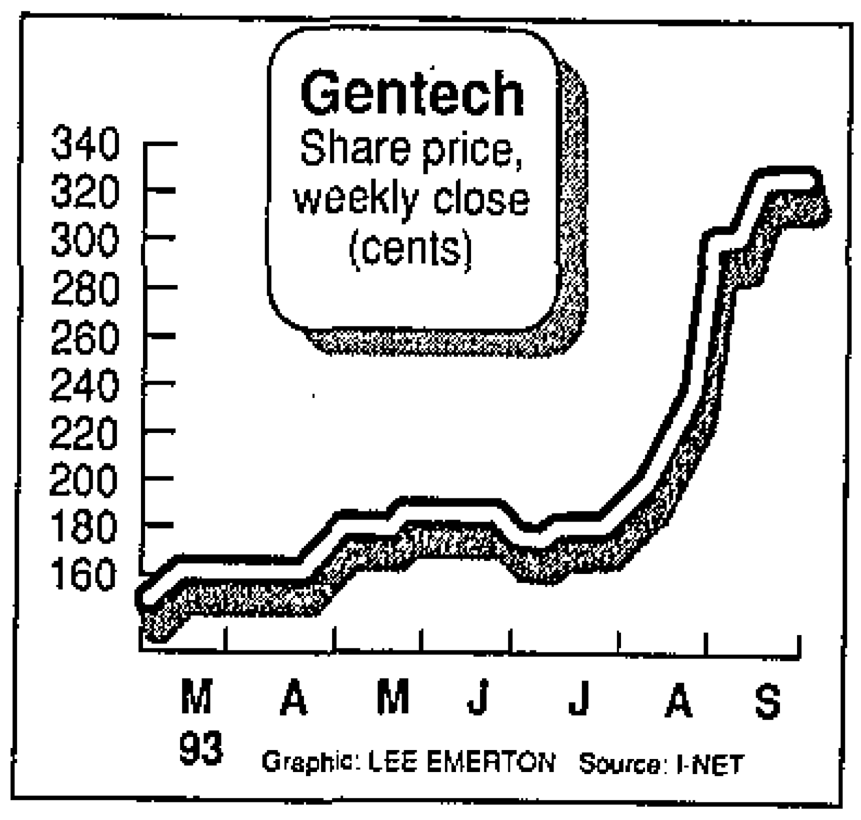
EDWARD WEST

ELECTRICAL appliance manufacturer General Technologies (Gentech) made a R2m loss in the six months to end-August in a period of restructuring after the acquisition of a majority stake by Powertech in January.

Turnover amounted to R121,5m, generating an operating income of R1,7m. Although results were not comparable with those for the eight months to end-February, operating margins fell to 1,3% from 2,47% in February and from 8,53% at year-end in June 1992.

Chairman Peter Watt said volumes fell across the range of white goods and margins came under pressure as competitors vied for market share.

An interest bill of R3,6m resulted in an attributable loss of R2m and a loss of 6,6c a share. The share capital increased to 52-million ordinary shares after a recent rights issue from 26-million at year-end.



Graphic: LEE EMERTON Source: I-NET

Ordinary shareholders' funds increased to R71,2m from R34,6m at February, thereby improving gearing to 28%. Net asset value climbed slightly to 137c from 134c at February. The share was unchanged at 325c yesterday. B/Day

Amic and Korean-based Daewoo recently acquired a 30% interest in Gentech. The deal was part of the strategy to strengthen relationships with partners of international significance such as Merloni, Whirlpool, Hitachi and Daewoo. 22/9/93

Watt said trading conditions would remain difficult for the remainder of the year. Prospects depended on political progress, improved business confidence and consumer demand.

An improvement over the interim loss was expected because of a lower second-half interest bill and consumer demand over the festive season. Productivity was being improved and costs reduced. (189D)

All indications suggested authorities would pursue electrification in areas without power, which would inevitably increase demand for electrical appliances, Watt said.

Barlows details sale of Persetech

BIDay 22/9/93

MATTHEW CURTIN

REUNERT, the integrated electronics and electrical engineering group, will buy computer products supplier Persetech and other consumer electronics interests from Barlow Rand for R460m through the issue of 11,6-million new shares.

The announcement is the first of a series which will detail the mechanics of the Barlows unbundling unveiled last month.

The transaction takes effect from October 1 and will see Reunert acquire Persetech Holdings, whose sole asset is its 58% stake in Persetech, and Barlows' Panasonic, Nashua and Airomatic businesses, including the conglomerate's stake in a related finance company. These operations have a net asset value of R161m. The new shares will be listed on November 15.

The deal will bolster Barlows' cash reserves because the group plans to place a significant portion of the new shares on the open market. The group has already raised R607m from the sale of stakes in Reunert, C G Smith and Rand Mines to controlling shareholder Old Mutual, in addition to more than R200m from the disposal of its stake in banking group NBS to Rand Merchant Bank Holdings.

A spokesman said Barlows would retain some Reunert shares to boost its share option scheme, participants in which faced

(189D) To Page 2 (232)

Barlow Rand

BIDay 22/9/93

From Page 1

the prospect of seeing the value of Barlows shares fall below the level at which they could exercise the options.

Reunert chairman Clive Parker has said Persetech and the other businesses would give the group, with yearly sales of more than R1,1bn, important new exposure to commercial and business markets. Persetech, the SA distributor of Hitachi computer products, would become the group's sixth division. (232) (189D)

The Barlows spokesman added that had the transaction been in place in October 1991, Reunert's earnings in 1992 would have been nearly a fifth higher, at 347,3c, compared with 292,8c a share. The group's net asset value would have climbed to 1 085c from 810c a share.

However, the acquisitions would have little impact on Reunert's future earnings. Persetech would not have "a material impact" on earnings, while good results at Nashua, Panasonic and Airomatic in 1992 were unlikely to continue in the short-term because the strength of the Japanese yen had eaten into local profit margins.

Reunert would also sell the electronic appliance finance company book to banks to reduce its risk exposure, a transaction which would come at a cost to the group.

The spokesman said the transaction would have to be ratified by shareholders and the ISM Trust, the staff-owned company which was swapping its 50% stake in Persetech Holdings for Barlows' 50% stake in Information Services Group Holdings.

R2m loss from Gentech

(189D) CT 22/9/93

Own Correspondent

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Amic and Korean-based Daewoo recently acquired a 30% interest in Gentech. The deal was aimed at strengthening relationships with international partners such as Merloni, Whirlpool, Hitachi and Daewoo.

Urgent call to spark electronics industry

ROBYN CHALMERS

ALTRON executive director David Jacobson has called for the urgent introduction of a seven-point incentive package to boost technological development (TD) in the electronics industry. B/S94

Jacobson said at a Johannesburg conference for technology and innovation that other enabling incentives included tax credits to industry for expansion of TD facilities and the purchase of locally manufactured new equipment. 24/9/93

He recommended accelerated depreciation for equipment used for TD, direct grants for TD, tax holidays for new enterprises in fields of national importance and grants and tax concessions for approved training schemes. (189A)

Jacobson said SA had only two measures encouraging TD — the Trade and Industry Department's support programme for industrial innovation, managed by the Industrial Development Corporation, and the GEIS scheme for exports.

"Excellent as those two schemes are, they are inadequate on their own. Debate in SA on whether or not such a package of incentives should be introduced has gone on for a least a decade and a half.

"Indecision and lack of willingness to adopt schemes proven to be successful elsewhere has resulted in SA ingenuity not being used to the full."

Not only was urgent action on the part of government needed, but the private sector would have to commit itself to comprehensive programmes of TD in terms of funds and developing products for the home market conforming to international specifications and quality requirements.

Jacobson believed the export market would develop if business worked with government.

Squeeze on margins forces Altech's earnings down

BDay 27/9/93

ROBYN CHALMERS

ELECTRONICS group Allied Technologies (Altech) saw attributable earnings decline by almost a third to R33m (R43m) for the half year to August as margins were squeezed in the telecommunications sector.

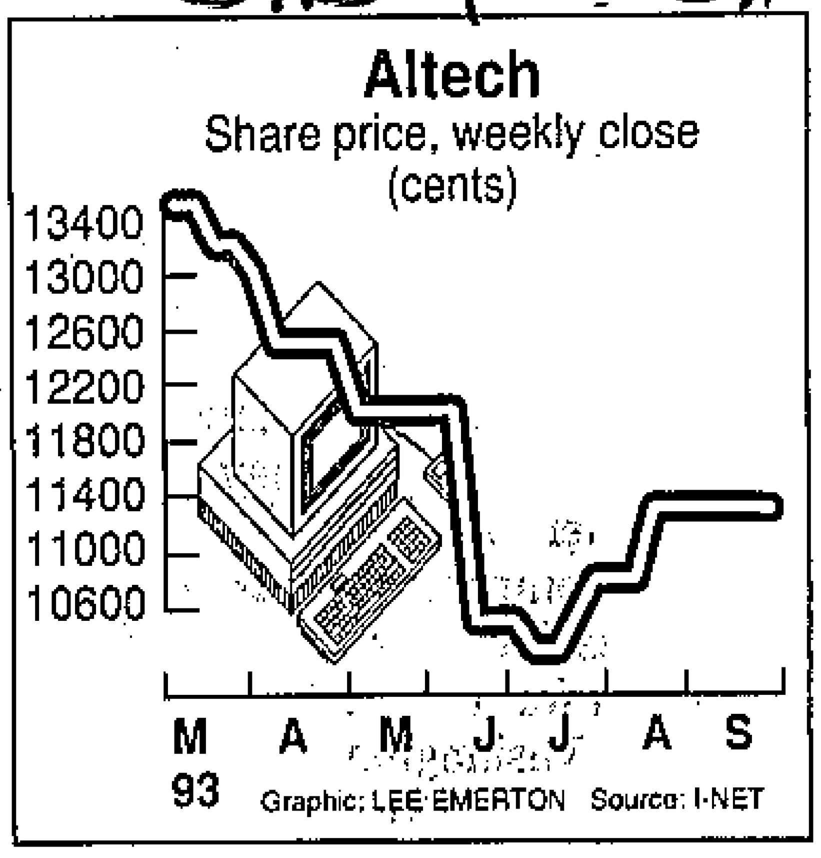
Turnover increased to R527m (R477m) but operating income dropped 14% to R52m (R61m) as a result of reduced margins on traditional telecommunications activity and on newly developed business.

Net income was 6% lower at R42m (R44m) and income attributable to outside shareholders jumped almost sixfold to R8,7m (R1,5m). This arose mainly from the inclusion of Alcatel, which now owns 50% of the group's telecommunications group.

French-based Alcatel is the world's largest manufacturer of telecommunications systems, and the two organisations embarked on a joint venture which resulted in the formation of Alcatel Altech Telecoms in April. The new organisation is expected to have an annual turnover of R400m.

The transaction had an adverse effect on attributable earnings, but directors said it offered significant long-term advantages. These included access to Alcatel's technology, which would open the door to exports, particularly in southern Africa. In addition, a new telecommunications software house would be established in SA.

(189b)



As a result of the inclusion of Alcatel in the interim report and difficult economic conditions, earnings a share declined 19% to 334c (410c).

A dividend was not declared, in line with group policy of having a single annual payout.

Long-term interest-bearing liabilities were cut from R1,2m to R335 000, while current liabilities rose from R192m to R208m. The balance sheet was strong, showing net cash balances of R258m (R242m).

The restructuring programme on which Altech embarked last year resulted in the rationalisation and, in certain cases, closure of underperforming companies. This exercise had now been completed, and directors said all other sectors of the group were performing well despite pressures on margins.

Directors announced the launch of a joint venture with Transtel and Grinaker in trunking, an improved means of vehicular communication and control. Substantial new systems networking business had been secured from the banking industry, among others.

Several major projects were close to completion, including Altech's sequential detonator scheme for the mining industry and the provision of a cellular telephone service, which was expected to create big opportunities for the organisation.

Directors said that despite the poor economic climate, they expected the full-year results to be similar to the interims.

Static earnings from Powertech

(189D) CT 4/10/93

From ROBYN CHALMERS

JOHANNESBURG. — Powertech, the Altron group's power electrical subsidiary, raised attributable earnings 18% to R22m (R19m) for the six months to August 31 on the back of greater production capacity and strengthened technological capability.

However, earnings per share were virtually unchanged at 13,7c (13,8c) as a result of an increase in the share capital arising from the acquisition of General Technologies (Gentech) and Aberdare Cables earlier in the year.

The number of shares in issue increased to 162-million compared with 135-million at the interim stage last year.

Production capacity and technological capability were strengthened through installation of modern plant and equipment, contributing to a 26% hike in turnover to R729m (R577m).

Pressure on margins saw operating income decline 13% to R46m (R53m) and income before tax dropped to R42m (R53m) after a net interest bill which quadrupled to R4m. A lower effective tax rate reduced tax paid to R17m (R24m) and, combined with a R6m reduction in outside shareholders' interests to R2,8m, led to bottom-line earnings rising to R22m.

Powertech CE Peter Watt said order books showed encouraging signs of improvement in the second six months. A significant export order for telecommunications cables had been received following the upgrading of Powertech's cable plant in Port Elizabeth.

"Investment in new production facilities at Willard Batteries has enabled the expansion of the group's export business, particularly into European markets, while the lifting of Swedish and other sanctions has facilitated the penetration of new markets by ABB Powertech," he said.

Watt said Lascon's position in the competitive lighting market would be strengthened by the imminent acquisition of a major competitor, but declined to say which organisation was targeted.

A number of contracts had been secured for the supply of a total "package" of electrification products, some of which included project management. Inquiries had also been received from a few sub-Saharan countries, said Watt.

Powertech set for expansion

ROBYN CHALMERS

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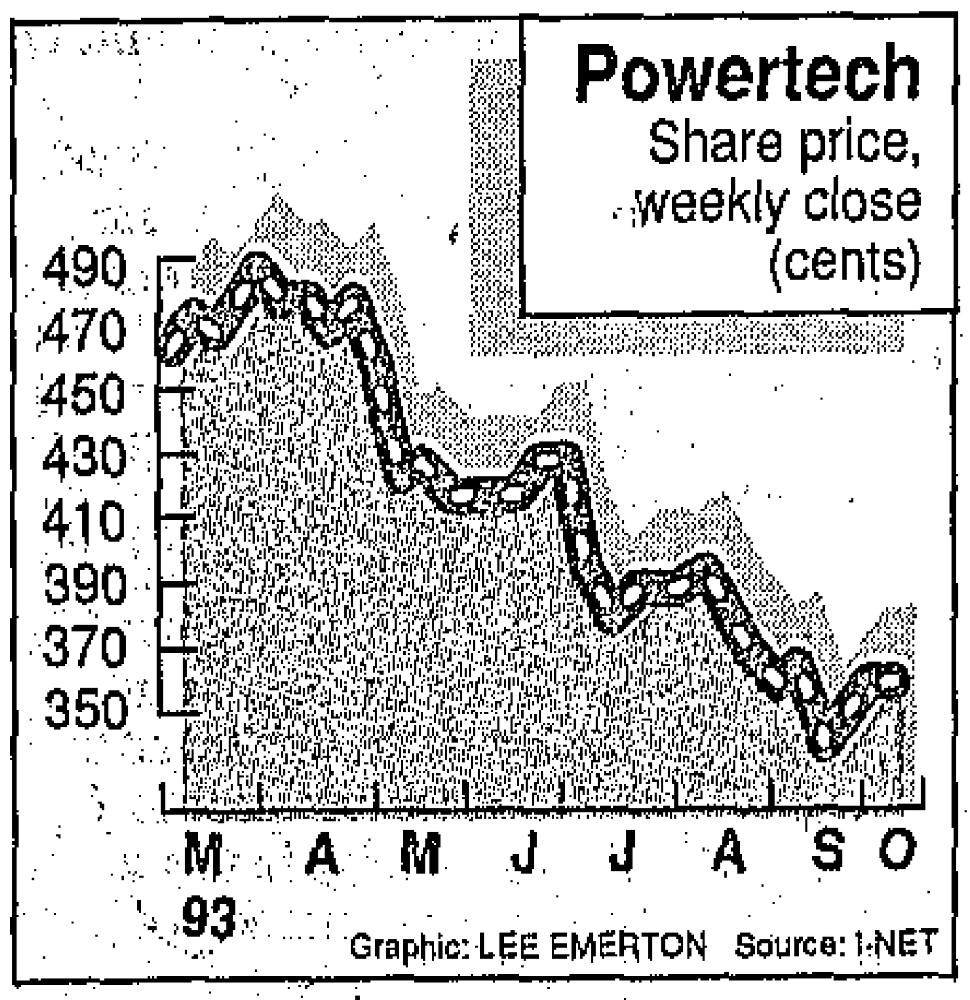

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□ To Page 2

Powertech

B/Day 4/10/93

□ From Page 1

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5 000 jobs under threat at Durban Deep

JOHANNESBURG. — Randgold & Exploration has warned that nearly 5 000 workers will be retrenched unless its struggling Durban Deep mine caps its losses by the year-end.

But Harmony, on the back of healthy reversal of fortune, plans capital expenditure of about R18m over the next year depending on the gold price and profits generated.

It also planned to rebuild depleted financial reserves and was targeting more than R100m, said chairman John Turner, unveiling another generally poor set of results for its four gold mines in the three months to September.

The strongest performance came from marginal Free State producer Harmony, with bottom-line earnings of R16,4m (R0,7m loss) as higher production and revenues offset poorer grades and costs.

Improved production, at 5 395kg (5 181kg), and a minimal rise in working costs let Harmony reap the benefits of a rise in revenues to R37 192/kg (R34 198/kg). But the recovery in the June grade proved to be shortlived, as yields dipped back to 3,33g/ton (3,45g/ton). Grades were expected to continue sliding.

Already largely missing out on firmer gold prices because they sold output forward before the bull run, the mines suffered higher operational or financing costs, which kept three of them firmly in losses. The immediate outlook for Blyvooruitzicht, Durban Deep and ERPM is less encouraging still. CTS 10/93

Durban Deep [illegible] close unless it bolsters its productivity and cuts costs, while ERPM's future hangs on refinancing its R523m debt.

At Durban Deep, yield and production dipped sharply from the previous quarter, while working costs jumped. Bottom-line losses leapt more than two thirds to R4,7m.

Grades rose at East Rand Proprietary Mines (ERPM) as work on the high yield Far East vertical shaft kicked in, pushing production up 15% to 1 689kg. Operating profit moved R5,5m into the black (R4,1m loss), but this was swamped by a R16,6m interest payments on its R523m debt.

ERPM began to meet expectations with the grade from its Far East Vertical shaft, which brought the yield up to 5,93g/ton (5,17g/ton). This lifted production to 1 689kg, while a 7% fall in costs to R38 921/kg brought ERPM into a R5,5m working profit — a R9,6m turnaround on the previous quarter.

Gold production at Blyvooruitzicht dropped 10% following the depletion in ore reserves, while working costs leapt more than 20% to R240,87 a ton, pushing bottom-line losses to R1,2m (R328 000 profit), despite a cut in capex.

Blyvoor managed to limit the damage of falling tonnage only by targeting high yield areas. Randgold said that its grade, too, would deteriorate.

With payable reserves at Blyvoor now fast running out, tonnage dropped 20% to 242 tons, though a higher grade minimised the fall in production to 1 624kg (1 792kg). A rise in working costs cut net profit from R5,5m to R2,5m.

Durban Deep's fate for the quarter was sealed when working costs leaped to R44 728/kg (R39 686/kg), leaving it with a R5m working loss (R2,8m loss).

Turner said the mine had until December to turn itself around.

Markets toss aside Moscow showdown

WORLD markets took the showdown in Moscow in their stride yesterday, with gold, currency, bond and share price charts registering Russia's earthquake as no more than a tremor.

Dealers said markets were reacting with increasing sophistication to events in the former Soviet Union, realising that their direct impact on the West was limited.

The dollar registered a slight fillip before losing its gains.

Following the same pattern, gold markets saw a brief buying flurry in Asia on news of the fighting in Moscow, sending the metal up to $358 an ounce, but it soon fell back. "It doesn't really count for anything one way or another," Arnold said.

Gold closing

(In $ an ounce)
NEW YORK:
352,80/353,20

LONDON:
352,30/352,80
Fixing am: 355,50
Fixing pm: 351,75

ZURICH:
351,00/354,00

— Reuter

● On the JSE, early attempts to take shares higher proved futile as stocks ended lower across the board amid a weakening gold price and generally lacklustre buying interest, dealers said.

They said a hoped for increase in foreign buying failed to materialise and local buyers were not prepared to "go it alone" in taking prices higher.

Also, the volatile finrand was seen hampering confidence levels.

Golds were ignored in slow trade as the market awaited a break into fresh territory for bullion before returning.

The Gold Index ended nine points

GOING DOWN ... A currency broker on Germany's Duesseldorf's money market records the sliding dollar in late trade yesterday. The dollar gained 2,5 pfennigs on the German mark overnight. But as Yeltsin's tanks moved in on rebels in the Moscow parliament, the rally quickly petered out. "The fact that the dollar's rise was so muted even at the height of the Russian drama suggests to us that the real concern of the market is the strength of the US economy," said Mark Hendriks, international economist at Swiss Bank Corp in London. The dollar was trading at DM1,6280 by early afternoon, well below its overnight peak at DM1,6550. It had finished in New York late on Friday at DM1,6310. Picture: AP

Altron pays the price of expansion

CTS 10/93 (189D)

From ROBYN CHALMERS

JOHANNESBURG. — Electronics firm Altron paid the price of expansion during a time of stiff competition in its sector as attributable earnings in the half-year to August 31 dipped more than 10% to R43,3m (R48,8m).

Earnings a share slipped to 226,5c from 256,9c. The group does not declare an interim dividend.

Executive chairman Bill Venter said lower earnings were also influenced by the sale of 50% of Altech's telecommunications interests to French-based Alcatel earlier this year.

The sale of Altech's business would have significant long-term benefits for Altron, as Alcatel was the world's largest manufacturer of telecommunications systems.

Turnover rose 17% to R1,6bn (R1,3bn), which Venter said was chiefly as a result of consolidating the recently acquired Gentech, formerly called Picapli, into Altron.

Pressure on margins contributed to a 12% decline in operating income to R120,6m (R137,1m). Interest received was almost halved to R6,6m (R12,7m) because of lower interest rates, but this was offset by a reduced tax bill of R42,5m (R56,3m), to leave income after tax down 9% from R93,5m to R84,7m.

Altron's balance sheet at the interim stage showed cash resources of R172,8m and capital employed in excess of R1bn.

Looking at future prospects, Venter said the uncertain economic and political environment in SA made it difficult to give an accurate forecast for the remaining six months. But the organisation's strong cash position and alliances with international partners in high-technology meant the group was well placed to continue broadening its base of markets and products.

Initiatives with foreign organisations during the period under review included the joint acquisition of a 30% shareholding in Gentech by Amic and Korean-based Daewoo, which was one of the world's largest producers of consumer goods.

Altron's joint venture on trunking, an upgraded means of mobile communication and control, was launched and new business was secured from banks in networking imaging and ATMs.

COMPANIES

Acquisition boosts Powertech

ROBYN CHALMERS

POWERTECH has strengthened its position in the lighting industry with the R16,5m acquisition of U-Lite from a consortium of Unihold, Zumtobel and Thorn Lighting.

The acquisition includes an agreement whereby Unihold will purchase properties back from U-Lite for R6,75m before the end of this year, reducing Powertech's net purchase price to under R10m. B/Day

In addition, Powertech announced yesterday that the control gear divisions of U-Lite and Cape-based Decalight would merge with Powertech subsidiary WJ Parry to form a new jointly-owned company, Tridonic SA.

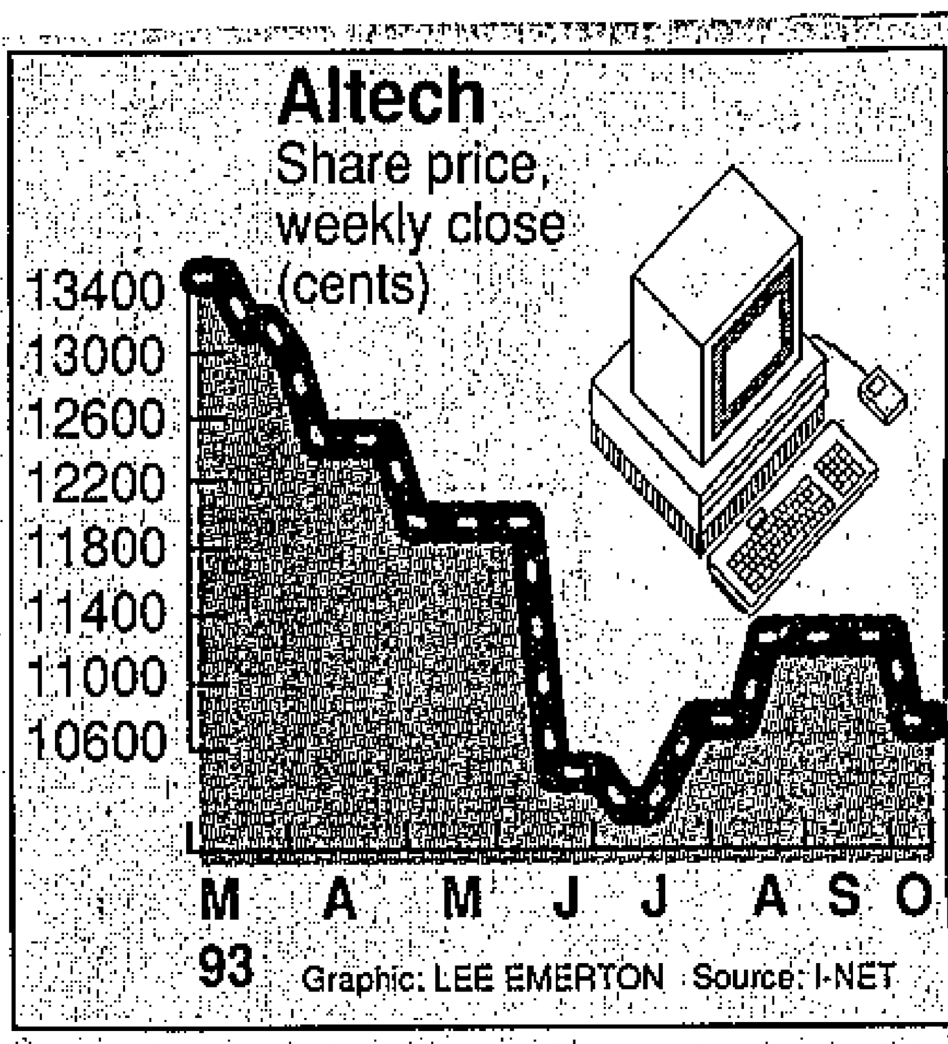
Powertech's lighting interests — Lascon Lighting, Lighting Structures and Lighting Technologies — would merge with the remaining Zumtobel and Thorn Lighting units under the U-Lite banner.

The move follows the diversification of rival electrical engineering group Reunert into the lighting business. Powertech CE Peter Watt said product diversity and technological capability were expected to be boosted by the acquisition.

"The lighting sector is one of Powertech's logical targets as it represents one of the few areas where it can expand without conflict of interest within the Altron group," he said. 5/10/93

Watt added that product diversity and brand names would be maintained, although streamlining of certain operations was inevitable. The increased product range would allow the group to compete both locally and internationally, he said.

In terms of streamlining, Watt said this would include enhanced capacity utilisation and the introduction of economies of scale which were aimed at improving the company's performance. (1898)



Expansion takes its toll on Altron

ROBYN CHALMERS

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Executive chairman Bill Venter said lower earnings were also influenced by the sale of 50% of Altech's telecommunications interests to French-based Alcatel earlier this year. (189 D)

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Looking at future prospects, Venter said the uncertain economic and political environment in SA made it difficult to give an accurate forecast for the remaining six months. But the organisation's strong cash position and alliances with international partners in high-technology meant the group was well placed to continue broad-

☐ To Page 2

Altron

BIDay 5/10/93

☐ From Page 1

ening its base of markets and products.

Initiatives with foreign organisations during the period under review included the joint acquisition of a 30% shareholding in Gentech by Amic and Korean-based Daewoo, one of the world's largest producers of consumer goods. (189 D)

"Added to this, the lifting of Swedish and other sanctions has given the group full access to leading technology in power generation and related fields through its association with the ABB group," said Venter.

Altron's joint venture on trunking, an upgraded means of mobile communication and control, was launched and new business was secured from banks in networking imaging and the supply of ATMs.

Altron stumbles

Star 5/10/93

BY JOHN SPIRA

That the unerring earnings advance enjoyed by Allied Electronics (Altron) since 1990 would be interrupted this year was evident from the results that have been filtering through from its principal subsidiaries. (189D)

In the event, earnings for the six months to August were 12 percent down at 226,5c a share on turnover 17 percent higher at R1,6 billion.

Operating income fell from R137 million to R121 million because of pressure on margins and the cost involved in the establishment of "substantial new business".

The directors note that the balance sheet is strong, with net cash resources of R172,8 million and capital employed in excess of R1 billion.

"Given its considerable cash resources and strong alliances with pre-eminent international partners in high-technology, the Altron group remains well placed to take advantage of any upturn in the economy and will continue to broaden its base of markets and products," the directors say.

They say the response to calls made for the relaxation of US sanctions augurs well for the group.

If the last six months' performance is repeated in the second half, Altron will earn about 485c a share (543,1c in the year to February 1993) for a P/E ratio of 18 — a rating suggestive of near-term weakness.

Looking further ahead, however, the bullish portents indicate that the counter could prove to be a useful long-term buy at lower levels.

Mutual bank to open next year

Lonrho move

Own Correspondent

LONDON. — Lonrho is expected this week to appoint its first independent non-executive directors since 1973, according to a report in the Financial Times yesterday. It named Peter Harper, a director of Hanson, the giant £8,8bn-a-year conglomerate, and Steven Walls, chairman of Albert Fisher, the British food group with annual sales of £1,2bn.

Powertech acquires U-Lite

CT 5/10/93 (890)

Business Staff

POWERTECH has acquired U-Lite from a consortium comprising Unihold, Zumtobel and Thorn Lighting in a multi-million rand deal.

At the same time, Powertech announced an agreement with Zumtobel whereby the control gear division of U-Lite and Powertech subsidiary WJ Parry will merge to form a new jointly owned company, Triodinic SA. Powertech will be responsible for management.

The remaining Thorn and Zumtobel units, together with Powertech's additional lighting interests, will be integrated under the U-Lite banner.

CE of Powertech, Peter Watt said the lighting sector a logical targets as it represented one of the few areas where it could expand without conflict of interest within the Altron Group.

Seardel forecasts earnings growth

B/DAY 7/10/93

LINDA ENSOR

CAPE TOWN — Clothing, toys and electronics group Seardel has forecast a 15,4% (51%) growth in earnings a share to 75c (65c) in the year to end-June, chairman Aaron Searll said in his annual review. (1891)

Turnover was projected to show a real increase to R1,3bn (R1,1bn), pre-tax income would climb 23% (27%) to R27m (R22m), with the payout to shareholders up by nearly a quarter to 16c (13c) a share.

The profit forecast was based on a belief that the recession had bottomed out and that a gradual economic upturn might get under way during 1993/94. However, Searll noted the upturn would materialise only if there were reductions in political and social upheaval, and interest rates fell.

He said the group intended to improve its gearing ratio by maintaining a prudent dividend cover and by reducing finance costs. In the past financial year gearing was brought down to 62% (74%).

New products key to electronics export rise

8/5.94 11/10/93

ROBYN CHALMERS

SA's electronics industry could account for up to 4,5% of GDP this year, but exports are expected to make up only 6% of the industry's value compared to imports, which constitute 40%.

This is the finding of a Unisa School of Business Leadership MBL thesis undertaken by Christo Weder. The study shows that a key factor in attaining sustainable international competitiveness involves the successful development of innovative products.

There have been repeated calls from the electronics industry for incentive packages to supplement the Deparatment of Trade and Industry's support programme for industrial innovation and the GEIS scheme for exports.

Weder found that many organisations in SA's industrial electronics sector had increased their spending on research and development, but were spending far less than the 8% internationally regarded as necessary to be competitive.

The study said companies with explicit new product strategies, which defined target markets and technologies to be used, performed well, as did those with fully integrated manufacturing, sales and distribution functions.

The biggest problems facing organisations were shortage of marketing skills, venture capital and experienced engineers which was part and parcel of SA's isolation from the international community.

Weder found the Innovative Support for Electronics programme was proving effective for successful applicants. However, the scheme has been severly criticised within the industry for the low level of funds it has dispensed since its inception.

The programme has made a total of R60,3m available for 123 projects since it was started by the DTI four years ago and major recipients have been the large organisations such as Plessey Telumat and Grinaker Electronics.

(189b)

Leaner Berzack 'now ready to report results'

CT 13/10/93 By ARI JACOBSON (89D)

THE Berzack group of companies has made a loss of about R138m on the sale of UK electrical wholesaler Bennett & Fountain to Marlowe Holdings for £1,27m (about R6,6m).

However analysts were unanimous that the sales announced yesterday "is good news for the group and its shareholders".

Electrical wholesaler Voltex, which contributes the majority of earnings for the Berzack group, has been restricted from performing by this overseas acquisition.

In a telephone interview after the sale had been announced yesterday group chairman Myron Berzack said "it was either the sale, or liquidation of the group".

Berzack said that a warning from the JSE that the group must either report its results for the year to June by the end of October, or risk losing its listing, would now be complied with, based on figures after the sale.

"We have done reasonably well, but let the shareholders be the judge," he said.

The group moved into the UK market in 1990 by picking up a similar business, UK electrical wholesaler Bennett & Fountain, for R144m.

Admitting that this purchase had been a mistake, Berzack said that with hindsight "the previous management overpaid and were ill-advised".

Imperfect foil

At the time it seemed a perfect foil for a powerful local arm which dominated in wholesale electrification and now includes, in the Berzack stable, Berzack-Illman Corporation, Berzack Holdings, Voltex, Sanlic Hardware and Elcentre.

However the debt inherent in Bennett & Fountain and the timing of the purchase, at the height of the UK recession, all compounded the mistake. It impacted on the Voltex performance and went higher to influence the Berzack group.

"We wrote off R50m last year (for the financial year to June 1992) and as far we could see there was no solution except to get out," said Berzack.

He said that the move would allow Voltex to concentrate on its core local businesses. The group was well positioned to benefit from the electrification of black townships, he said and analysts yesterday concurred.

Various companies with an interest in, and connected to, Voltex warned shareholders yesterday to exercise caution in dealing in their shares until the financial effects of the disposal were published on October 20.

The JSE also warned in a statement yesterday that the companies in the Berzack stable were under threat of suspension should the group not submit financial statements in the three month period after financial year-end.

They were given until the end of October to report or face automatic suspension.

Fm 15/10/93

ALTRON

Join the squeeze

A feature of recent results is how operating margins have been squeezed. Half-year results show that chairman Bill Venter's Allied Electronics (Altron) is no exception.

Turnover rose by an appreciable 17% to R1,6bn. However, operating profit slumped to R121m (1992: R137m) as the trading margin fell from 10,2% to 7,7%. Translated, this chopped R39m off the potential trading profit. Deputy chairman Peter Watt concedes margins are the single biggest problem: "But our broad philosophy is to hold on to business. We would rather forgo margins than lose business to competitors. When it goes, it's hard to recover." (189 D)

The dip at operating level was relieved by a sharp drop in tax. The bottom-line outcome was a reasonable R43,3m. On marginally more shares in issue, EPS fell 12% to 226,5c. Altron doesn't pay an interim dividend. As investors would expect, the balance sheet is strong. Current liabilities are modest at R707m and the cash position remains satisfactory at R173m.

Watt is sombre in his expectations: "Six months ago, when we were beginning the financial year, customers were reticent and reserved. None of us had much idea of where we were going. Now, we know better — and it's not looking particularly bright." It is the kind of business outlook which is symptomatic of four years of recession and political uncertainty.

Still, Watt's reservations sit strangely with his comparative optimism for the second half. "Order books are much better, particularly in manufacturing."

Of course, one truth about holding company figures is that what they reveal is interesting; what they cover up is vital. In Altron, part of the large growth in turnover is caused by the consolidation for the first time of Gentech. And they don't reveal the potential for growth within the white goods company.

Of main group companies, Powertech has reported in detail. On a huge increase (19%

SQUEEZED MARGINS

Altron

Six months to	Aug 31 '92	Feb 28 '93	Aug 31 '93
Turnover (Rm)	1 341	1 378	1 564
Operating income (Rm)	137,1	144,1	120,6
Attributable (Rm)	48,8	54,5	43,3
Earnings (c)	256,9	286,2	226,5
Dividends (c)	—	170	—

Fm 15/10/93

or 26m) in issued shares, bottom-line EPS were virtually constant at 13,7c; attributable earnings rose to R22,1m (R18,7m).

The cable division has about R400m annual turnover and is a big contributor to earnings. During the half year, Powertech enjoyed Aberdare's full profitability for the first time since buying it. Watt says Aberdare's second half is much rosier, with a substantially improved order book.

In addition, the R28m capital project on the telecommunications cabling plant in Port Elizabeth has been completed. Watt says much of the new capacity is being exported. "In state-of-the-art terms, this plant is probably the most modern in the world."

Aberdare's real prospects lie in an end to violence in the townships: once the mass reticulation market begins, its profit potential will begin to be realised.

Altron's immediate prospects are rather better than might first appear: the repeal of sanctions will have a favourable impact on Fintech through Xeratech, and moves to a political settlement may encourage a general economic improvement. (189 D)

Altron's p:e is 12,9 against a sector average of 12,5; Powertech's is 13,1. These indicate little room for upside potential. My betting, however, is that Venter's flagship will do a lot better. *David Gleason*

W Areas boosts JCI gold profits

CT 20/10/93

JOHANNESBURG. — The three gold mines in the Johannesburg Consolidated Investment Company yesterday reported over 20% jump in net profit after tax and capital expenditure for the September quarter on the back of cost containment and better gold revenue.

Combined net profit after tax and capex increased to R75,5m for the three months to end September from a previous R58,8m as gold revenue gained 7,3% to R37 744 per kg (R35 181/kg).

JCI director Ken Maxwell expressed his satisfaction with the results, saying a very healthy position was re-emerging in the gold market following the gold price's sharp gains and falls over the last six months.

He said it was not "good news" for gold producers to see rapid rises in the gold price, and he hoped for a gradual and a sustainable long-term increase in bullion.

Maxwell did not expect central banks to sell additional gold this year, although he said there had been some selling by lesser developed countries.

The improvement in the performance of JCI's gold mines was helped further by the best ever quarterly gold production of 13,2 tons for the group, although the grade has declined slightly.

A convincing performance from Western Areas dominated the September quarter figures.

The mine, which in recent weeks has proved a popular gold counter, hit its highest grade in 20 years — 6,84g/t — as it continued to reap high pay ore on its Ventersdorp Contact and Elsburg reefs.

Combined with a rise in tonnage, this lifted gold production 7,4% to 4 104kg, while costs were pulled down to R29 511/kg (R29 843/kg).

Working costs rose 1,4% to R201,85 a ton as the mine absorbed the recent wage settlement and a R5m (R3,9m) cost containment and metal price bonus. JCI said Western Areas was likely to continue extracting such grades for at least five years.

JCI's fortunes on its other mines was less impressive.

The continuing fight for survival at HJ Joel pushed JCI's newest mine back into the red. The mine had cut monthly production by a third, while moving to a seven-day week in a bid to build up payable reserves.

The fall in tonnage combined with a slip in grades to bring production down to 1 004kg (1 138kg). The focus on development, plus the wage settlement, pushed unit costs up nearly 8% to R32 174/kg. Reef development pushed capex to R6,3m (R4m).

Gold division MD Bill Nairn said grades on reef development had shown a "dramatic improvement" over the quarter.

Grades to the north and the east were averaging 5,5g/t and 5,7g/t, but it would need at least five months of further exploration development before the mine was ready to commit itself, Nairn said.

The rise in the gold price had enabled Randfontein to pursue lower pay ore, which cut the grade to 3,95g/t (4,12g/t), while unit costs moved from R26 169/kg to R28 138/kg.

Unchanged div from Voltex

189D

CT 20/10/93

CABLE manufacturer Voltex, the main profit contributor to the Berzack group of companies, has paid an unchanged dividend of 6,75c a share in the year to end-June in spite of a 14,8% dip in earnings to 15,03c (17,75c) a share.

Last week Voltex sold loss-making UK subsidiary Bennet & Fountain. Had Bennet's results been incorporated, Berzak's results would have been much worse, with 1993 earnings 4,16c a share lower and 1,86c less in 1992.

Turnover climbed 9% to R1bn (R923,2m) and operating income was slightly lower at R95,2m (R98,9m).

Sanlic's turnover rose 9% to R52,9m (R48,6m), but operating income was almost 70% down at R672 000 (R2,2m). This translated into a 4c (2,5c) loss a share.

Earnings at Elcentre, with 51,4% and 81,4% holdings in Voltex and Sanlic respectively, were down at 38,6c (42,6c) a share with the dividend lower at 6,25c (10c).

Taxed income at Berzack Brothers Holdings rose 27,1% to R17,5m, but attributable income from associated companies fell 17,8% to R16,9m, leaving attributable income 19,3% lower at R23,05m. The annual dividend was 18,8% lower at 32,5c a share.

Earnings at Berzack-Illman Investment Corporation, with a 51% stake in Berzacks fell 19,4% to 61,5c a share and the dividend was reduced by 17,9% to 23c a share.

More finance on pages 12, 13 and 14

Working costs dent Anglovaal profits

CT 20/10/93

JOHANNESBURG. — A fraught fight with working costs dented the performance of Anglovaal's gold operations for the three months to September.

Though average gold revenues were ahead nearly 10% to R39 730/kg (R36 402/kg), gold production fell on two mines, while costs leaped forward on all three.

Anglovaal's four gold mines reported a 3,2% increase in profit after capital expenditure of R57m from R55,2m in the previous three months.

Gold production dropped from 10,7 tons to 10,6 tons and costs per kg increased considerably, excepting at Village Main.

Hartebeesfontein lifted profit after capex to R49,4m (R44,6m) due to the higher gold revenue as production was largely unchanged and working costs crept up slightly.

Eastern Transvaal Consolidated achieved a nominal gain in profit after capex to R2,9m (R2,7m) as gold production dippedand costs increased but gold revenue was higher.

Loraine's profit after capex plummeted to R3,8m(R7,6m) as costs escalated and gold revenue registered only slight gains on the back of largely unchanged production.

Village Main was the only mine to reduce costs in the Anglovaal stable as it improved profit after capex to R807 000 (R288 000).

Loraine's move back to normal operations in the last three months cut deeply into its figures.

Tonnage dropped sharply to 448 000t (469 000t), which knocked gold production back to 1 727kg, despite a slight improvement in grade.

Unit costs jumped from R32 097/kg to R36 191/kg, reflecting wage increases, a profit-sharing bonus and increased development.

Wage increases and strike action at Sheba combined to hit Eastern Transvaal Consolidated across the board, leaving it dependent on gold revenues ahead 10% at R39 904/kg to keep working profit just ahead at R8,5m (R7,9m).

Hartebeestfontein lifted production to 7 118kg (6 939kg). The effect of the wage rise and profit share bonuses helped lift unit costs from R237,63/t to R255,65/t.

Village Main Reefs cut costs and boosted production.

Loraine posted a pre-capex profit of R10,1m (R1m loss) for the year to September. Though gold production dipped slightly to 6 248kg (6 524kg), rationalisation trimmed unit costs to R34 828kg (R35 342/kg).

Immobiliser firm wins R50m contract with VW

FM 21/10/93

ROBYN CHALMERS

(189b)

ELECTRONIC vehicle security system specialist Conlog has secured a R50m export contract for immobilisers from German motor manufacturer Volkswagen AG.

The contract involves the manufacture and supply of sophisticated code-hopping electronic engine immobilisers. To meet this and other demands, Conlog is expanding its Durban manufacturing facility at a cost of R36m, creating employment for an additional 100 people.

Conlog automotive electronics division director Paul Lambert said the immobiliser was a local design developed by the company over the past six years.

"With car theft on the increase worldwide — 130 000 vehicles were reported stolen in Germany last year — immobilisers are likely to become a standard feature of most European vehicles. The European market for electronic vehicle security systems is estimated to be a staggering R3,5bn," said Lambert.

Conlog had recognised the potential of these markets and had started an export drive by exhibiting the company's technology at international exhibitions.

The investment in manufacturing plant and capacity expansion as a base from which to develop export markets in Europe was expected to pay big dividends, said Lambert. During the course of this year, Conlog expected that 25% of total sales would be to Europe, rising to 75% next year and to more than 85% in 1995.

Apart from contract negotiations with motor manufacturers, the Conlog automotive electronics division had established representatives in Germany, Belgium, Luxembourg, the Netherlands, the UK and Hungary to service and support its range of aftermarket products.

Conlog aftermarket sales in Europe were expected to total R18m this year, before the Volkswagen supply contract commenced in November.

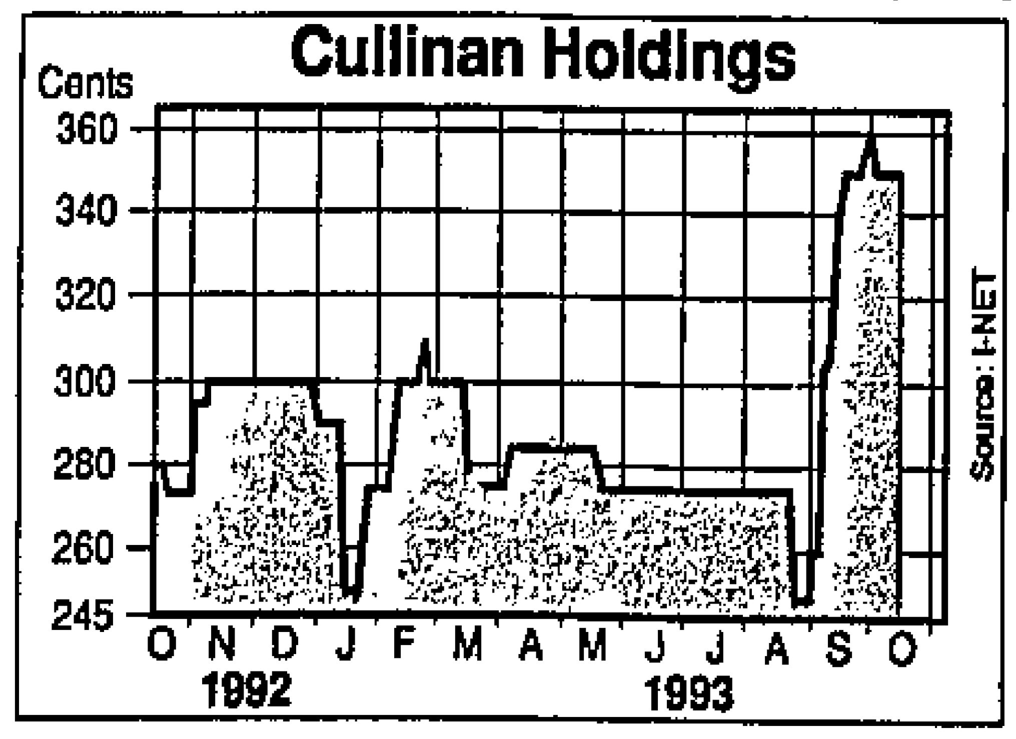
CULLINAN
FM 22/10/93

Still far to go

As recovery continues, Cullinan is becoming a good case study on the relative importance of two key influences on corporate performance: the economy and management. At this stage of the cycle, it's usual to blame the economy for all ills. It's an easy scapegoat, avoiding the issue of whether management has limited damage caused by the long recession. At Cullinan the answer, clearly, is that it has failed — proved by an almost complete change of top management in 1992, and subsequent results. (189D)

In a refreshing departure, executives make no excuses for poor results in recent years.

FM 22/10/93



Activities: *Main interests are in industrial ceramics and the electrical sector.* (189D)
Control: *Old Mutual (42%).*
Chairman: *A J L Clark; MD: M E Harbuz.*
Capital structure: *14,5m ords. Market capitalisation: R50,8m.*
Share market: *Price: 350c. Yields: 2,9% on dividend; 0,3% on earnings; p:e ratio, 389; cover, 0,1. 12-month high, 360c; low, 230c. Trading volume last quarter, 31 000 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	53,1	71,8	21,7	21,8
LT debt (Rm)	64,0	106,3	73,8	45,4
Debt:equity ratio	0,55	0,84	0,70	0,62
Shareholders' interest	0,46	0,46	0,45	0,44
Int & leasing cover	2,87	0,43	n/a	1,04
Return on cap (%)	11,7	2,1	(4,3)	5,1
Turnover (Rm)	668	666	510	430
Pre-int profit (Rm)	54,4	9,9	(13,2)	15,3
Pre-int margin (%)	8,1	1,4	(2,6)	3,6
Earnings (c)	131,5	(2,2)	(230,4)	0,9
Dividends (c)	53	34	nil	10
Tangible NAV (c)	1 129	1 086	952	922

Cullinan has implicity acknowledged the severe losses in financial 1992 were unnecessary, and their origin lay in the way the group was managed. Excesses were highlighted by a rewrite of the 1991 financial statements, which turned originally declared earnings of 70,7c into a 2,6c loss.

Two important illustrations from the latest report are chairman Alan Clark's blunt statement that cyclical, adverse, economic conditions must not be allowed to override the achievement of the twin goals of providing adequate rewards for employees and shareholders and "the business should be structured and managed accordingly."

Following from this is MD Ed Harbuz's review in which, in virtually every division, he comments on the impact of new management and the way new markets have been sought to replace business lost in traditional markets as a result of the recession.

That the group was able to break even last year is an indication that the medicine is working. While a R136 000 attributable profit on total assets of almost R300m is obviously inadequate, recovery is proceeding at a good pace (despite continued poor economic conditions) and, more importantly, management has signalled its satisfaction by declaring a 10c dividend — 9,1c more than annual EPS. This implies management expects this rate of profitability to be maintained.

Another indication that a base has been established is Clark's statement that, despite relatively high borrowings, no further asset disposals will be considered unless strategically appropriate and value can be created — in other words, disposals at fire-sale prices as a means of improving financial structure are out, and the group will instead concentrate on improving cash flow.

Last year's gross operational cash flow of R13m was devoted entirely to debt reduction. Total borrowings (including the redeemable prefs issued at the start of calendar 1993) fell from R96,6m to R83,2m. Gearing of 0,62 (down from 0,7) is not particularly high, but the fact that virtually all operating profit was absorbed in servicing borrowings underlines how stretched the group still is.

In summary, there's still a long way to go before Cullinan is out of the woods. This year's results are difficult to predict, but earnings should not be less than 35c and could be much more. This would comfortably justify the current share price of 350c (up 75c, or 27%, over the past year), suggesting that upside potential greatly exceeds downside risk.

Brian Thompson

KOPP FM 29/10/93

Out of the wilderness

After an extended period in the investment wilderness, Kopp shares are again showing signs of life, with the price up from 20c when the *FM* reviewed the 1992 annual report to 35c now. (189D)

Various factors have been responsible for the improved showing. Firstly, after a 46% dip in interim earnings, the fact that the group managed to end the 1993 financial year 28% ahead of 1992 was a better outcome than could reasonably have been expected earlier in the year. Secondly, the share was considerably undervalued a year ago. Even after taking into account 1993's improved earnings and dividend, on a yield-relative basis Kopp at 35c is still trading at a discount to the electronics sector of between 55% and 65% (depending on whether one bases the calculation on earnings or dividends).

FM 29/10/93

Activities: *Makes, markets and distributes electronic components and equipment.*
Control: *Directors (70%).*
CEO: *A Kopp.*
Capital structure: *10,5 ords. Market capitalisation: R3,7m.*
Share market: *Price: 35c. Yields: 8,6% on dividend; 22,0% on earnings; p:e ratio, 4,5; cover, 2,6. 12-month high, 33c; low, 15c. Trading volume last quarter, 12 900 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	0,5	0,4	0,5	—
LT debt (Rm)	0,3	0,9	1,2	0,9
Debt:equity ratio	0,14	0,18	0,23	0,04
Shareholders' interest	0,57	0,58	0,51	0,58
Int & leasing cover	3,0	4,2	5,7	5,1
Return on cap (%)	13,2	13,9	13,7	12,6
Turnover (Rm)	26,9	29,5	32,9	32,1
Pre-int profit (Rm)	1,4	1,7	1,7	1,7
Pre-int margin (%)	5,1	6,0	5,4	5,4
Earnings (c)	6,4	7,8	6,0	7,7
Dividends (c)	2	2,5	2,5	3
Tangible NAV (c)	57	66	69	75

And thirdly, the fact that the directors have been mopping up shares, boosting their collective interest from 67% to 70%, will not have done the share price any harm either.

Last year's higher earnings derived in roughly equal parts from tighter asset management and the lower corporate tax rate. Strict control of costs meant the group was able to devote almost its entire cash flow to strengthening its balance sheet. Net borrowings declined from R1,6m to R295 000.

Though the decrease took place almost entirely during the second half and has not yet made its full impact on the income statement, interest charges fell by 28% to R340 000. The net saving, after tax, was probably around R78 000, or 43% of the increase in attributable earnings. The rest of the increase came from the lower statutory tax rate which, for Kopp, meant a reduction in its effective tax rate from 59,2% to 41,3%.

Provided the same controls and policies are followed this year, CE Albert Kopp seems to be on reasonably safe ground in forecasting "continued growth and improvement in earnings" despite an uncertain trading outlook. Net finance charges are likely to be minimal and could even be replaced by net interest receipts, in which case the after-tax effect would be to increase attributable earnings by about 25%, of roughly 2c a share. From there it would be a relatively short hop to a full recovery to the 1988 earnings peak of 10,1c which, if nothing else goes wrong, could be a reasonable prospect for 1995, if not this year. (189D)

In summary, Kopp has made good progress in overcoming problems that caused 1989's 70% slump in earnings. The balance sheet is strong and there seems to be the financial capacity to cope with a continuation of depressed trading conditions or to fund any increase in activity that might arise. A further upward rerating of the share appears justified.

Brian Thompson

Nu-World awaits rights issue

ST Times (BUS)

By DON ROBERTSON

NU-WORLD Holdings, which came to the market as a small electrical appliance manufacturer in 1988, lifted turnover by 46% in the year to August and is considering a rights issue to finance growth and provide additional working capital. 31/10/93

It has accomplished a 35% cumulative lift in turnover annually for the past six years. Sales in the current year are expected to top R100-million. (18 9D)

Sales in the past year rose to R74,5-million from R51-million in 1992. Operating income increased to R4,6-million from R3,4-million and attributable profits to R2,2-million from R1,7-million.

Earnings a share were 17c (13,9c). The dividend is 3,8c (3c).

Nu-World was helped by a lower tax rate of 19,2%, arising from export incentives, plant and machinery expenses and higher interest payments.

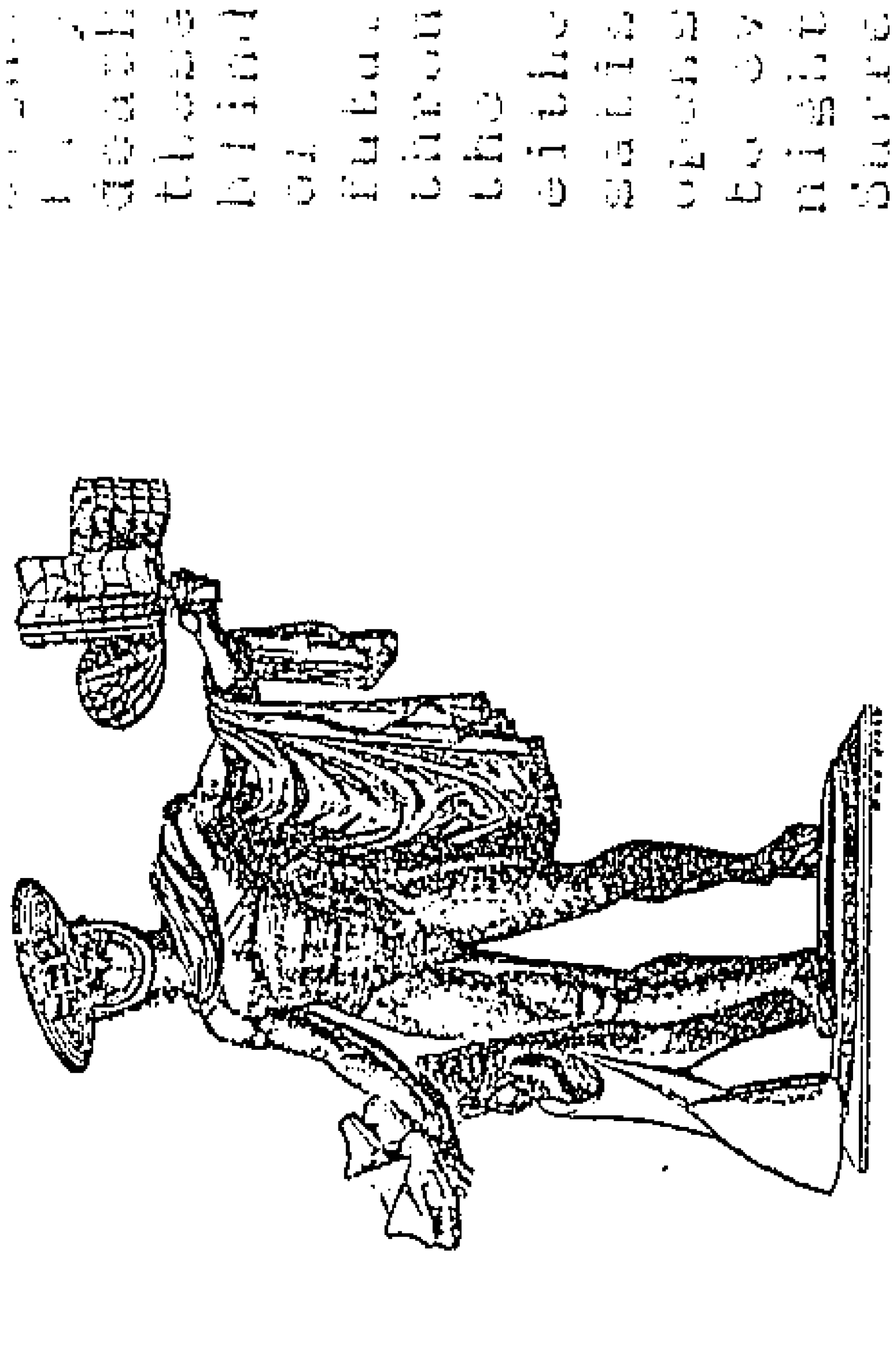
Debt rose to 69,5% of shareholders' funds, but was reduced to 36,5% by profits from the sale of trademarks.

The company will benefit from Eskom's electrification programme. It sells Ideal and Fenici appliances.

Exports have risen and now account for about 20% of sales. Europe, the Middle East, Australasia and Africa are the main export markets.

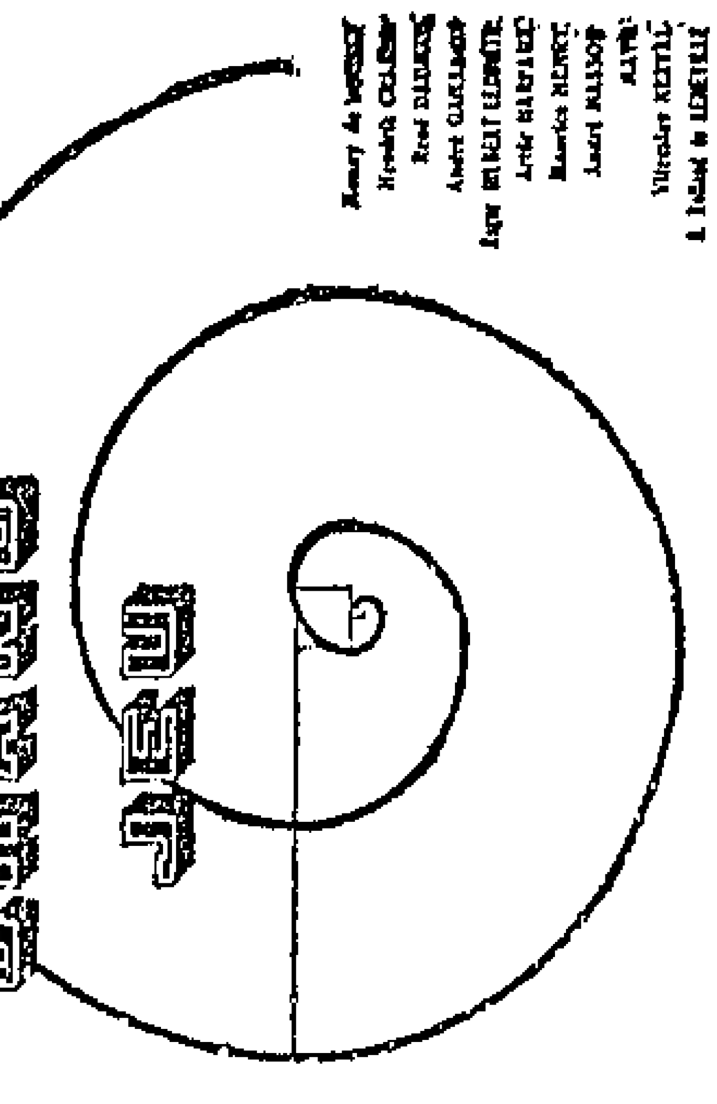
Managing director Michael Goldberg, whose family holds 70% of the issued share capital, says a rights issue will be considered when the share price reaches R2,50. It is now R1,80, having increased from 50c at the beginning of the year.

"We will probably participate in the rights issue, but might not take up our full allocation. The intention is to improve tradeability of the shares."



SURREALISM

CATALOGUE-PRIX SIXPENCE



LE GRAND JEU

Profit surge and rights issue could pull brave investors to Nu-World

(189D) ARG 1/11/93

Business Staff

STRONG export performance and increased local market share boosted Nu-World's earnings by 26 percent to an all time high of R2,2 million or 17c a share in the year to end August.

The turnover of the small electrical appliance manufacturer increased by a hefty 46 percent to R74,6 million in the period under review.

This is the highest year-on-year growth since 1988 with turnover increasing by a cumulative 35 percent a year for the past six years.

Operating profit was hiked by a 33 percent to R4,6 million.

The dividend was raised 26,7 percent to 3,8c a share in a year of tough trading conditions.

No share split is in the offing but a rights issue will be contemplated when the share reaches R2,50. This will make the share more tradeable.

Currently it is tightly held with 70 percent of the issued ordinary 12,75 million shares held by the Goldberg family.

Exports increased up to 20 percent of total turnover, reaching the UK, Europe, the Middle East, Australasia, and Africa. This gives the share a rand hedge flavour which is finding favour with investors.

■ A R550 million rescue package has been secured for debt-ridden East **Rand Proprietary Mine** (ERPM), Sapa-AFP reports.

The company said in a statement that an agreement had been reached with banks and shareholders which would lead to a R550 million rights issue, clearing the beleagured mine of its R523 million debt.

The statement said the share issue was fully underwritten.

More than 100 years old, ERPM was saved from closure in 1990 thanks to government and bank loans, but the action has saddled the company with enormous interest repayments.

In the September quarter, the mine produced a working profit of R5,58 million but interest repayments eroded this into a R19,4 million loss.

The recapitalisation of the mine would completely eliminate ERPM's debt, leaving it with about R95 million to further develop its newly commissioned Far East vertical shaft.

Buoyant exports lift Nu-World Holdings

BIDay 1/11/93

MARCIA KLEIN

ELECTRICAL appliance manufacturer Nu-World Holdings improved its earnings by 26% to 17,5c (13,9c) a share in the year to end-August on the back of a strong export performance and an increase in local market share.

Turnover rose 46% to R74,6m (R51,1m), the highest year-on-year growth since 1988. Lower margins, following competitive pricing as the company pushed to increase market share, saw net operating income rise 33% to R4,6m (R3,5m). (1891)

The lower tax rate of 19,2% (23,3%), which takes into account exempt income and a large increase in export incentives and plant allowances, saw income after tax rise 22% to R2,2m from R1,8m. A 27% higher dividend of 3,8c (3c) was declared.

An extraordinary item of R5m relates to the sale in August of specific trademarks.

MD Michael Goldberg said that the substantial growth in turnover — which required additional working capital — and the investment in plant and machinery, resulted in a significant rise in the interest bill to R1,9m (R1,2m).

But he added that a further medium-term loan at favourable rates was negotiated with the IDC.

Goldberg said the company had negotiated sole agency for European brands Russell Hobbs and WIK.

Exports had been buoyant, and now comprised 20% of total turnover. Goldberg said Nu-World had transformed its manufacturing facility and invested heavily in technology in order to become an international player.

The company was three years into its restructuring programme. New products were being designed and tooled at an increasing rate, and the export book was "stronger than ever". Nu-World was expected to maintain this level of growth in the coming year,

The share closed on Friday at 180c, off a high of 190c and well above its November 1992 low of 50c. Goldberg said the company would look at a rights issue once the share price rose beyond 250c.

Tight ship Reunert raises profit 17%

BD 11/11/93

CHARLOTTE MATHEWS

ELECTRICAL group Reunert lifted attributable profit 17% to R108,3m in the year to September 1993 from R92,5m in the same period in 1992 as a result of better margins, restructuring, tight cost control and higher productivity, MD Tony Ellingford said.

Turnover rose 4% to R2,4bn (R2,3bn) but profit before interest and tax was 12% better at R236,5m (R211,9m). Although interest received was higher as the company's total cash holdings rose to R290m (R183m), the tax rate also rose because available tax losses were fully used in 1992.

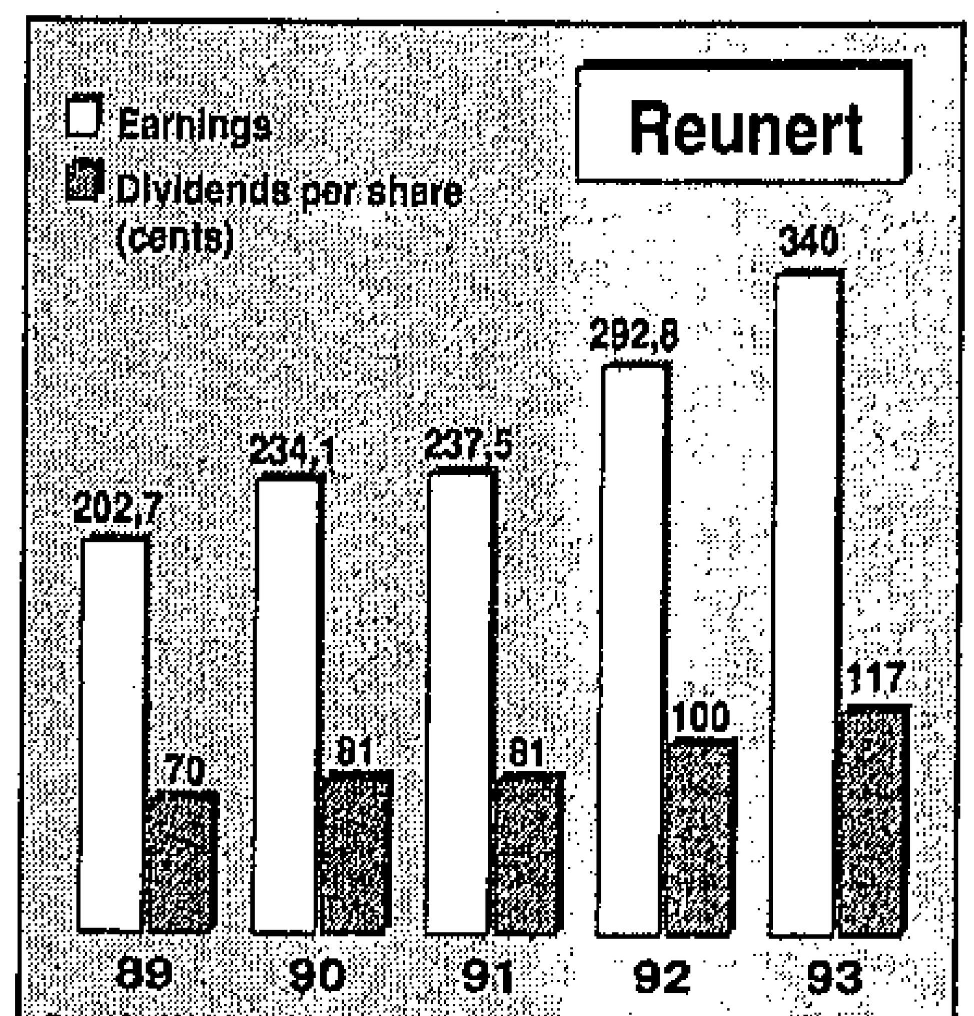
Earnings were 340c (292,8c) a share, on which a dividend of 117c (100c) for the year was declared. (1898)

Power cable operation African Cables had been the only poor performer.

Group exports rose 30%, contributing significantly to profits. Ellingford said Reunert intended to grow exports.

In November Reunert announced it had reached an agreement in principle with GEC and Siemens which would result in the restructuring of Reunert's telecommunications interests and an increase in its interest in Telephone Manufacturers of SA to 40,7% from 33,3%. It would also see Reunert acquire 27,5% of Siemens. Ellingham said this move was part of improving resource utilisation.

In September Reunert announced it would be acquiring from Barlow Rand a



Graphic: KAREN MOOLMAN Source: REUNERT

58% interest in Persetech Holdings and the businesses of Panasonic, Nashua and Airomatic as part of Barlow Rand's unbundling process.

Ellingford said these acquisitions represented not only a diversification but also a vehicle for Reunert to obtain a sharper focus on technology crossovers in its traditional markets. The acquisitions would use Reunert's resources more strategically.

"The new group will be in an excellent position to achieve sustainable earnings growth and business expansion in the medium to long term. Reunert is admirably geared to take immediate advantage not only of any economic upturn but also of other acquisition opportunities."

Star 3/11/93

IBM in talks to buy back ISG

BY STEPHEN CRANSTON

Company:	**ISG**
Sector:	**Electronics**

SHARE PRICE: 280c | **MARKET VALUE: R416 million**

YEAR HIGH: 350c | **PE RATIO: 8,0**

YEAR LOW: 190c

Net asset value: Not available | **Dividend yield: 7,9%**

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	1 049	78,0	36,7	20,7
1992	1	049	59,7	34,8
22	1993	1 238	66,2	35,1
22	% Change	18	11	1

It is now apparent that negotiations are taking place for IBM to buy back ISG, formerly IBM South Africa. (189B)

Financial director Jim Tennant would not comment yesterday on the likelihood of IBM coming back, but said that a cautionary would be published today about unspecified negotiations.

Chief executive Brian Mehl says in the comments on ISG's results for the year to September that there is a much closer working relationship with IBM, which is experiencing a resurgence of its technological supremacy in key areas of information technology and is showing a more competitive pricing policy.

The good news in the ISG results is the 18 percent increase in turnover, after good volume and market share growth, with mainframes regaining their dominant position, and with PS and RISC systems and printers achieving strong market share growth.

Mehl says that in view of the continuing reduction in computer prices, the increase in sales is even more dramatic when expressed in terms of raw computing power delivered.

ISG was restructured in January into 25 autonomous units, all more focused and responsive to customer needs.

ISG acquired 25 percent of maintenance company Technicare, established the Solutions 2000 joint venture and lifted its interest in Trade Net to 50 percent.

But the reduced tax rate was all that saved SA's largest computer company from a further earnings decline.

Pre-tax profit was down 13 percent to R75,1 million, largely because of a 66 percent decline in investment income to R8,9 million. Reduced interest rates and lower surplus cash were to blame.

Reunert delights its shareholders

Star 11/11/93

(189 D)

BY DEREK TOMMEY

Leading electronics and electrical company Reunert will delight its shareholders in these difficult times with its 17 percent increase in attributable profits in the year ended September to R108,3 million, equal to 340c a share, and its 17 percent increase in dividends.

Reunert is paying a final dividend of 84c making a total of 117c (100c) for the year.

Shareholders are also likely to be pleased at the strong financial position of the company. At September 30 it was sitting on R290 million, up from R183 million a year ago, indicating that it can quickly take advantage of any improvement in the economy.

Managing director Tony Ellingford says that turnover fell in real terms. But this was offset by slightly better margins, the group's ongoing restructuring and right-sizing, tight cost and asset control and higher productivity.

Profit before interest and tax rose 12 percent from R212 million to R236,5 million, while profit before tax was 16 percent higher at R257,9 million.

The full utilisation of tax losses, resulted in the company's tax rate rising from 37 perent to 41 percent, and the tax bill rising 30 percent to R105,8 million.

Ellingford says that in spite of the difficult economic climate he expects Reunert to show modest earnings growth in 1993-94.

The pending acquisition from Barlows of Persetech, Panasonic, Nashua and Airomatic will not only be a diversification but they will also be vehicles to obtain a sharper focus on technology crossovers taking place in Reunert's traditional markets.

Exports help up Reunert's profit

1890
CT 11/11/93

Own Correspondent

JOHANNESBURG. — Electrical group Reunert lifted attributable profit 17% to R108,3m in the year to September 1993 from R92,5m in the same period in 1992 as a result of better margins, restructuring, tight cost control and higher productivity, MD Tony Ellingford said.

Exports contributed "significantly" to Reunert's profit as did solid performance from all divisions — excepting the group's power cable operations which suffered heavily from depressed market conditions.

Turnover rose 4% to R2,4bn (R2,3bn) but profit before interest and tax was 12% better at R236,5m (R211,9m).

Although interest received was higher as the company's total cash holdings rose to R290m (R183m), the tax rate also rose because available tax losses were fully used in 1992.

Earnings were 340c (292,8c) a share, on which a dividend of 117c (100c) for the year was declared.

Power cable operation African Cables was the only poor performer as turnover increased just four percent to R2,4bn.

Group exports rose 30%, contributing significantly to profits. "It is our intention to keep growing our exports, hopefully at a faster rate than our domestic business," Ellingford said.

In November Reunert announced it had reached an agreement in principle with GEC and Siemens which would result in the restructuring of Reunert's telecommunications interests and an increase in its interest in Telephone Manufacturers of SA to 40,7% from 33,3%.

It would also see Reunert acquire 27,5% of Siemens. Ellingford said this move was part of improving resource utilisation.

In September Reunert announced it would be acquiring from Barlow Rand a 58% interest in Persetech Holdings and the businesses of Panasonic, Nashua and Airomatic as part of Barlow Rand's unbundling process.

Ellingford said these acquisitions represented not only a diversification but also a vehicle for Reunert to obtain a sharper focus on technology crossovers in its traditional markets.

The acquisitions would use Reunert's resources more strategically.

"The new group will be in an excellent position to achieve sustainable earnings growth and business expansion in the medium to long term.

Reunert is admirably geared to take immediate advantage not only of any economic upturn but also of other acquisition opportunities," Elllingford said.

'Spinoff from Eskom scheme'

R10bn boom in appliance sales forecast

BIDAY 26/11/93

MATTHEW CURTIN

SALES of household electrical goods are expected to rocket to R10bn a year in 1998, from R4,1bn in 1992, as the Eskom-led national electrification scheme brings electricity to 800 000 new homes over the next five years.

Eskom executive director Jan de Beer said yesterday that in 1991 and 1992 demand for goods from newly electrified households and small business added R77m and R354m to sales, with a R719m boost expected this year, and a R2,7bn increase in 1998 when sales would exceed R10bn.

Industry research shows the compound growth rate in the next five years could reach 17% a year — turning the sector into a high-growth business.

The experience in newly electrified townships showed that demand for electrical goods rose sharply once a household was connected, with the major portion of spending on appliances taking place in the first two years. The surge in demand for irons, hot plates, TVs and fridges promises lucrative business for retailers. (1896)

It is also likely to lead to a shake-up of appliance manufacture in SA, which is tariff protected, highly competitive, and buffeted by declining real sales in its underlying market. The main manufacturers are Barlow Rand, TEK, Tedelex and Powertech subsidiary Gentech.

Gentech MD Simon Nash said electrification offered "attractive opportunities for the bigger players willing to invest in upgrading their manufacturing plant".

Electrification could provide the platform for an internationally competitive regional appliance manufacturing industry if tariffs on goods and input materials like plastic and steel were dropped to GATT levels, he said.

However, physical constraints to the programme, because of violence, the issue of non-payment, and general pressure on consumer spending, might upset what he considered ambitious forecasts.

Increased electricity use, as households buy electrical goods, is essential if Eskom and municipal suppliers are to recoup the cost of electrification which, while absorbing a small fraction of Eskom's generating capacity, is expected to cost R830m a year to the year 2005 in nominal terms.

De Beer was commenting on a research report by stockbrokers Edey Rogers which represents the first detailed attempt to quantify the impact electrification will have on the appliance/TV market.

Analyst Franco Busetti said: "To make electrification financially viable for Eskom and other suppliers, electricity consumption will have to be reinforced by the marketing of white goods and appliances."

An Anglo American Industrial Corporation spokesman said research showed households tended to buy TVs first once electrified. Newly electrified homes would be responsible for a quarter to a third of colour TV sales, worth about R750m this year and more than R1,25bn in 1998. Amic recently tied in with Korean conglomerate Daewoo to manufacture colour TV tubes.

Busetti said new sales of TVs could amount to R2,2bn in 1998, with R3,1bn for stoves and R2,7bn for fridges, accounting for 80% of the total because of high demand and their above-average prices.

ADE exports surge

ARG 7/12/93 (189D)

MARC HASENFUSS
Business Staff

ATLANTIS Diesel Engines (ADE) reported better-than-expected after-tax profits of R19,4 million in the year to end June.

Although the after-tax figure is slightly down on the R21 million recorded in 1992, profits are significantly higher than the R12 million originally budgeted for in the period under review.

More importantly, the profits declared have wiped out ADE's long standing deficit — putting the group on a firmer financial footing.

According to ADE managing director Fritz Korte, waning diesel engine sales were offset by the continuing demand for replacement parts, increased component exports and noticeable growth in the industrial engine market.

Component exports to South Korea, France, Brazil, Argentina and the UK came in at a record R50 million — making up nine percent of ADE's total sales. Exports are also expected to show solid growth in the next two years.

Mr Korte said ADE's core business remained under pressure as the self-imposed freeze on engine prices knocked profit margins.

"Although double digit inflation was registered for much of the year, ADE's efforts to hold prices and raise productivity resulted in a further decrease in the engine share of the overall cost of a truck."

He pointed out that this year an engine price represented a mere 13 percent of the total truck retail price compared to 17,5 percent last year and 24 percent in 1980.

This trend looks set to continue next year with engine sales expected to decline marginally in the new financial year. Engine sales constitute a bulky 65 percent of group sales.

ADE's replacement parts business donated R118 million (a 10 percent increase) to total group sales. Sales are expected to continue upward, with R130 million in sales predicted for next year.

Mr Korte said the group's diversification drive was bolstered by the formation of a new business development team which will look at new products and opportunities for acquisitions and joint ventures.

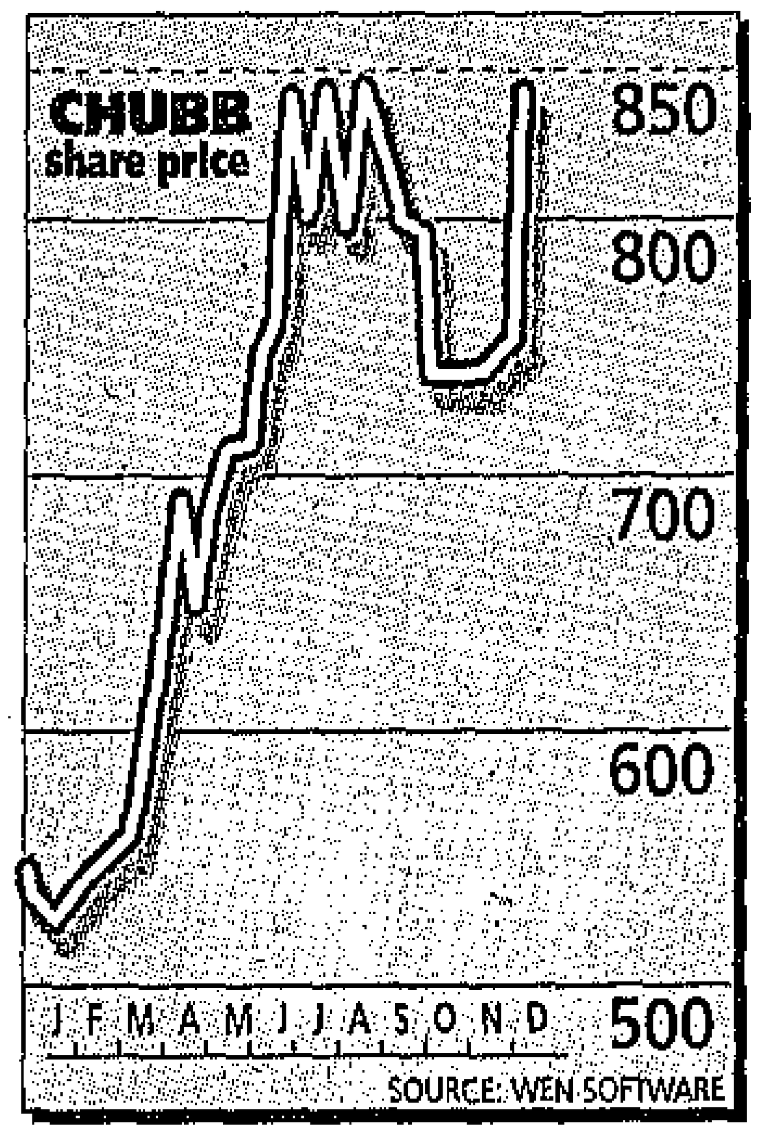
Mr Korte predicted another difficult year ahead. "However, ADE is confident that with its drive for greater productivity and thrust into new markets, it will remain profitable."

He estimated that ADE's profits would slip down to around R15 million in the year to end June 1994.

Higher margins boost for Chubb

Star 8/12/93

BY STEPHEN CRANSTON



The return to profitability of two group companies and improved margins have enabled Chubb Holdings to report an 81 percent rise in attributable earnings to R5,33 million and in earnings per share to 96,5c in the 28 weeks to October 8.

The interim dividend is 36 percent up at 19c.

It helped holding company Chubb Security Plc to lift earnings 49 percent to £34 million.

Josiah Parkes, which makes the Union range of locks and Dorma hydraulic doors, turned a loss into a small contribution, as did Chubb Fire Security, a maker of fixed and portable fire-fighting equipment.

189D

Chairman Dirk Ackerman says trading conditions were poor.

Turnover rose by just 9,4 percent to R100,6 million.

But better margins allowed trading profit to increase by 32,4 percent to R8,79 million.

Tight asset management turned a net borrowing position of R7 million into net cash of R11 million.

Interest payments of R411 million in the first half of last year were transformed into interest earned of R1,21 million.

Ackerman says forecasts for the full year remain in line with recent performances.

SA tractor sales likely to top figure for 1993

ARG 9/12/93 (189D)

JOHANNESBURG. — Tractor sales in November increased 46 percent to 284 units from last year's 194, the South African Agricultural Machinery Association said in Johannesburg.

Sales for the first 11 months of this year were almost 37 percent up at 2 841 units from 2 082 a year ago.

"It is now certain that at least 3 000 tractors will be sold in 1993.

"With the recent upturn in sales, several manufacturers are facing shortages of certain models and this is holding the market back to a small degree.

"This backlog should be cleared within the first quarter of 1994," Saama said.

Combine harvester sales for the year to date are running at more than 73 percent higher — 116 compared with 67 at the same stage last year.

"An interesting observation is that there has been a swing to larger machines, with most sales of combines currently being to contractors and larger farmers.

"In terms of harvesting capacity, therefore, 1993 sales will translate into being more than double the 1992 sales."

Baler sales continued to be bouyant, with year to date sales almost 14 percent up on last year at 391 units from 344.

"Many farmers will take advantage of the good early summer conditions to bale as much hay and wheat straw as they can.

"Baler sales should therefore continue to be good over the next few months," Saama said.

■ Haggie group's R80 million steel cord plant in Boksburg is 30 percent complete and has already attracted order enquiries from Japan, Germany, England and Italy.

The infrastructure is all but done and about R40 million of equipment has been received. Commissioning has started and the first spools of fine, 0,3-mm wire have been produced.

The Haggie Steel Cord plant will manufacture fine steel wire and strand for use in tyres and hose armouring and will complete the range offered to the rubber industry by making galvanised conveyor belt cord.

The project is a joint technology agreement between Haggie and the Italian engineering company GCR.

Haggie Steel Cord general manager Brian Nelson says the project is on schedule and the first tyre cord samples should be ready by mid-1994.

"We have been encouraged by the level of customer interest both locally and abroad.

"The intensity of overseas interest has already allowed us to start defining our export markets more clearly," Mr Nelson said. — Sapa.

■ DEUTSCHE Bank, Germany's largest private sector bank, reported an 11 percent increase in operating profits in the first 10 months of 1993. — Financial Times.

■ GENERAL Motors Europe is expected to reach final agreement next week to begin assembling cars in Poland. — Financial Times.

Company wins interdict against newspaper

Star 18/12/93

PATRICK FARRELL

CAPE TOWN — Electronics company Plessey Tellumat SA has been granted a final interdict in the Supreme Court preventing South newspaper from publishing an article accusing the company of sexual and racial practices.

Mr Justice Conradie said yesterday that Plessey had made out a "clear right" for the final interdict. Plessey was granted a temporary interdict against South and its editor Guy Berger in June, which was later extended.

The article was about views expressed by the Metal and Electrical Workers' Union of South Africa accusing the company of sexual and racist practices. (189b)

The article referred to Plessey retaining the services of a white executive who had been found guilty in a company disciplinary hearing of sexually harassing an employee.

The article quoted the union's regional secretary Brian Williams as saying: "If he had been black he would have been dismissed."

South claimed the article was in the public interest and contained fair comment. Plessey claimed the article contained no facts on which such comments could be based, and that if it were published it would harm the company.

Mr Justice Conradie said the average reader of the article would be left with the impression that the executive had been left by Plessey to instil fear in his underlings.

"The article does not mention that the executive was stripped of his directorship of a Plessey subsidiary, transferred to Cape Town and given a specialised job where he is isolated from other employees."

The judge added that if the reader were told these facts, the fears expressed by the union, that women employees were in danger of being harassed, would be put in perspective.

"I do not agree that the facts in the article are substantially true — they can also be substantially misleading as facts are omitted."

He ruled that the interdict be made final and that South and Berger pay the costs. South was given leave to argue within 10 days the costs of the two hearings in June and August.

Milstan to split into two companies

MARCIA KLEIN

MILSTAN shareholders voted on Friday in favour of restructuring the electronic products retailer into its two operating companies, Miltons and Stans.

They also voted that minorities would be bought out at 10c a share by Bacarat Investments, which was wholly owned by Milstan majority shareholder, Stan Etkind. The troubled company was delisted from the JSE in August at 25c.

Etkind said that it had become apparent that the group "would almost certainly collapse under its debt load with everybody, including minorities, losing everything". BIDAY 20/12/93

In terms of the deal, a Milton Etkind-led consortium will acquire Miltons from Milstan. Stanley Etkind will be the sole remaining shareholder in Milstan, whose trading asset will be Stans.

Minority shareholders of 51%-held subsidiary Hi-Fi Specialists will acquire it from Milstan.

Since the delisting, Miltons and Stans traded through agreements with creditors, which had claims of R38m. (1898)

COMPANIES

Eskom move a blow to Spescom

ROBYN CHALMERS

CUTBACKS in parastatal spending levels and tough trading conditions saw Spescom Electronics post a substantial drop in turnover to R21,95m (R30,72m) for the six months ended October 31. B/Day

A squeeze on margins left operating income down to R2m (R2,4m), but this was boosted by income from investments of R2,5m. Interest paid was marginally lower at R1,1m (R1,11m). 21/12/93

The group was hit with a royalties bill of R2,3m because of its sale this year of patents relating to the credit transfer system used in electricity prepayment meters. Spescom retained the use of the patents.

An abnormal item of R382 000 related to the cost of salaries following a restructuring programme, which left pre-tax income almost halved at R675 000 (R1,3m).

A tax payment of R45 000 reduced net income after tax to R630 000 (R1,3m). Earnings per share were halved to 3,2c (6,3c), but directors decided to declare a dividend of 1,5c (2,0c) a share in anticipation of a better second half.

Spescom chairman Tony Farah said there were good reasons for optimism about the future of the company.

The biggest blow for Spescom was the decision by Eskom not to award the company — a leading supplier in 1992 — a contract for its prepayment electricity metering systems, Cashpower 2 000. The impact of this decision was to reduce production volumes to the parastatal to a quarter of former levels.

In addition, Farah said supply to ongoing contracts was at a lower level than planned because of violence in areas undergoing electrification.

Farah said he believed Spescom was a strong contender for Eskom's next prepayment electricity meter tender and the group was well advanced in negotiations on an international joint venture for its metering products. (SS)(189D)

On the local front, Farah said, Spescom had obtained exclusive distribution rights for Fluke, a major supplier of electronic test equipment for the service industry.

FM 24/12/93 (189D)

AFRICAN CABLES FM 24/12/93

Slimming down

(189D)

Viewed against chairman Clive Parker's statement at the start of the year that rationalisation benefits should produce higher pro-

Activities: Manufactures electrical cables and related products.

Control: *Reunert and Siemens through Afcab Holdings (82,3%).*

Chairman: *C C Parker; MD: P J Muller.*

Capital structure: *39,5m ords. Market capitalisation: R126,4m.*

Share market: *Price: 320c. Yields: 3,8% on dividend; 8,2% on earnings; p:e ratio, 12,2; cover, 2,2. 12-month high, 420c; low, 275c. Trading volume last quarter, 2 400 shares.*

Year to Sep 30	*'88	*'91	†'92	'93
ST debt (Rm)	2,9	16,6	4,7	4,1
LT debt (Rm)	—	nil	30	11
Debt:equity ratio	—	0,18	(0,22)	(0,14)
Shareholders' interest	0,79	0,67	0,67	0,74
Int & leasing cover .	86,0	6,1	13,7	583,0
Return on cap (%) ..	31,5	14,9	19,0	11,9
Turnover (Rm)	187,2	171,7	248,1	247,3
Pre-int profit (Rm) ...	37,0	20,4	30,7	18,3
Pre-int margin (%) ..	18,1	10,6	11,5	7,2
Earnings (c)	77,8	47,0	45,4	26,3
Dividends (c)	33	22	21,6	12
Tangible NAV (c)	361	388	274	288

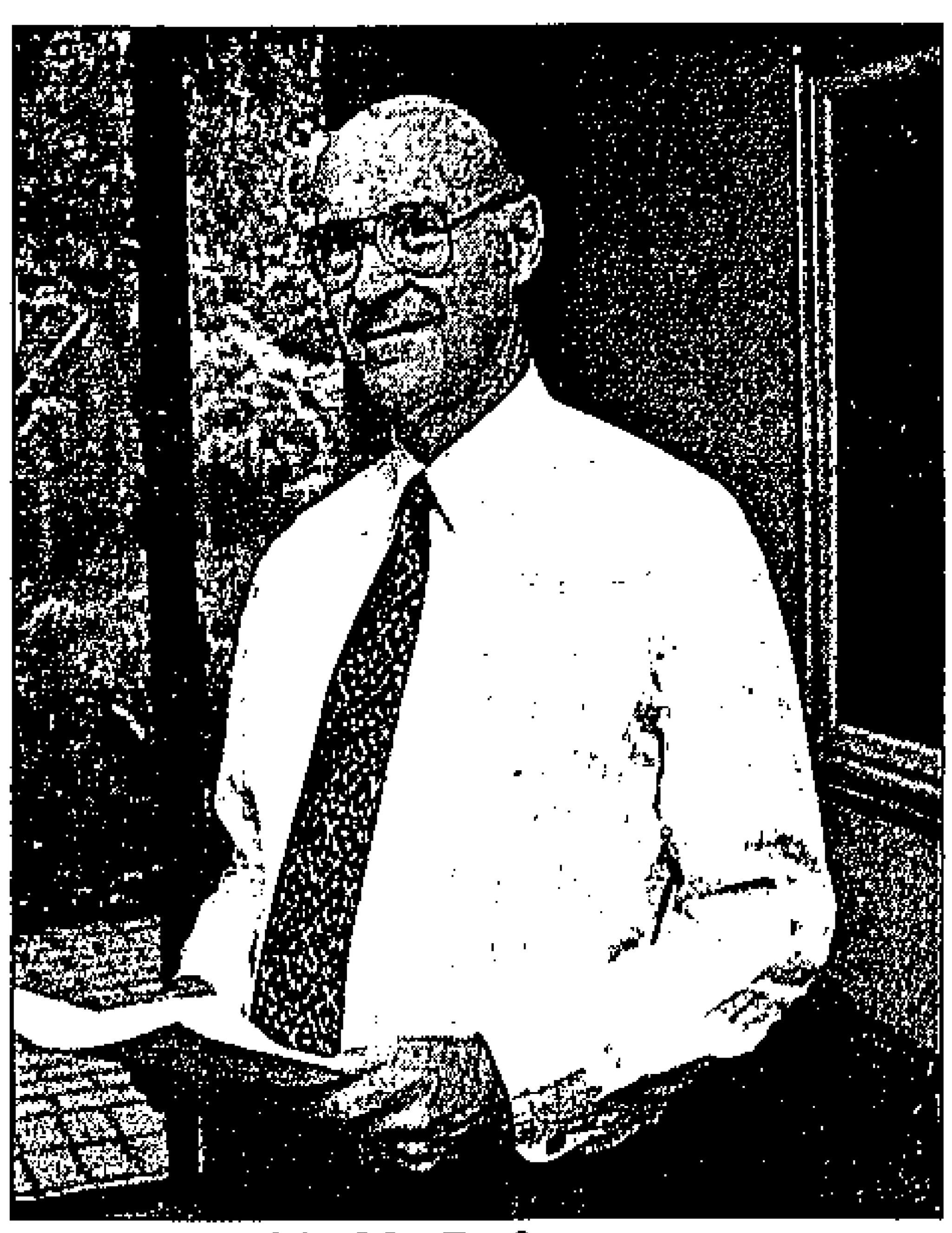
* June 30 year-end. † 15 month accounting period; income statement data annualised.

fits despite the depressed state of the cable industry, last year's drop in EPS from 45,4c (annualised) to 26,3c is hardly encouraging — especially as the major portion of the decline occurred in the second half.

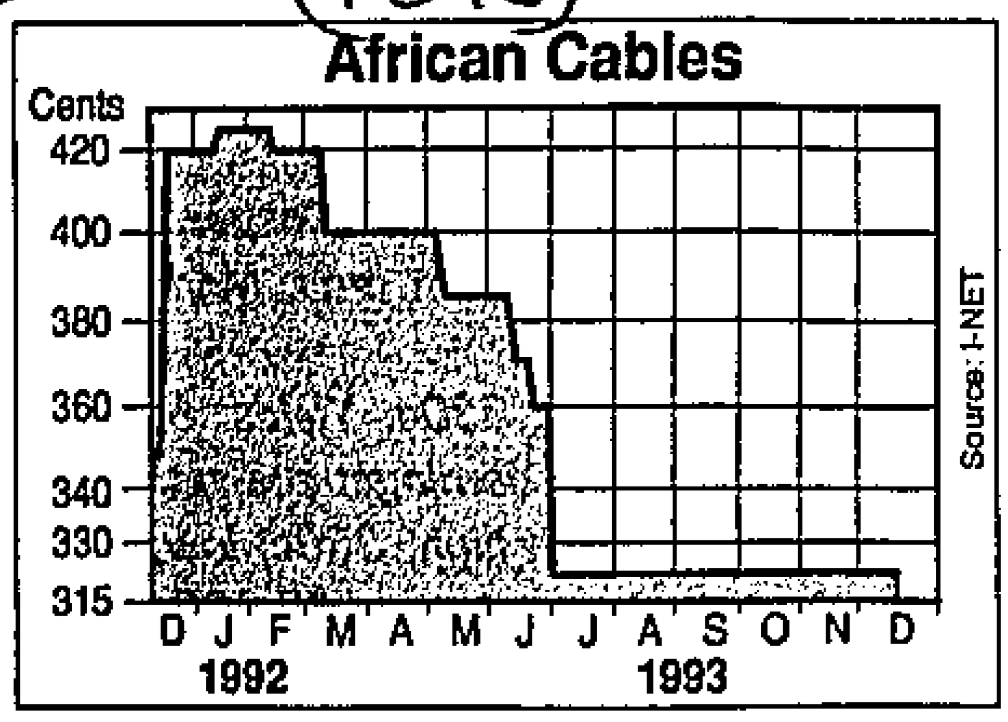
Accurate comparisons with previous years are still bedevilled by 1992's financial year-end change from June to September and the extended accounting period consisting of a 15-month contribution from the original African Cables and only 12 months from Siemens Cables (now Rosslyn Cables) which was merged into the group from October 1 1991.

As noted at the time, a normal pro rata annualisation of this mix of accounting periods tended to understate 1992 performance; now, a year later, the same considerations tend to understate the deterioration in 1993 results.

Though one can argue about the accuracy of the numbers, the trend is beyond dispute. During the second half of 1993, EPS were only 7,3c — down from 19c in the first half.



Afcab's Parker ...
cautious on prospects



First-half earnings were 14% below the comparable year-ago period, whereas those of the second half fell by two-thirds.

Reasons for the deterioration included stock write-offs and retrenchment costs which, according to Parker, together wiped R7m off operating profit. This equated to 56% of the overall decline, measured against 1992's annualised figure. The rest seems to have been poor trading conditions. Turnover was static in rand terms, indicating further real reduction, but against this, costs of raw materials and services (still annualised) increased by 6%, contributing to the contraction in the operating margin from 11,5% to 7,2%.

Employee costs rose by an annualised 2% despite a 25% reduction in year-end numbers. The merged group now has fewer employees, at 958, than before the merger when African Cables had total staff of 1 044.

Other indicators as to how the merged group has been slimmed down include the total asset base which, after a R7m reduction to R154,2m last year, is now only 12% larger than in 1991, before consolidation of the Siemens cable interest.

This has been a material factor in boosting the asset-turn ratio to its current 1,6 times, from 1,25 two years ago. An even more marked improvement has been achieved with working capital. Despite a setback last year, 1993's net figure of R53,1m is still R4m below that of African Cables alone in 1991. The ratio of net working capital to turnover has dropped from 33% to 21,5%.

Though they don't seem to be helping much yet, these positive features should result in substantially higher profits if and when offtake reverses its downward trend.

Though some of the factors — retrenchment costs and stock write-downs in particular — responsible for 1992's poor results should not recur this year, management is surprisingly negative about short-term prospects. Parker says operating results are not likely to improve until the economy turns and township violence is brought under control.

Behind the scenes, the attitude seems to be different. Holding company Afcab Holdings (jointly owned by Reunert and Siemens) has apparently been taking advantage of a depressed share price to raise its holding from 79,7% to 82,3%.

After taking into account two other large blocks (both unchanged over the year), there are now only 237 000 "free" shares floating around, 0,6% of the total issued capital. No

FM 24/12/93 (189D)

real market can exist under these conditions and, for the outsider, the share would have limited appeal even in a favourable economy.

Brian Thompson

MANUFACTURING – ELLECTRICAL/ ELETRONIC.

1994

'Community' business

MICK COLLINS

LISTED electronics manufacturer Spescom is examining ways of working directly with community groups to help them participate in business and build on entrepreneurial skills. B/Day

Spescom division manager Dennis Cox said yesterday: "We are looking for new ways of working in SA, including the empowerment of local communities. 4/11/94

"Having become involved in negotiations to this end, we are greatly encouraged by the recent appeal made by ANC president Nelson Mandela for business to contribute to the economic reconstruction of SA."

Among the best discussions in which the company had been involved were those with the SA National Civic Organisation (Sanco).

"Stemming from these discussions, we are now working towards a memorandum of understanding on ways and means for the community and workers to participate in business," he said. 1891D

A detailed code of ethics covering issues such as the company's operations and affirmative action was expected to be included in the memorandum.

A possibility for the community to become involved in business was through the establishment of a number of electricity vendors. This could be done with Spescom's low-cost distribution vending points, which would enable third-party agents to sell electricity with complete security, he said.

REUNERT Fm 7/1/94

Higher voltage

Chairman Clive Parker says he expects only a moderate increase in attributable earnings this year. But analysts, fooled twice before by his caution, are forecasting increases of around 14%-16%. And they probably won't be far off the mark. (189b)

Fm 7/1/94

Activities: *Makes and distributes electronic, engineering, telecommunication and electrical equipment as well as a broad range of cables.*
Control: *Old Mutual.*
Chairman: *C C Parker; MD: A J Ellingford.*
Capital structure: *32m ords. Market capitalisation: R472m.*
Share market: *Price: 1 475c*. Yields: 1,6%* on dividend; 4,6%* on earnings; p:e ratio, 21,7*; cover, 2,9. 12-month high, 1 475c*; low, 650c*. Trading volume last quarter, 140 000 shares.*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	59,6	35,7	47,2	35,5
LT debt (Rm)	31,7	3,8	2,1	1,5
Debt:equity ratio	0,20	nil	nil	nil
Shareholders' interest	0,42	0,44	0,42	0,44
Int & leasing cover .	6,0	11,1	—	—
Return on cap (%) ..	14,6	12,2	17,2	17,2
Turnover (Rm)	1 416	1 609	2 278	2 368
Pre-int profit (Rm) ...	131,6	127,6	211,9	236,5
Pre-int margin (%) ..	9,0	7,9	9,2	10,0
Earnings (c)	234,1	237,5	292,8	340,0
Dividends (c)	81	81	100	117
Tangible NAV (c)	796	877	812	1 008

* Adjusted for 5:1 share split.

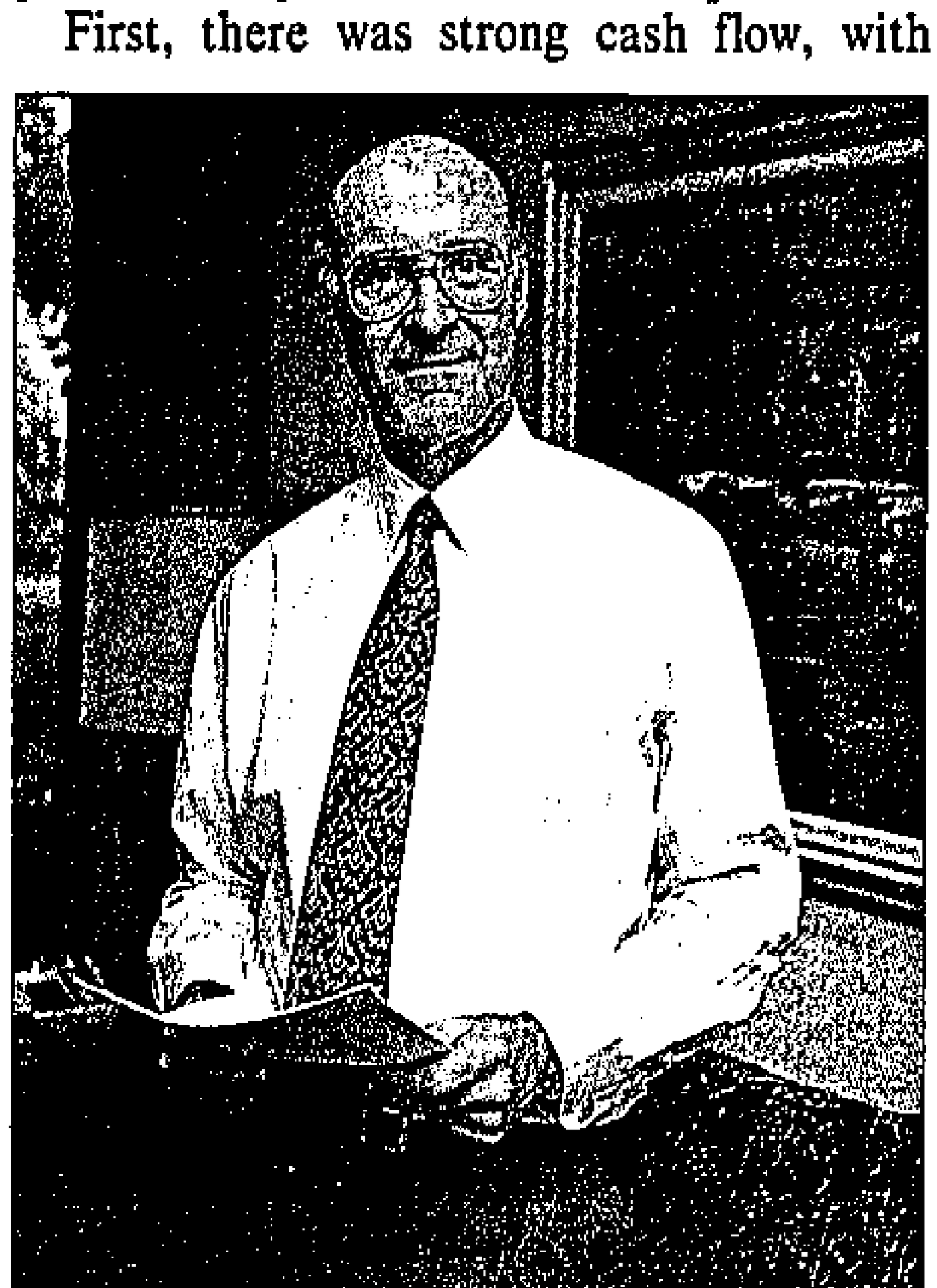
(189b)

A number of branded products have been added to the Reunert product range following the acquisition of Panasonic, Nashua and Airomatic from Barlow Rand — a spinoff of the unbundling. Pro forma figures (after the acquisitions) show EPS of 385,1c. All things being equal, that suggests Reunert's divisions would merely have to match their 1993 performance for the group to show a 13% improvement.

Reunert, now holding most of Barlow Rand's electronic interests, operates six divisions — electronics, mechanical, telecommunications, electrical engineering, cables and the new consumer electronic products. Regrettably, a divisional breakdown is absent from the annual report — a matter which, Parker says, will be addressed this year.

But what drove the share to its R14,75 annual high last month? And, more to the point, what pushed 1993 EPS up 17%?

First, there was strong cash flow, with



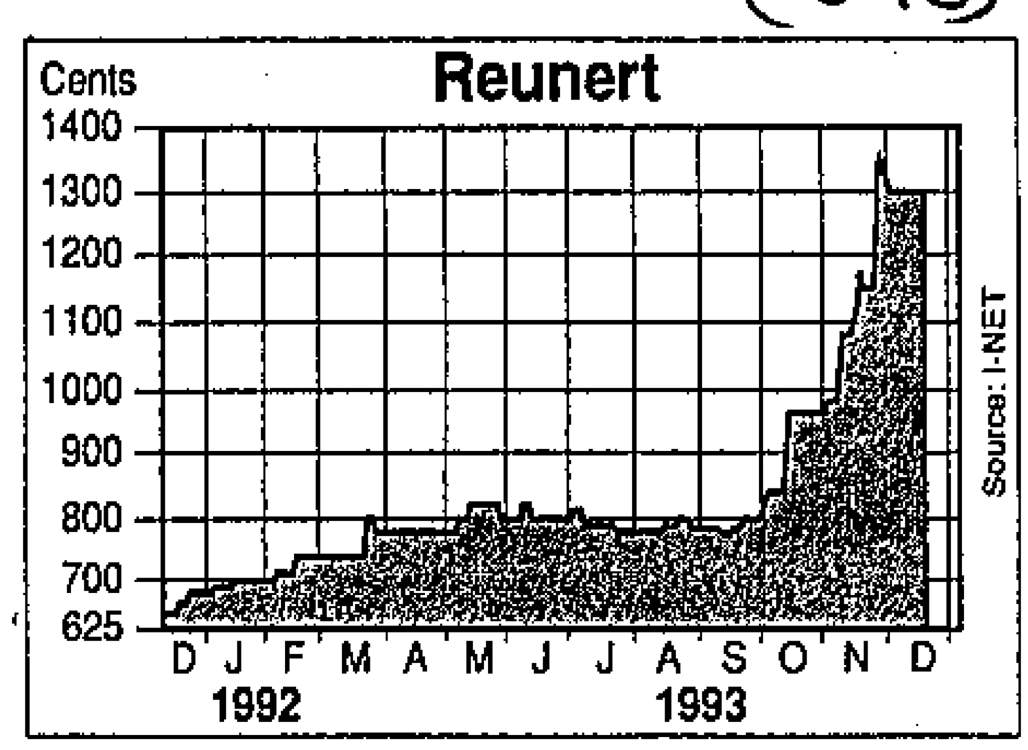
Reunert's Parker ... *wants to consolidate this year*

Fm 7/1/94

total cash holdings increasing by 58% to R290m. This gave rise to net interest income of R21m. Reunert is ungeared; borrowings are a mere R37m. The balance sheet is regarded as one of its biggest strengths.

On a roll in 1993, Reunert even landed in the butter as far as tax was concerned. Having exhausted tax losses in the 1992 year, it faced a large tax increase. However, the dual tax system introduced by Finance Minister Derek Keys in March cushioned the effect; the reduction in the statutory tax rate limited the effective rate, including secondary tax on companies, to 41% (1992: 37%).

The company also enjoys a good technical relationship, including joint ventures, with global hi-tech corporations. Though exports account for less than 10% of turnover, they retain priority. And, after the unbundling, Reunert can explore its own avenues — including developing new products — without having to report to a parent. (189b)



Parker says this year will be more of a consolidation phase. "A great deal of attention will be paid to working capital and controlling expenses." This was also his aim in 1993 — and it was achieved reasonably well. Turnover rose 4% to R2,4bn, stock fell 6% to R342m, creditors climbed 6% to R620m and debtors 8% to R395m.

Barlows' November announcement that Persetech would not be moved to the Reunert stable — apparently because the principal, Hitachi, was unwilling — didn't seem to worry the market. The share continued the climb it had started three months earlier.

At a R14,75 annual high and on a p:e of 21,3, the counter is expensive but worth holding. Investors who took a prescient view four months ago must be smiling. The short-term bull run is probably over, but the share is now perceived by most investors — and analysts — as the blue chip of the electronics sector and is a good long-term investment.

Kate Rushton

Electrification increases Powertech's potential

B/Day 13/1/94

ROBYN CHALMERS

ESKOM's electrification programme and the expected economic recovery would boost Altron-held Powertech's earnings potential considerably during 1994, say analysts.

(1891)

Powertech, SA's largest power electrical group, saw turnover shrink 9% to R1bn last year from its peak of R1,2bn in 1991. This was largely a result of recessionary economic conditions.

An analyst from Edey, Rogers & Co said sales of electrical goods were expected to leap from present levels of R4,1bn to R10bn by 1998 as a result of the Eskom-led electrification programme.

This would lead to significant growth for subsidiary General Technologies (Gentech), which manufactures, supplies and services consumer appliances.

Gentech suffered a R1m loss in the six months to August, but was expected to achieve a turnover of R350m by 1996, against R268m in 1993.

The Daewoo-Amic joint venture acquisition of a 30% stake in Gentech for R20m in July last year would also provide longer-term benefits. Daewoo, a major South Korean group with turnover of R100bn a year, would be a source of technology and new products while the Amic connection would benefit Gentech in the domestic market.

"Real growth in sales of domestic appliances bottomed at a 9% decline in 1992, and has subsequently recovered sharply to a smoothed month-on-month level of 4%.

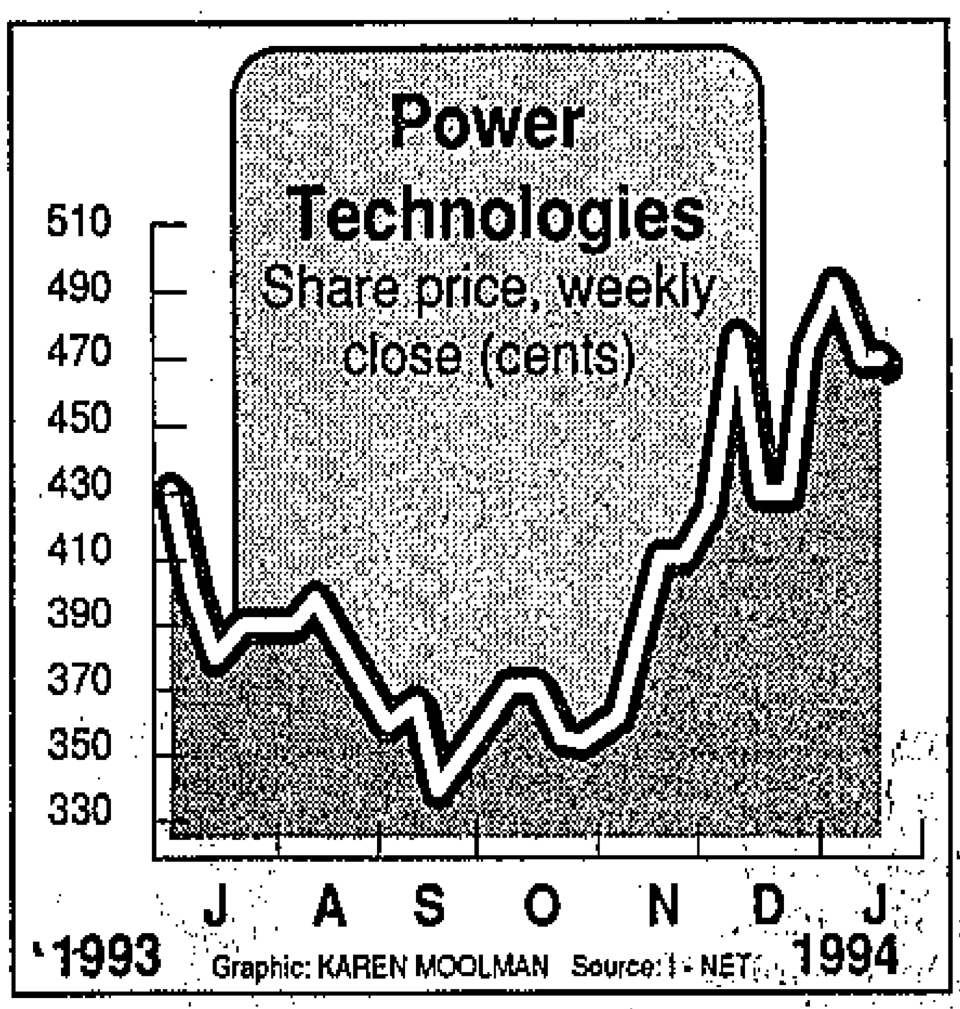
"A return towards previous growth levels of more than 15% is expected over the next few years," said an analyst.

In addition, analysts said electrification would create a new market in the reticulation equipment market which could amount to R600m to R800m a year over the next five years.

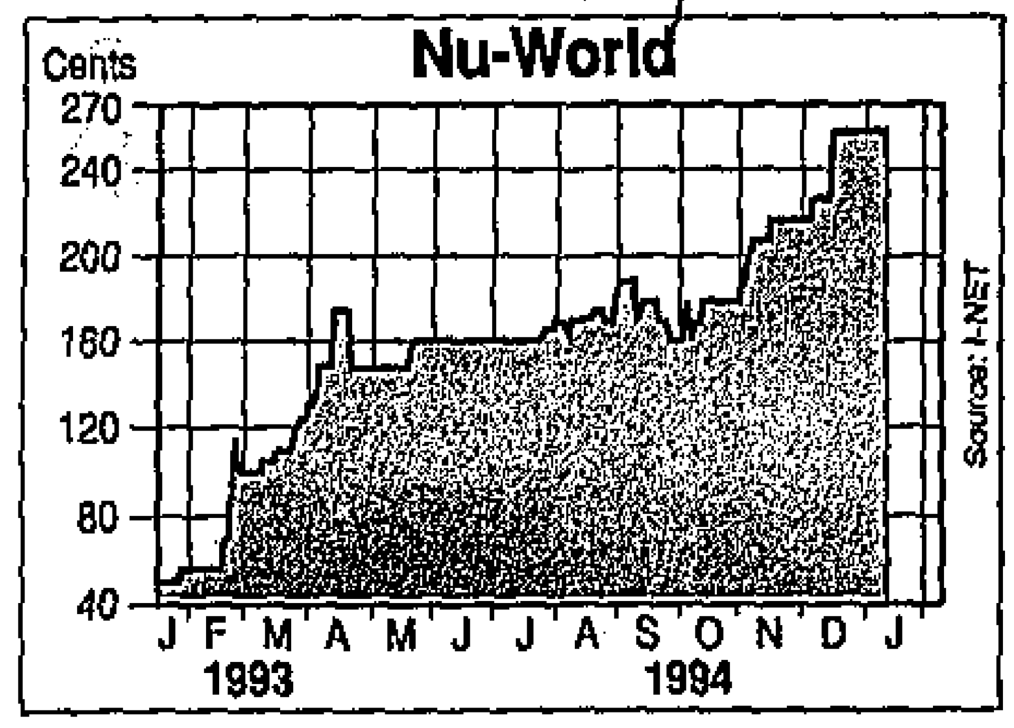
Other top performers in the Powertech stable included Willard Batteries, which analysts said would continue to show earnings growth. ABB Powertech, operating in the power generation sector, should achieve earnings growth of 30% this year.

Aberdare Cables earnings were expected to show only marginal growth this year as a result of a recent investment to boost manufacturing efficiencies and exports, said analysts.

Powertech has a new CEO, Johan van den Bergh, formerly an Eskom executive director. He succeeds Peter Watt, who was appointed deputy chairman of Altron.



FM 21/1/94



NU-WORLD FM 21/1/94

Finding the market

Activities: *Makes and distributes domestic electric appliances and wiring accessories.*
Control: *Directors 71,1%.* (1898)
Chairman: *J A Temple; MD: M S Goldberg.*
Capital structure: *12,8m ords. Market capitalisation: R33m.*
Share market: *Price: 260c. Yields: 1,5% on dividend; 6,7% on earnings; p:e ratio, 14,9; cover, 4,6. 12-month high, 260c; low, 50c. Trading volume last quarter, 69 000 shares.*

Year to August 31	'90	'91	'92	'93
ST debt (Rm)	1,8	2,5	2,7	6,3
LT debt (Rm)	4,0	5,8	7,8	7,0
Debt:equity ratio	0,69	0,89	0,73	0,70
Shareholders' interest	0,33	0,34	0,30	0,34
Int & leasing cover	3,17	2,42	2,94	2,47
Return on cap (%)	16,7	14,9	11,8	10,4
Turnover (Rm)	35	40	51	75
Pre-int profit (Rm)	3,2	3,3	3,5	4,6
Pre-int margin (%)	9,0	8,1	6,8	6,2
Earnings (c)	13,9	11,5	13,9	17,5
Dividends (c)	4,3	2,6	3,0	3,8
Tangible NAV (c)	49	58	69	119

Few electrical appliance manufacturers can boast three consecutive years of earnings growth and declining gearing — and promise more of the same for 1994.

Increased local market share and the successful expansion into export markets are just two factors that contributed to Nu-World's 46% rise in turnover to R74,5m in 1993 — the largest percentage increase over the past six years. This was on a maintained headcount. (1898)

Operating income rose only a third to R4,6m. Financial director Graham Hindle says difficult trading conditions, locally and abroad, heightened by competitive pricing needed to promote exports, squeezed margins. But the increased demand brought escalating capital expenditure. Almost R3m was spent on plant last year and there are plans to spend more; tooling has been custom-made in China and will be brought to the Nu-World premises in the next couple of months. Also, a new Nu-World branch was opened in Cape Town.

Exclusive sole agency agreements for the distribution of the Russell Hobbs and Wik range of products were negotiated in the second half of last year. Requests for the brand names and continuing electrification are boosting Nu-World's order book. Hindle says 1994's first-quarter sales are above budget. He adds: "Exports now account for about a fifth of sales generated."

During August, Nu-World sold certain trademarks, the proceeds being received on September 30, after the close of the financial year. Had the proceeds (R5m) been received before August, gearing would have fallen from 70% to 37%. Hindle says re-establishing the balance sheet is high on the agenda this year. In 1991, debt:equity was a high 0,73. This year, it should drop to 33%.

Financial 1994 will include a full year of contributions from Russell Hobbs and Wik products. Benefits from the new machinery will help the bottom line too. Hindle confidently budgets similar growth as the last two years. This brings EPS to 21,5c and shareholders could pocket around 4,25c a share.

After the price more than quintupled over the past 12 months, the p:e has risen to a steep 14,9. The good record over several years, strengthening balance sheet, rand hedge element and growth prospects suggest the share is not unduly expensive. *Kate Rushton*

Nu-World chairman John Temple ...
export growth promising

Turnover up 24% at Bearing Man

(189) CT 21/1/94

JOHANNESBURG. — Acquisitions helped lift Bearing Man's turnover enabling it to post a 31% increase in net income to R5,5m in the six months to end December 1993 from R4,2m in the same period a year ago.

Turnover for the bearings, seals and power transmission distribution company in the Anglovaal Industries group increased by 24% to R91,2mn (R73,5m).

Despite difficult trading conditions, operating income increased by 26% to R10,3m (R8,2m), mainly as a result of improved economies of scale and sustained stringent cost control.

Although the company's core bearing business continued to be affected by price discounting, net operating income rose by 38% to R9,2m (R6,7m).

Earnings a share were up 30% to 58c a share (45c) and an interim dividend of 20c a share (15c) was declared. — Sapa

ELECTRONICS INDUSTRY

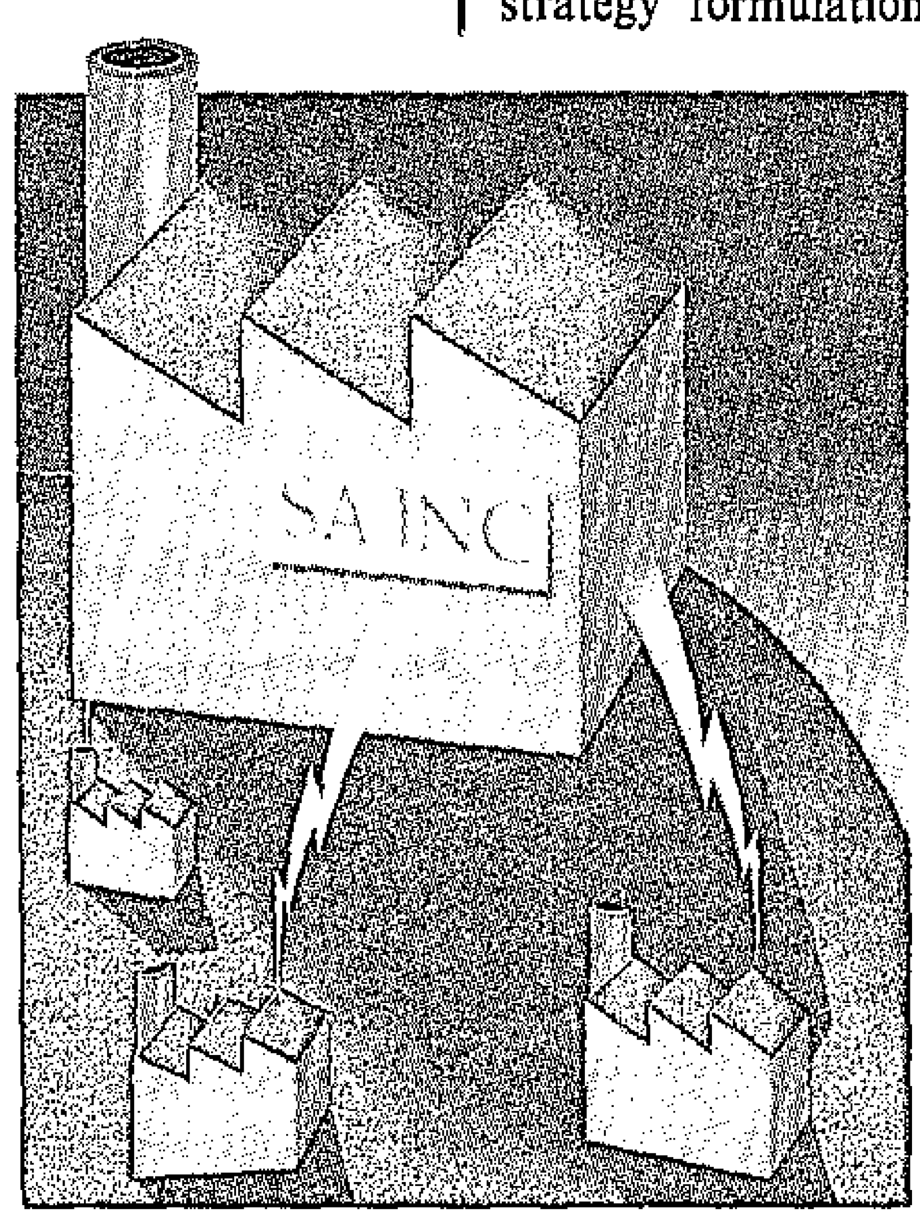
FM 28/1/94

Picking the wrong model

With practically no growth over the past five years, large cutbacks in capital expenditure, and the multinationals poised to return, the local electronics industry is facing a crisis. The industry says that for it to survive, government must adopt a strategic industrial policy which it calls *SA Inc* — adapted from the *Japan Inc* model of a government-industry-labour partnership.

But *SA Inc* is being promoted just as *Japan Inc* is coming under fire. Suffering from years of political corruption, plagued by high consumer prices, falling behind in several key industries, and trying to escape from recession, Japan is second-guessing the model.

Nobel laureate Gary Becker, writing recently in *BusinessWeek*, says the *Japan Inc* model has not made the country strong. He adds that the Japanese are starting to question the guidance of the Ministry of International Trade & Industry (Miti), which picked promising technologies and promoted them to the private sector.



"The Japanese are apparently no longer convinced that their bureaucrats, however well trained and professional, are successfully guiding the economy," he says, adding that Miti probably slowed the Japanese reaction to the telecommunications and biotechnology revolution.

Locally, however, the electronics industry, labour and government are convinced *SA Inc* is the right route. They maintain that government intervention in industry is the norm worldwide and that, to compete, SA must follow suit.

Electronics had a turnover of more than R13,4bn in 1992 and rates alongside agriculture in its contribution to GDP. But the industry is now in trouble. Not only do local companies face increasing competition from overseas, but the industry has been hammered by spending cutbacks from commercialised State-owned companies such as Armscor, Eskom and Telkom, which are focusing on cost-competitiveness. Added to this, the exclusive long-term agreements between Telkom and suppliers such as Siemens and Altech, which remained faithful to SA throughout the sanctions period, are coming to an end and won't be renewed. It is plausible that an ANC government will favour Swedish and US companies that heeded the sanctions call.

(1891D)

"The need for an *SA Inc* strategy has increased with the lifting of sanctions," says Standing Committee for Electronics chairman Gerard Morse. "In 1984 the State utilities represented half of the electronics customer base. This has fallen to under 25%."

Established in 1984 to co-ordinate State purchasing, the committee was reconstituted by Trade & Industry Minister Derek Keys in late 1992 with the aim of making the electronics industry competitive in five years. It now includes representatives from government, industry and organised labour. Chaired by the IDC, it operates through a number of working groups that specialise in strategy formulation, projects of national relevance, smart card development, education and training, and telecommunications.

Morse says a report on developing the electronics industry, which consolidates inputs from all the major interest groups, will be released for comment in the next few months. Final proposals will be referred to the Department of Trade & Industry and the National Economic Forum.

A key contributor to the report is the Electronics Industry Federation, which developed its proposals in conjunction with National Union of Metalworkers of SA.

The *SA Inc* initiative aims to encourage the home market to support local industry, which it claims will then develop export opportunities. "If we don't protect our industry, we won't survive," says federation director-general Dirk Desmet. "All countries protect their electronics industry. There is no such thing as a free market."

Critics say two wrongs don't make a right. If other countries want to protect uncompetitive industries and make their countries poorer, that doesn't mean SA must do the same. They say SA has followed this policy with other industries for decades, with only resounding failures to show for it. Textiles, clothing, motor vehicles and other sectors have been targeted by government for special help and in return produced many shoddy products at high prices.

Protecting local electronics is also unpopular among traders, who, unlike manufacturers, could make more sales if there were no tariffs and cheaper overseas goods could be imported.

The electronics industry has suffered because of blanket tariffs that were implemented because customs officials could not differentiate among different types of electronic components. Association of Distributors of Electronic Components chairman Albert Kopp says: "Because 90% of all components are imported, blanket tariffs resulted in only one or two manufacturers benefiting at the expense of the industry." Though import duties on electronic components were scrapped recently, surcharges of 5%-15% remain. Duties on fully assembled consumer imports remain high.

Desmet says the electronics industry can be protected without contravening Gatt, which SA agreed to last month. "All our major trading partners have some sort of nontariff barriers. For instance, they delay the issuing of permits and offer preferential treatment on government tenders." But Geis, which led to corruption and distortions in the industry, will be phased out by April 1995 because it violates Gatt.

Federation president Bart Cilliers says: "Fundamental to our strategy is that the State purchasing power is used to develop local industry. Labour has endorsed this objective and agrees with us that the profit goal of State-owned organisations should be subservient to other national aims."

The federation says future industrial policy should attract multinationals and help local companies.

Desmet says: "Local companies must be able to compete on an equal footing. We don't want to wipe out local industry by opening up the market totally."

An industry consultant says overprotection has benefited few. The federation — which comprises 27 companies and eight industry associations, representing 90% of the electronics business in SA — is seen as a club for the big boys.

He adds: "The federation has been hijacked by multinationals such as Siemens and Altech, which have long benefited from exclusive supply agreements with the State utilities. These cosy long-term agreements are coming to an end."

To attract global players to design and manufacture in SA, the country will need a stable government, a cost-effective, well-trained labour force and a highly developed technological support infrastructure in the form of research institutes, universities and technikons. "If we don't achieve this," Desmet says. "we can forget about industrial growth."

Marina Bidoli

Nu-World plans to raise R3,2m from share issue

B/Day 3/2/94

MARCIA KLEIN

ELECTRICAL appliance manufacturer Nu-World Holdings will raise R3,2m in cash through the issue of new shares to an unnamed investor.

This would be used to fund growth and repay interest-bearing debt, the company said yesterday.

Nu-World, whose share has jumped to its current level of 250c from just 50c in January last year, has recently attracted institutional interest. It is believed the new investor is an institution.

In October Nu-World said it would consider a rights issue when the share reached 250c. A source said the issue of new shares was a less expensive option.

MD Michael Goldberg said the company was experiencing strong growth in turnover — in the local market and from increasing export demand.

It was strategically well placed to benefit from the increase in electrification.

In view of its growth potential, Nu-World had decided to issue nearly 1,28-million shares for cash.

The R3,2m proceeds would be used to fund its growth and to repay interest-bearing debt. (189D)

In a circular to shareholders, Nu-World said it intended to issue the shares, which amounted to 9,1% of the enlarged share capital, subject to the approval of shareholders.

Arrangements had been concluded with an investor to subscribe for the shares. The new shares will be listed on February 23.

The opportunity to increase shareholders' funds "will strengthen our balance sheet and cast a strong foundation for future growth".

Goldberg said Nu-World's interim period to end-February was within budget. Despite the additional shares in issue, it was expecting "sound growth in earnings a share".

Control Instruments excels

ROBYN CHALMERS

ELECTRONIC group Control Instruments (CI) put in a solid performance during the six months ended December 31, raising turnover more than a third to R49,1m (R35,8m). B/Day

Net income before tax almost doubled to R2,8m (R1,4m). A tax charge of R107 000 against a zero tax bill during the 1992 interim period saw attributable earnings rise 91,4% to R2,7m (R1,4m). 8/2/94

Earnings a share doubled to 4c (2c) and an interim dividend of 1c (0c) a share was declared.

Group MD Richard Friedman said the group's level of exports had continued to increase and a number of significant new contracts for its products were obtained during the six months. (189D)

"We will not allow tovi-tov- ... He believed ... ready for de- ...

Move to liquidate electronics retailer

Star 11/2/94

BY JOHN SODERLUND

A consortium of the six major creditors of Stans are to file an urgent application for the liquidation of the electronics retailer this morning.

In June last year Panasonic, SA Philips, TEK, Tedelex, Standard Bank and Frank & Hirsch, which together account for 80 percent of Stans' massive R37 million liabilities, froze the debt and registered notarial bonds against the assets of Stans as security. They agreed to allow the company to try to trade out of its difficulties and settle accounts with minority creditors.

Shortly thereafter Milstan, the holding company of Miltons and Stans (owned by Milton and Stan Etkind, respectively), was suspended from the JSE due to a failure to submit annual financial statements and was delisted in August. In December the two companies split and continued to trade separately.

Since then Miltons is reportedly trading strongly. Stans continued to slide.

John Ellis, chairman of the Milstan Creditors' Consortium, says the latest figures highlighted the dire financial straits in which the company was trading and yesterday called for the closure of all 14 Stans branches countrywide to take control of all assets. Liabilities, according to Ellis, exceed assets by about R24,5 million.

NU-WORLD FM 11/2/94

Placing equity

Electrical appliance manufacturer Nu-World is the latest company to take advantage of the JSE's new regulation in which the rights issue route is by-passed and new shares are issued for cash. To raise R3,2m as cost effectively as possible — expenses total only R68 000 — Nu-World has issued 1,3m shares at 250c each, increasing issued capital by 10%. (189D)

The identity of the buyer is not being revealed. It is a financial institution which intends to pass the shares on to various pension funds and individuals through nominee companies. The controlling shareholders' stake, which includes holdings of two directors, will fall from 81% to 75%. The JSE has approved the deal, but holders of 90% of the equity will have to pass a resolution at a meeting on February 21, agreeing to waive any pre-emptive rights to which they may be entitled.

But why issue shares to an institution rather than offering equity to existing shareholders through a rights issue? Financial director Graham Hindle says this route was chosen because it is the "most cost-effective." If funds are raised in future it could be by this method or a rights issue. JSE regulations state that a company may not increase issued capital by this method by more than 10% in one year or by 15% in three successive years. However, the JSE committee may refuse permission.

MD Michael Goldberg says R2m of the proceeds will be used to repay interest-bearing debt; at the August year-end short-term

FOX

FM 11/2/94 (189D)

debt was R6,3m, long-term R7m and gearing 70%. However, during August, Nu-World sold certain trademarks, the proceeds being received on September 30, after year-end. Had the R5m proceeds been received before August, gearing would have fallen to 37%.

The remaining R1,2m being raised by the equity issue will be invested in two new products for local and export markets. Plant will be bought for the new products as well as the existing lines. Hindle says this will improve productivity, quality and, ultimately, profits.

Goldberg says Nu-World's performance up to February is within budget. "Even with the additional issued shares, we expect sound growth in EPS." Had the issue been effective from September 1 1992, EPS at year-end August 1993 would have been 18c instead of the 17,5c reported. NAV would have increased from 118,9c a share to 130,8c.

A study of Nu-World's performance over the past few years explains institution interest in a company with a market capitalisation of only R31,9m; the share price has quintupled to 250c in a year, earnings have appreciated for three consecutive years and more of the same is promised for 1994.

Kate Rushton

Cape Times, Tuesday, February 15 1994 11

ADE exports 'reach R50m'

ATLANTIS Diesel Engines (ADE) is currently exporting R50m worth of components a year to Argentina, Brazil, Germany, the UK, France and Korea, CE Fritz Körte said yesterday.

And it is now negotiating "a big deal" in the US, to sell a new product related to the trucking industry.

This "would easily earn R10m a year and will grow into a market worth tens of thousands."

● Ron Shires, technical director at ADE, said five automotive companies in Atlantis — Bremco, Grapnel, STI, GUD and ADE — were all co-operating. "Working together makes us stronger."

This kind of co-operation could result in new industries coming to Atlantis to supply the five, such as small companies making pallets or boxes.

CT 15/2/94

Shires said the same kind of co-operation might also be possible in other groups of industries in Atlantis, such as the textile, packaging and electronics sectors.

(189D)

Slight dip at Delta Electrical

MICK COLLINS

A DECLINE in investment earnings saw attributable income at electrical services specialists Delta Electrical Industries drop 3% to R24m (R24,6m) for the year to end-December. B Day 17/2/94

This was compounded by a drop in revenue from Delta's repairs and services division which impacted on earnings a share at 58c (59,8c). The dividend was unchanged at 27,5c.

Despite volumes remaining under pressure, turnover for the year rose 9% to R364,3m compared with the R334,1m for the previous year.

The trading margin narrowed to 13% from last year's 15% due to continued underutilisation of capacity in heavy industry which resulted in a 4% decrease in operating profit to R47,7m (R49,6m).

The pre-tax profit was 5% down at R46,8m against the previous year's R49,2m. The interest burden increased to R941 000 (R351 000).

A lower tax burden of R17,3m (R20,6m) resulted in a 3% increase in after-tax profits to R29,4m (R28,6m).

Delta MD Evan van Zyl said all other divisions had produced good results with the majority of the operating companies achieving growth in earnings.

"The expansion of Delta's electrolytic manganese dioxide (EDM) plant at Nelspruit was completed in November and expenditure was within original budget parameters. Forward orders have already been secured for most of the full capacity of the newly expanded plant and we are confident this rand hedge investment will show significant growth in 1994." (1891)

The balance sheet remained healthy with gearing having increased to a moderate 15% after having funded the R25m expansion at Delta EDM — including the increase in working capital required to operate the additional capacity.

"In addition, R10m was expended on the acquisition of Pilatus, a distributor of abrasive consumable products, and the purchase of the premises occupied by Delta's second largest repair facility.

"The acquisition of Richards Bay Armature Winders, an electrical repairer in the strategically important Richards Bay area, and a small mechanical repair business in Johannesburg had no impact on cash flow in 1993."

All the acquisitions, including the expansion of the EDM facility, had a negligible impact on earnings in 1993 but the company was confident these strategic investments would have a positive impact on future earnings, Van Zyl said.

Electrics group awarded R45m Columbus contract

BIDay 17/2/94

ROBYN CHALMERS

A CONSORTIUM of Group Five, Siemens and J C Groenewalds has been awarded a R45m contract for the supply and installation of all the electrics for the R3,5bn Columbus stainless steel project at Richards Bay.

The contract is one of several which have been awarded to local engineering, construction and services firms by Columbus. Total local contracts awarded to date are valued at almost R900m.

Group Five projects director Glenn Rowden said the consortium would provide the reticulation for the entire plant.

This would include the supply and installation of cable racking, cabling, power cabling, plant lighting and services to utilities.

Rowden said additional contracts involved the supply of reticulation, cabling and cable racking for the raw materials handling system, the melt shop, the hot strip mill and the dold mill.

"We began establishing ourselves on site in January and started work on the project at the beginning of February. The estimated completion date is the end of January 1995.

"There was fierce competition in terms of tendering, and we decided to present a combined front with Siemens and JC Groenewalds.

"This means none of the three companies will be overloaded," he said.

J C Groenewalds GM Beau van Wyk said the scope of the contract was immense, covering the largest portion of the electrical work on the Columbus project.

The length of cable needed for the project alone amounted to 500 000m, almost the distance from Johannesburg to Durban. 189D

Star 17/2/94

Delta earnings decline again

BY STEPHEN CRANSTON

For the second successive year, Delta Electrical has reported a modest fall in earnings per share.

They fell by three percent to 58,8c in the year to December. The dividend is being maintained at 27,5c. (189L)

Group MD Evan van Zyl says there was a decline in the earnings of the repairs and services division and from investments.

But all other divisions produced good results. The expansion of Delta's electrolytic manganese dioxide plant at Nelspruit was completed on schedule and within budget.

Forward orders have been secured for most of the full capacity of the expanded plant.

Gearing rose to 15 percent after funding the R25 million expansion of Delta EMD. A further R10 million was spent on the acquisition of Pilatus, a distributor of abrasive consumable products, and the purchase of the premises occupied by Delta's second-largest electrical repair facility.

Other acquisitions included Richards Bay Armature Winders and a small mechanical repair business in Johannesburg.

Electronics subsidy scheme labelled failure

SBDay 4/3/94

ROBYN CHALMERS

THE Trade and Industry Department's electronics industry subsidy scheme was failing, analysts said.

The bi-annual report, released yesterday, showed only eight projects had been approved since April last year.

The support programme for industrial innovation (SPII) replaced the controversial innovation support for electronics (ISE) scheme 11 months ago. Analysts critised the ISE scheme as an arbitrary state intervention favouring large companies.

Under the SPII programme, development support was extended to all secondary manufacturing industries instead of only to the electronics industry. Funding was reduced from R2m to R1m a project. This could be increased if the scheme contributed significantly to the development of local industry.

The report showed that only eight projects out of 21 applications had been approved under the SPII programme, with a value of R3,7m. Trade and Industry director-general Stef Naude said there had been a large number of inquiries.

"No new applications for development support outside the electronics/software industry have been received since the introduction of the SPII. This is attributed mainly to the natural lag that exists between the initial inquiry stage and the application stage."

Naude said at the current rate of applications and approvals, sufficient funds were available to finance new project developments for two years. The availability of further funds would depend on the success of the programme. (189D)

The report showed 147 projects had been approved under the ISE programme since its introduction in 1989. A total of R21,9m was paid to these projects.

Naude said 62 of these had been completed. They had a total turnover of R124,5m, of which R100,4m was from local sales and R24,1m from exports.

The report estimated that government earned a total of R14,5m in tax, including R10,8m from VAT on local sales and R3,7m from corporate income tax.

Contrary to criticism that the programmes had mainly supported large concerns, Naude said, 52% of total funds approved were granted to companies with assets of more than R10m. This was six percentage points lower than the 58% of funding given under the ISE programme.

Telemetrix goes on surging ahead

B/Day 11/3/94

MARCIA KLEIN

ELECTRONICS and information systems group Telemetrix, listed in London and on the JSE, yesterday reported a 70% rise in earnings to 8,5p (5p) a share in the year to December.

The results were achieved off a high base in the previous year, when earnings increased threefold.

Directors said the results reflected "significant progress on all fronts", with a substantial improvement in margins, sales growth and additional cash generation.

(1890)

Telemetrix, which supplies specialised electronic components, test equipment and support services, increased its turnover 23% to £123,3m — about R634,5m — from £100,6m previously. Higher margins enabled it to lift pre-tax profit 55% to £15,9m (£9,8m).

The group, whose major divisions are GTI, Zetex and Trend, received interest after paying interest in the previous year. This, and a large increase in taxation, resulted in a 73% rise in taxed profit to £16,1m (£9,8m). After minorities, attributable profit was 75% up at £7,7m (£4,4m). Telemetrix has proposed a dividend of 1p (0,8p) a share.

Net cash at the year-end was £11,3m, of which £6,8m was in 58%-held US subsidiary GTI.

GTI, which is listed in the US, increased its operating profits 57% on a 40% improvement in sales despite the effect of of stock corrections by some of its large customers and competitive price pressures in its Valor networking products subsidiary in the second half. GTI contributed 76% of the group's operating profits.

UK-based semiconductor manufacturer Zetex reported unchanged operating profit and contributed 13% to the group's. UK-based telecommunications test equipment manufacturer Trend increased its operating profit 18% to make up 8% of those of the group.

Chairman Arthur Walsh was confident the group would maintain its strong market position.

All group companies had introduced new products "to meet the changing technologies in their respective markets and these are expected to contribute to sales".

Management's efforts were being focused "on reducing material content and on improving productivity through investment in automated plant and other measures".

Allied Electronics Corporation (Altron) has an indirect 6% interest in Telemetrix's share capital.

Altron former deputy chairman Charles Stride has resigned as a director to pursue other interests. He has been replaced by Altron executive chairman Bill Venter.

The share closed on the JSE yesterday at 900c.

Barlows sells Persetech stake

Own Correspondent

JOHANNESBURG. — Barlows is set to sell half of its 58% ownership of Persetech to a syndicate of private investors headed by Persetel founder Roux Marnitz. CT 18/3/94

This follows a January annoucement that negotiations were in progress. (189D)

And in a cautionary annoucement today, the companies said: "Negotiations are in progress with the view to acquiring further businesses."

It is envisaged that these negotiations will not be finalised before elections are over, and this would make sense if the anticipated listing of the company is to be carried through.

Marnitz, who has been appointed as chairman of Persetech's board with immediate effect, says: "We are now looking at acquiring more businesses, and are targeting high growth areas such as networking, software and services, and outsourcing."

One source says the deal will mean major restructuring of Persetech's computer interests which include mainframe supplier Persetel, and Perseus, among others.

Exports fuel Nu-World surge

B/Day 24/3/94

MARCIA KLEIN

ELECTRICAL appliances manufacturer Nu-World Holdings, which has been the subject of institutional interest, yesterday reported a 43% earnings jump to 7,3c (5,1c) a share for the six months to February.

Turnover was 50% higher at R47,3m (R31,5m) — off an already high base — on the back of "substantially higher export sales, new products coming on stream and increasing market share". MD Michael Goldberg said net operating income was 24% higher at R2,2m (R1,8m).

Pre-tax income was 23% up at R1,2m (R988 000), and income after tax increased 41% to R924 000 (R655 000).

(189D)

Goldberg said exports continued to play an increasingly important role in the company's growth.

Recently Nu-World announced it would raise R3,2m in cash through the issue of new shares to an unnamed institutional investor. Even allowing for the additional shares in issue, Goldberg expected a substantial rise in earnings for the full year.

He said the company was well positioned to benefit from new housing and electrification policies in SA.

Yesterday's share price reflected buyers at a high of 295c, more than double the 120c yearly low in March last year. The share traded at just 50c in January last year.

Audiodek deafened by a wave of grey imports

B Day 29/3/94

ROBYN CHALMERS

ELECTRONICS firm Audiodek was hard hit by the flood of supposedly illegal imports of home electronic equipment, posting a bottom line loss for the year to December.

In a year which MD and chairman Monty Tolkin described as the most difficult in the group's history, turnover rose 10% to R71m (R64,6m), but severe pressure on margins saw operating income more than halve to R1m from R2,3m.

The interest charge increased nearly a third to R1,7m (R1,3m), largely as a result of overstocking. This left a pre-tax loss of R725 000 from a profit of R988 000 during the 1992 financial year.

The tax bill was more than halved to R233 000 (R546 000) and the post-tax loss was considerably reduced at R492 000 against a profit of R442 000 previously. Earnings moved into a loss position at 2,48c from 2,23c a share profit during the previous comparable period. The dividend for the full year was passed.

Tolkin said the results were disappointing, with the Alpine division particularly affected by the import of parallel or "grey" electronic products. This equipment was being sold at prices which were virtually equal to Audiodek's landed price.

"This problem of grey imports has affected all major brands at the top end of the car audio market and there is reason to believe that full duties are not being paid. (189b)

"The bulk of the problems appear to stem from misdeclarations and duty evasions," he said.

Tolkin said steps were being taken to reduce Alpine's overheads, which he hoped would enable the division to cope with current trading conditions.

He said there was intense competition in the bottom end of the home audio market, especially music centres, which made up a large share of the Audiodek division's turnover.

To return to profitability during 1994, Tolkin said, efforts would be concentrated on achieving an acceptable gross profit margin, reducing interest-bearing debt and increasing the turnover of stock.

Delta Electrical looks forward to a better year

B/Day 5/4/94

ROBYN CHALMERS

ELECTRICAL manufacturing and distribution group Delta Electrical Industries is expected to show growth in earnings this year after a slight dip last year, says chairman Alexander Bury in the group's annual report.

Delta posted a 9% rise in turnover to R364,3m (R334,2m) for the year to December, but difficult conditions in the group's major markets saw margins being reduced.

(189D)

A decline in associated companies' net income led to net attributable income falling marginally to R24m (R24,6m). This translated into a drop in earnings to 58c (59,8c) a share.

Bury said the repairs and services division had experienced poor market conditions and some restructuring had been undertaken during the latter part of the year.

"By contrast, the industrial products division performed well, due primarily to the continuing expansion and profitability of Equipment Spare Parts Africa," he said.

The manufacturing division's operations had again been affected by negative figures from the cables business, although trading for the past six months suggested cables would produce reasonable results this year.

Electrolytic manganese dioxide supplier Delta EMD had done well in the export market against strong international competition, he said.

A major investment had been made to increase production capacity to cater for growing demand.

Transactions in 1993 had included Wire Electric Transvaal's purchase of raw materials distributor Pilatus for R6,6m, Bury said.

Delta had bought a property in Johannesburg for R3,1m and R25m had been spent on expanding Delta EMD.

Expected growth in earnings came on the back of better results from the restructured repairs and services division and the cables company.

"In addition, the increased output from the expanded electrolytic manganese dioxide plant is finding favour with foreign buyers, and an increased contribution from this source has been budgeted," he said.

Altron, Reunert shares move on overdue rerating

B/Day 5/4/94

ROBYN CHALMERS

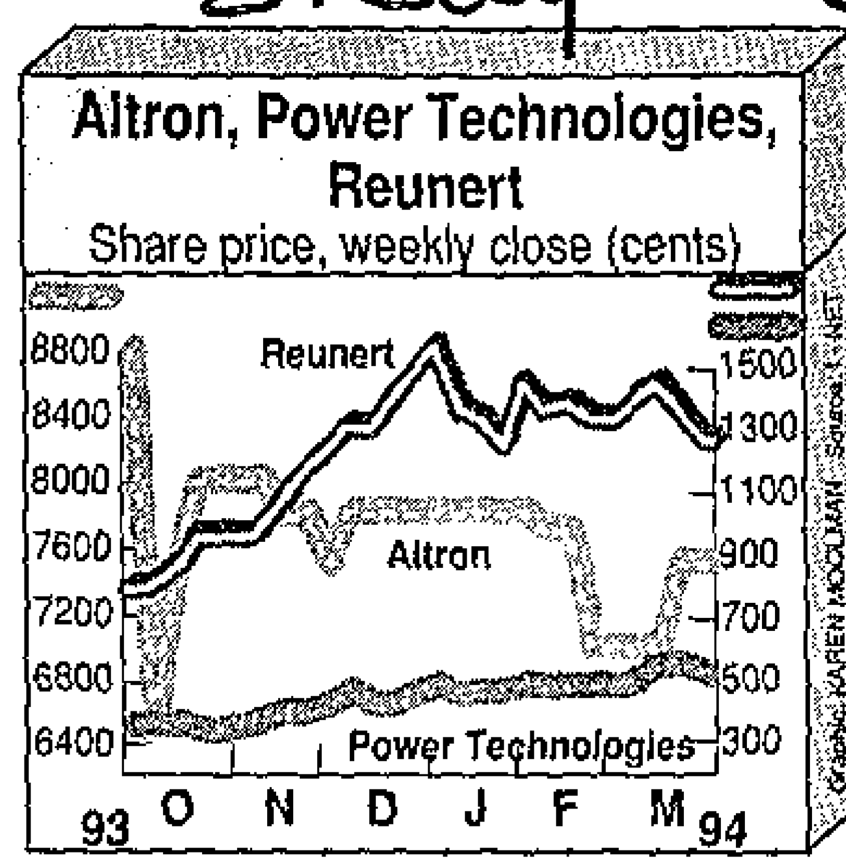
THERE was significant movement in the share prices of electronics leaders Allied Electronics (Altron) and Reunert last month as the two counters received a long overdue rerating.

Altron's share price gained R2 during March to R75, below the seven-year high of R88 it achieved in September last year but respectably higher than its 12-month low of R65.

The Reunert counter, on the other hand, was rerated downwards, losing 75c last month to R12,65. This was well down on the seven-year high of R16 it hit in December but still above its one-year low of R7,80.

Analysts said Altron's upward rerating boded well for its results for the year ended February. Subsidiaries Fintech and Power Technologies (Powertech) were expected to perform well, but the wild card remained Allied Technologies (Altech).

One analyst said Altech's earnings for the year were expected decline 15% to 20% as it struggled to replace the drop-off in military and other government business.



However, cellular licensee Vodacom's choice late last year of Siemens and Altech to supply radio network and switching equipment worth R330m, could boost the group's earnings for the full year.

Fintech was expected to continue its strong growth record while Eskom's electrification programme and the economic upturn should result in Powertech recovering from the 9% shrink it posted in turnover to R1bn (R1,2bn) last year.

Increased confidence in Powertech's performance was evident in the fact that the counter had risen 40c to R5,40 over the past month.

Analysts expected Reunert to perform well for the six months ended March and said the downward trend in its share price was largely due to the fact that it was highly rated.

One analyst said the unbundling of Barlows, which left an enlarged Reunert group comprising six structured divisions, gave the organisation an opportunity for growth off a more streamlined base. (1895)

"The alliances that are in place with sizeable international technology partners, particularly in a post-sanctions era, should have significant long-term benefits for Reunert.

"The companies in the group have well-established market shares in their respective industries. This provides a sound platform for earnings performance in a growing economy," said an analyst.

The recent restructuring of the telecommunications interests of Reunert, Siemens SA and GEC SA to form two focused, internationally competitive companies should benefit Reunert's manufacturing efficiency and potential.

Earnings rocket as Jasco plugs into niche markets

B/Day 11/4/94

MUNGO SOGGOT

(1895)

JASCO Electronics' earnings took a leap of more than 75% to 20,7c a share on a 28% turnover jump to R95m for the year to February.

Jasco is the investment holding company for various electronics subsidiaries which produce communication equipment, radio pagers, computer networking products and electrical components for domestic appliances.

Group MD Peter Rush said Jasco's "extremely good year" stemmed from improved performance in the company's target niche areas.

Operating income rose 57% to R9,2m from R5,9m. Finance costs dropped to R1,6m from R1,7m in 1993. Net income after tax rose 86% to R6,3m, and net attributable income climbed to 5,9m (R3,4m). A dividend of 6c (4,2c) was declared.

A R323 000 charge to outside shareholders had arisen from the acquisition of a majority shareholding in Measuretech, which supplies high technology equipment for measuring volumes of fluids stored in containers.

"We have been able to maintain our gearing at 53% despite the financing of substantial growth," Rush said. "We intend to keep our borrowings at a judicious level."

He said the Eskom electrification programme was "making a favourable impact on the demand for doemstic appliances, generating a substantial upsurge in the business of subsidiary Special Cables".

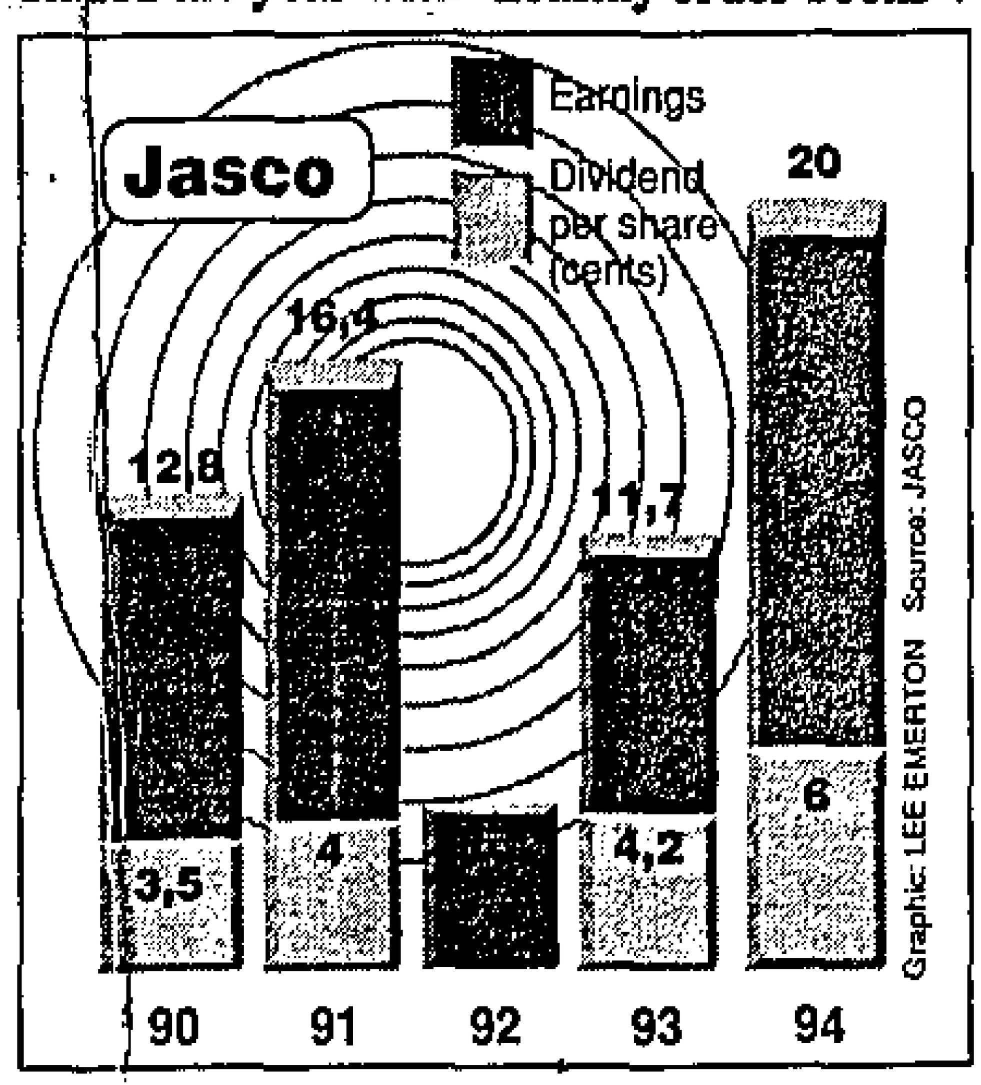
During the past year the directors had to scrap the Datatrak project which would have brought a sophisticated automatic vehicle location system to SA.

"The non-availability of radio frequencies — earlier assurances notwithstanding — put paid to system implementation," Rush said. "All costs incurred have been written off as an extraordinary item and the planned rights issue will not take place."

Other costs contributing to an extraordinary write-off of R2,1m (R481 000) included "certain legal and relocation expenses, prior year film scheme taxation and restraint of trade payments".

Rush said the incorporation of the Roche laboratory and diagnostic division had been completed and would make a greater contribution to profits this year.

The directors were confident that 1995 results would show further earnings growth, and said all Jasco divisions had ended the year with "healthy order books".



Plan to kick-start electronics subsidy

BDay 14/4/94

ROBYN CHALMERS

THE Department of Trade and Industry (DTI) and the Industrial Development Corporation (IDC) have launched a major marketing exercise in a bid to boost interest in the ailing R100m electronics subsidy scheme.

Acting DTI director-general Gerrit Breyl said yesterday that the IDC had been promoting the scheme — the Support Programme for Industrial Innovation — in SA's major industrial centres, and was advertising heavily.

The effectiveness of the scheme was also being evaluated in terms of local and export sales, employment, research and development of participating firms and extra tax generated.

The scheme, which is administered by the IDC, was launched last year to replace the Innovation Support for Electronics (ISE) scheme. It extended development support to all secondary manufacturing industries, and approved projects could net up to R1m in grants. (189D)

But the scheme's progress has been slow, leading to claims from analysts that the project was failing.

A DTI report showed that just 16 ISE projects and eight Support Programme projects — worth a total R10,9m — had been approved between April and September 1993.

DTI director-general Stef Naude said that although a large number of inquiries had been received, no new applications for development support outside the electronics industry had come through since the scheme was introduced.

But Breyl said there had been an increased number of inquiries following the roadshow promotions.

"A total of 1 400 application manuals, consisting of general information, the format for a project proposal and guidelines for qualifying cost, were handed out to industrialists," he added.

"Advertisements are being placed in appropriate technical publications and technology conferences and presentations are being used to publicise the scheme."

He added that the take-up for the scheme was bound to be slow, given the procedures applicants had to follow.

"A prospective applicant needs to identify a project, then undertake an extensive feasibility study, complete a development schedule with milestones and draw up a detailed budget before applying for support," Breyl said.

"This inevitably leads to a time lag between becoming aware of the benefits of the scheme and submitting an application."

Breyl said the availability of future funds for the scheme would depend on the results of the promotional programme.

CAFCA FM 15/4/94

Optimistic outlook

(189b)

Linked as it is to both the commodity cycle and fixed investment spending, Harare-based Central African Cables (Cafca) did well to achieve earnings growth of 29% (9% real) to Z$16,2m on turnover up just 6%.

Much of this growth came only in the second half of the year to end-December, boosted by a marked increase in economic activity and falling interest rates. At year-end, says MD Rob Galbraith, the order book was Z$23m (Z$13m) representing about two months of sales. This figure is some way off the Z$64m reported at end-1991, but is almost double 1992's figure.

Cost reduction strategies and a strong cash flow — 1992's interest payment of Z$89 000 was reversed to Z$554 000 interest received — helped minimise effects of recession and the increased competitiveness of the industry.

Cables account for 98% of sales and volumes depend mainly on large capital projects in mining, agriculture and telephone reticulation. Volumes of copper and aluminium were on par with 1992, says Galbraith, with compensating swings and roundabouts in various market sectors.

Though management's aim has been to reduce dependence on domestic activity through exports, these still account for less than 20% of sales, down on 1992's 25%. While most exports are to sub-Saharan countries, Galbraith says new markets have been identified in Europe and the Middle and Far East.

The balance sheet is strong. Cash of Z$18,1m (Z$7,7m) ensures that any capex requirements for this year can be funded internally. Inventories have been kept under control. Galbraith says the increase at the end of 1993 of 26% to Z$21,5m represents stocking for a specific order delivered early in 1994.

Management's forecast for earnings growth this year is optimistic — so much so that it decided to pay dividends at 50% of earnings in 1993.

The share has more than trebled to 155c over 12 months but still stands at a 34% discount to NAV. The counter is worth following, particularly with the liberalisation of the Zimbabwean economy. But tradeability is negligible, with few shares held by small investors.

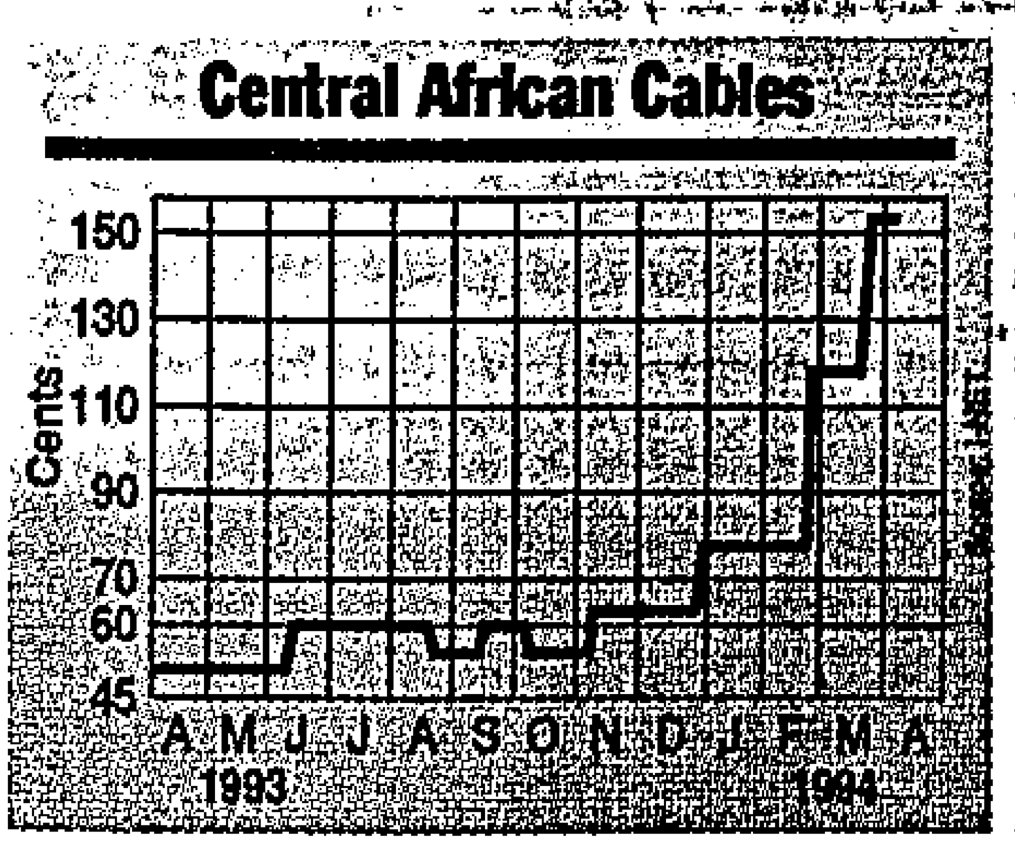
Marylou Greig

DATES TO REMEMBER

Last day to register for dividends:
Friday Apr 22: Carlcor 33c; Corwil 6c; Ellerine 16,7c; Gen Opt 10c; Gentyre 57c; Holdains 51c; Nictus 2c; Persbel 5c; Perskor 16c; SA Drug 25,5c; Tomkor 20c; Wesco 86c; Wit GM 1,5c.
Meetings:
Tuesday Apr 19: AVF (S); Masonite (Durban).
Wednesday Apr 20: SBIC.
Thursday Apr 21: Fedsure; GF Prop; Macadams (Blackheath); Natrust; Vogelstruisbult.
Friday Apr 22: Chemserve (Sandton); Congella Fed (Durban); CFC (Durban); Durban Deep; ERPM; IGI.
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.

Activities: *Marketing and distribution of electric cables, high voltage products and cable-related products.*
Control: *BICC Plc 75,4%.*
Chairman: *J M Magowan; MD: W R Galbraith.*
Capital structure: *30,8m ords. Market capitalisation: R47,7m.*
Share market: *Price: 155c. Yields: 7,2% on dividend; 16,2% on earnings; p:e ratio, 6,2; cover, 2,3. 12-month high, 155c; low, 50c. Trading volume last quarter, 6 000 shares.*

Year to Dec 31	'90	'91	'92	'93
ST debt (Z$m)	nil	2,3	0,8	nil
LT debt (Z$m)	nil	0,8	nil	nil
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,61	0,61	0,76	0,71
Return on cap (%)	32,6	33,8	23,8	24,3
Turnover (Z$m)	93,0	121,4	117,3	124,6
Pre-int profit (Z$m)	23,9	30,0	20,0	24,6
Pre-int margin (%)	25,8	24,7	17,1	19,8
Earnings (c)	43,0	62,9	41,1	53,0
Dividends (c)	10,7	15,7	10,2	26,4
Tangible NAV (c)	131,6	178,7	209,7	236,5



DEFINITIONS

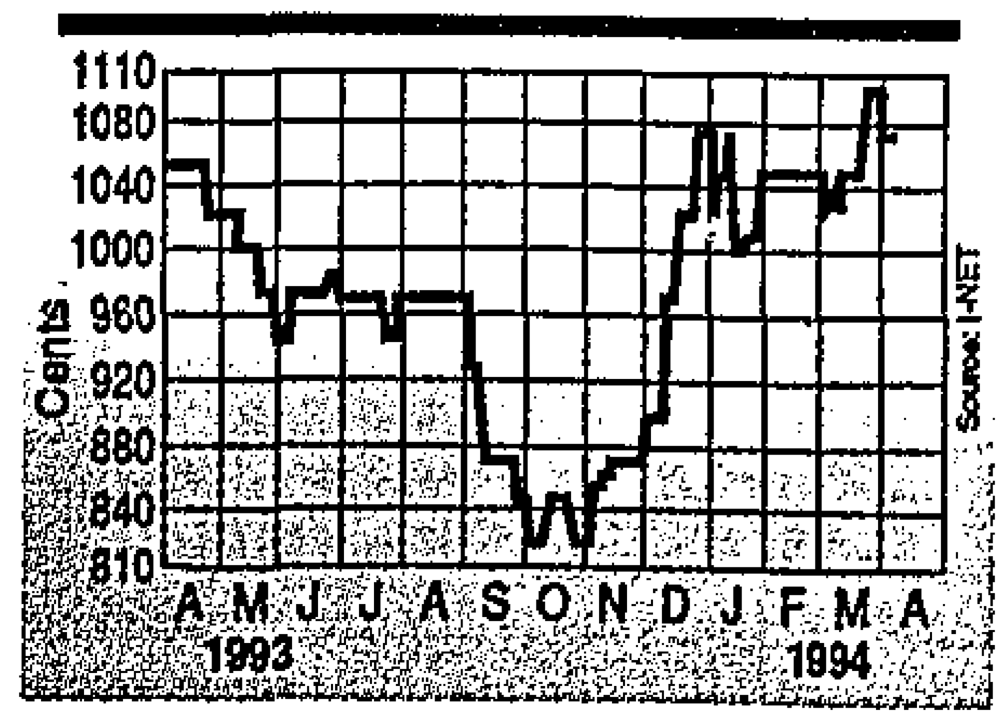
Debt:equity ratio: All interest-bearing debt plus redeemable prefs less cash expressed as a ratio of total shareholders' funds.
Total shareholders' funds: The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments.
Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets.
Shareholders' interest: Total shareholders' funds expressed as a ratio of capital employed.
Pre-interest profit: Pre-tax profit plus net interest paid.
Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax.

FM 15/4/94 (189D)

Activities: *Manufactures, distributes and services electrical products.*
Control: *Delta Plc (49,6%).*
Chairman: *N A Bury; MD: E W van Zyl.*
Capital structure: *41,4m ords. Market capitalisation: R445m.*
Share market: *Price: 1 075c. Yields: 2,6% on dividend; 5,4% on earnings; p:e ratio, 18,5; cover, 2,1. 12-month high, 1 150c; low, 525c. Trading volume last quarter, 315 823 shares.*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	3,8	11,7	1,6	17,7
Debt:equity ratio	0,13	0,14	(0,07)	0,10
Shareholders' interest	0,51	0,51	0,57	0,56
Int & leasing cover	26,9	50,2	141,4	50,8
Return on cap (%)	32,7	28,2	28,2	21,7
Turnover (Rm)	302,3	313,6	334,2	364,3
Pre-int profit (Rm)	48,1	47,6	49,6	47,8
Pre-int margin (%)	15,9	15,2	14,9	13,1
Earnings (c)	55,2	62,8	59,8	58,0
Dividends (c)	24,5	27,5	27,5	27,5
Tangible NAV (c)	155	176	202	246

Delta Electrical Industries



DELTA ELECTRICAL FM 15/4/94

Better rating justified

Delta Electrical's major achievements last year were the completion of the electrolytic manganese dioxide expansion project at Delta EMD and further fine-tuning of operations in preparation for improved trading which management hopes will come about this year. (189D)

In this context, 1993 results were satisfactory. Attributable earnings from own operations remained at just over R23m but, as in 1992, total earnings were impaired by a lower contribution from associates, mainly reflecting the sale of the investment in Valhold in March 1992.

The latest annual report notes that the remaining associate, Jasco Electronics (20,7%-held), performed in line with expectations. Despite the lower earnings brought to account, Delta was slightly better off to the extent that it received R251 000 in dividends from Jasco last year, whereas previously there was no cash income from investments — this helped boost cash flow to R38m (1992: R37,5m) and, presumably, contributed to the decision to hold Delta's dividend at 27,5c despite slightly lower total attributable earnings for the second year.

Additional capacity at Delta EMD was commissioned only in December and, in the context of the 1993 financial statements, had the unfortunate effect of producing a mismatch between the balance sheet (which includes the capital cost of this project as well as the additional working capital requirement of the expanded Delta EMD) and the income statement (where the corresponding turnover/profit contribution will not be felt until this year).

Asset management ratios have been adversely affected and, unless one is aware of the pitfalls of comparisons, could be taken to indicate the group had failed to live up to its reputation for tight and cost-effective management.

Delta MD Eben van Zyl ... *preparing for better trading*

Raw data appears to indicate asset turn had slipped from 1,9 times to 1,65, a significant deterioration. However, if one strips out from assets the R17m capital cost of the expansion, plus what appears to have been an additional R10m in working capital attributable to this expansion, the ratio "recovers" to 1,89 times, unchanged from the previous two years.

Similarly, gross (pre-interest) return on total assets appears to have declined from 28,2% in 1992 to 21,7%. Indications are that about half of the decline is attributable to the inclusion on the balance sheet of the additional investment in Delta EMD and, consequently, the actual decline in profitability of existing operations was relatively slight.

With the usual provisos about politics, it seems Delta is well placed to resume earnings growth this year, after a two-year break. The main reason, again, is that the full impact of the Delta EMD expansion will be felt. Management is confident the total capacity of the expanded plant will be sold and, if things remain as now, results will be enhanced by the weakness of the rand as the additional output is for export.

Other reasons management is optimistic that earnings will improve are the expected benefits from a restructuring of the repairs and service division, undertaken last year to improve its cost-effectiveness, and signs of recovery in the cable business.

Given the improved outlook, it is a bit disappointing that the share price of 1 075c is virtually unchanged since the *FM* reviewed the 1992 annual report. Earnings or dividend multiples are also little changed and, relative to what has happened elsewhere on the JSE industrial board, Delta is now rated at a discount to the industrial market and the electronics sector, where it is listed. This rating is inconsistent with the group's track record and could improve if expectations for 1994 are fulfilled. *Brian Thompson*

CAPE BUSINESS Edited by Jeremy Woods

QUICK STOCK TURNS . . . Renier van Rooyen aims to turn Hicor's TV and hi-fi stocks 12 times a year
Picture: AMBROSE PETERS

Whirlwind entry into electronics

S Times [C Metro]

By JEREMY WOODS

WITH the opening of two new stores later this month, Hicor, the fast-moving JSE-listed consumer electronics group, looks set to open a new outlet in every major centre in the Western Cape by November — less than 12 months after entering the consumer electronics market.

Hicor, run by Renier van Rooyen, whose father was founder of Pep Stores, moved into consumer electronics like TVs, videos and hi-fis, when it bought four stores from Cape-based Melotronics last December.

The four audio and video retail outlets underwent a facelift and were reopened under the Hitronix banner last month, while new Hitronix stores were also opened in Mitchells Plain and Kenilworth.

Later this month, two new Hitronix stores will open in Tyger Valley and Table View.

Further stores are planned in Stellenbosch, Paarl and Somerset West.

"We aim to have a Hitronix store in every major centre in the Western Cape by November — almost a year after we entered the consumer electronics market," says Renier van Rooyen.

And three years on, this young, aggressive retailer plans to have a countrywide network of consumer electronics outlets under the Hitronix banner.

Flush with R19-million cash collected from the sale of Harties Stores to Pepkor, Mr van .Rooyen identified consumer electronics as a growth market lacking a specialist retailer.

"TVs, videos, hi-fis, video cameras and cellular phones are the sort of consumer electronics we want to concentrate on. The sales potential of the black market is enormous and we quickly want to establish ourselves in a specialist niche," he said.

But the real beauty of Hicor's whirlwind entrance into this market is the manner in which it is funding its expansion.

1898

"Clothing retailers turn their stocks three to four times a year if they are lucky," says Mr van Rooyen. "But in consumer electronics, the name of the game is quick stock turns."

Currently, the Hicor stores are turning their stock over eight times a year, but Mr van Rooyen believes he can increase that to 12 times a year.

"Turning our stock eight times a year with current lines of credit from suppliers means we are cash positive. That is enabling us to fund the current phase of expansion using suppliers' credit."

17/4/94

Mr van Rooyen and his management team are no strangers to opening new retail outlets.

Between 1989 and 1990 they opened 100 new Harties stores before the group was later sold.

Recent results from Hicor show a profits turnaround from a loss of R7,1-million last year, including an extraordinary write-down of R5,1-million, to a net profit of R1,4-million.

Telkor restructuring 'could harm Reunert'

B/Day 18/4/94

ROBYN CHALMERS

THE effective sidelining of Telkor following the restructuring of Reunert's telecommunications interests last month could spell bad news for the electronics giant, market sources said at the weekend.

Though Reunert's share price has gained some ground over the past 10 days, it lost R2,10 to R12,25 from the latter half of March to the start of April. (1896)

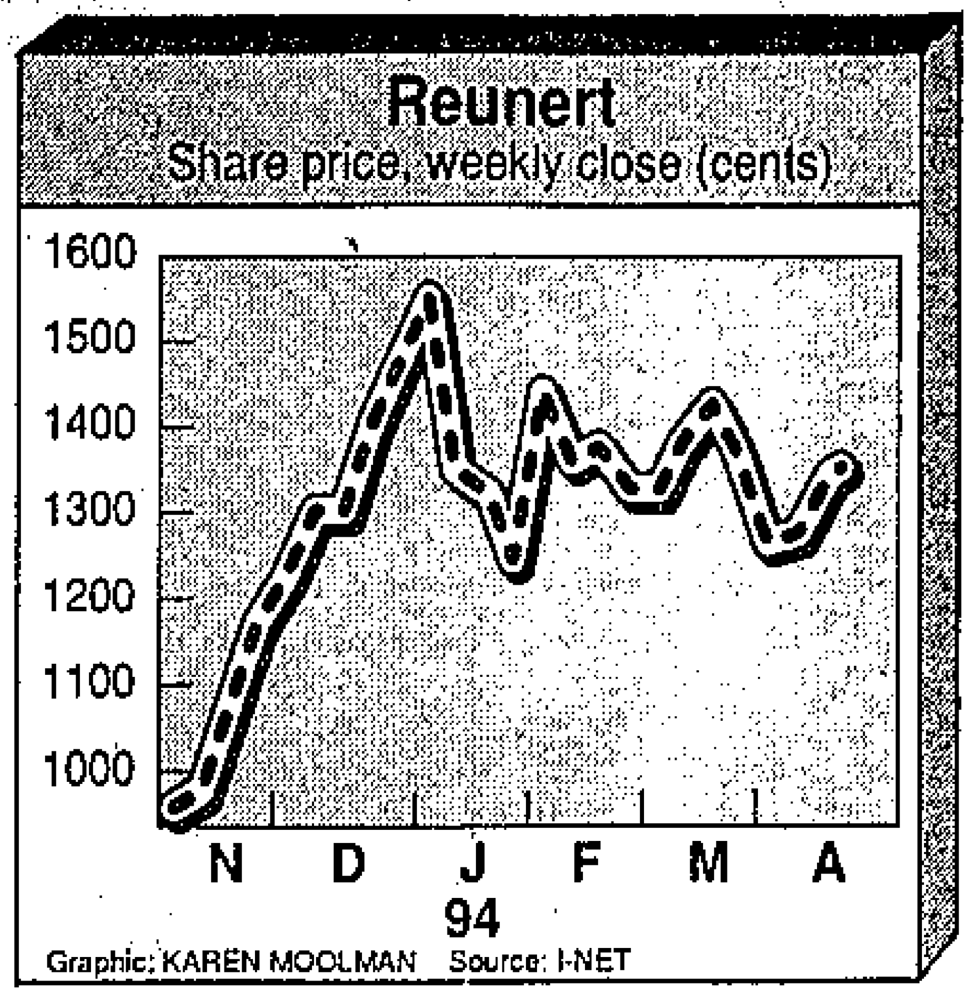
Analysts said the downward trend was partly due to the counter's high rating, but said Telkor was an influencing factor.

Telkor — one of Reunert's star performers — was stripped of its telecommunications interests when Reunert, Siemens and GEC restructured their telecommunications holdings into two companies — Siemens Telecommunications (Sietel) and Telephone Manufacturers of SA (TMSA).

Telkor was left with its non-telecommunications businesses, railway signalling systems, resource monitoring systems, ticket issuing systems, parking meters, and validation and vending systems.

Analysts are questioning where Telkor will draw future earnings growth and how this will affect Reunert. Telecommunications contributed an estimated 22% to Reunert's R236,5m operating income during the 1993 financial year.

The restructuring left Reunert with a 28% interest in Sietel and 41% in TMSA. It previously had a 33% holding in TMSA through its 50% interest in GEC and Telkor remained a wholly owned subsidiary.



One analyst said certain Telkor products had good potential, particularly in the export market. But he doubted this would make up for Telkor's success in the European payphone sector, where it captured 12% of the market. The company won the State President's Award for Export Excellence last year as a result.

Reunert's management has defended the restructuring, saying Telkor would not have been able to sustain its export drive.

Analysts said several Reunert divisions had good growth prospects, including electrical engineering and cables, but the consumer division could have a difficult year due to the strong yen/rand exchange rate. "Reunert has a wide, yet focused earnings base which should underpin future earnings growth," one said. "But the impact of the Telkor restructuring is the wild card."

Gentyre moves steadily ahead

Star 24/4/94

BY STEPHEN CRANSTON

Market share gains and improved asset management enabled Gentyre Industries, the jewel of the W&A stable, to report a 16 percent increase in pre-tax profit to R58,6 million.

But there was a R10,9 million turnaround in tax — from a credit of R3,9 million to R7 million payment — which reduced attributable profit by four percent to R51,5 million and eps by the same percentage to 329c.

The total dividend was unchanged at 112c.

With the closure and rationalisation of underperforming operations and a major management upgrade, the industrial division continued to improve and operating losses diminished.

But MD Clive Tutton says that the Continental and General tyre products remained successful in the marketplace. There was an extraordinary loss of R13,5 million, of which R5,8 million relates to rationalisation costs in the industrial division and the balance on additional payments to the receiver on film investments made in 1988 and 1989.

W&A Manufacturing paid R75 million which was owed, and this was the main contributor to a fall in borrowings from R81,3 million to R1,4 million.

Nu-World sparkles

Star 24/4/94

BUSINESS STAFF

Nu-World, a manufacturer and distributor of small electrical appliances, has reported a 43 percent increase in earnings to 7,3c a share in the six months to February.

Turnover increased by 50 percent to R47,3 million, and is expected to exceed R100 million in the full year.

Operating income was up 24 percent to R2,2 million, and margins were squeezed in both the local and export markets.

MD Michael Goldberg says that Nu—World is well-positioned to benefit from the likely increased in housing and electrification in the mass market. (1898)

Accountants win appeal

BY LEIGH ROBERTS

In a landmark decision for the accounting pro-

General Technologies announces turnaround

BDay 28/4/94

MARCIA KLEIN

APPLIANCE manufacturer General Technologies (Gentech), which was still deeply in the red at the August interim stage, has turned around to report earnings of 8,7c a share to end-February against a loss of 2,5c in the eight months to end-February 1993.

Despite the turnaround, the Powertech subsidiary did not pay a dividend.

Directors said this was because substantial new capital investment would be required over the next two years "to cope with the expected demand our increased market share will bring about and also to cater for the significant increase anticipated in the export of white goods".

Directors said that the company, formerly Picardi Appliances, had concentrated on "improving manufacturing efficiencies and enhancing customer focus".

This was reflected in the 23% improvement in operating income on an annualised basis.

(189D)

Results show turnover at R274,1m (R178,6m), and an 86,4% rise in operating income to R8,2m from R4,4m in the prior year's eight month reporting period.

Directors said the turnaround to attributable earnings of R3,6m, which compared with a prior year loss of R660 000, was the result of a number of changes.

These included a restructuring of the management team, a drive to improve manufacturing efficiencies, the sale of the geyser plant (resulting in extraordinary profit of R2,7m), and a focus on the core business of large domestic appliances.

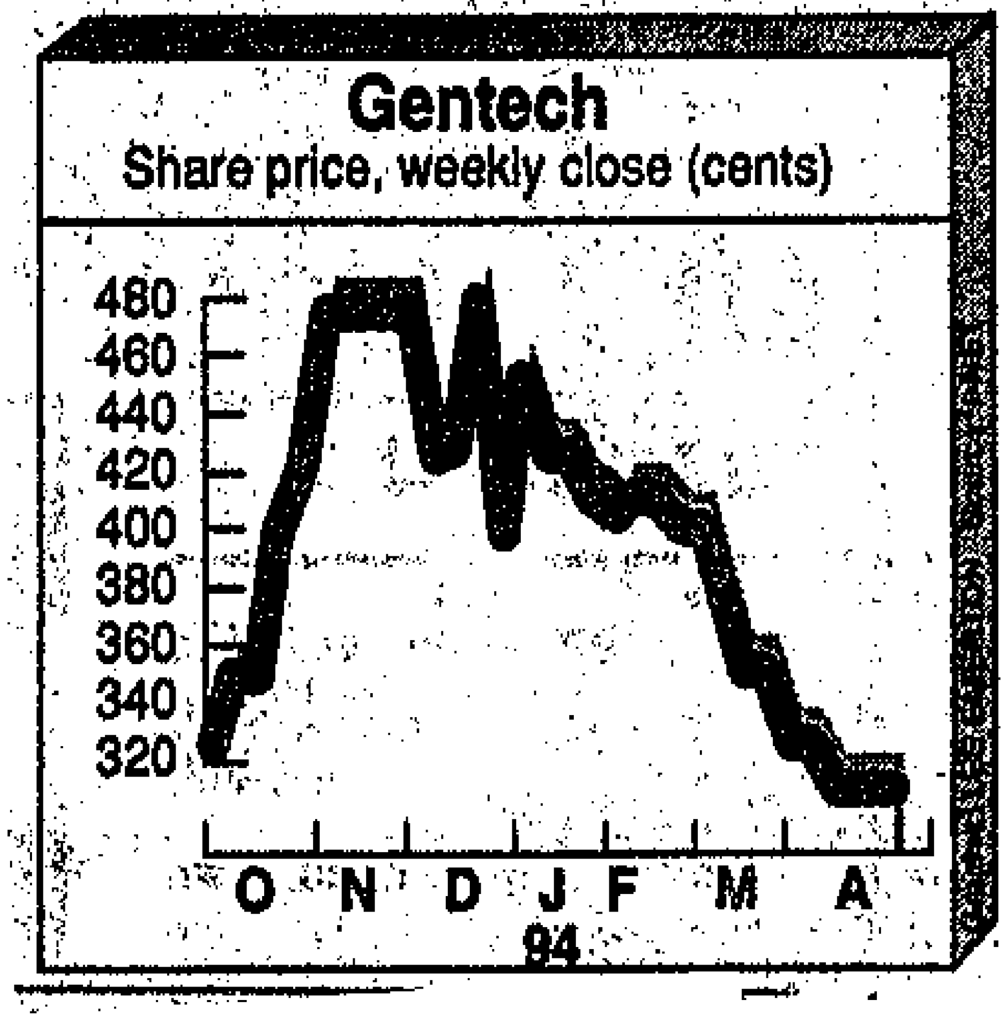
Gearing dropped to 36% from 182% following a rights issue in August. The directors said this would result "in a substantially lower interest charge flowing through in the current financial year".

Directors said the shareholding relationship with Amic and Daewoo, who jointly hold 30% of Gentech, augured well for the future.

They said strong commercial relationships were consolidated with principal suppliers Daewoo, Indesit, Whirlpool and Hitachi.

This, together with improved manufacturing efficiencies and aggressive marketing, should benefit Gentech in the near future, they said.

Gentech continued to focus on working capital control and productivity improvement. It was also well placed to meet consumer demand following the housing electrification plan.



COMPANIES

Grinaker's R50m restructuring deal

ROBYN CHALMERS

ANGLOVAAL subsidiary Grinaker Holdings plans to restructure its electronics interests in deals worth R50m in a bid to boost its cash resources and balance sheet. B/Day

The company said at the weekend that its 3,2% direct stake in information technology group Siltek had been sold to institutions for R17,2m. 2/5/94

The 6,7% interest in electronics firm Grintek had been sold to Genbel for R32,4m, together with a portion of Grinaker Financial Services' (GFS) holding in Grintek. (189D)

In addition, Grinaker would sell its 3,6% stake in Grinaker Electronics Holdings (GEHL) to GFS, which would exchange these shares for 7,4-million new shares to be issued by Grintek at R1,80 a share.

The move means Grinaker will retain its 100% shareholding in GFS and its 92,4% stake in Grinaker Construction. It will hold 58,7% of Grintek through GFS and GEHL will become a wholly owned subsidiary of Grintek.

GEHL in turn will retain its 98,1% stake in Grinaker Electronics and its 58,5% interest in Siltek.

Grinaker directors said the group's current structure was complex and the Grintek share price had been depressed by a lack of tradeability.

"The transactions will improve the group structure, increase the tradeability of Grintek's shares and provide Grinaker with cash resources to fund anticipated additional working capital requirements," they said.

Had the transactions been effective for the year to June 1993, directors said Grinaker's earnings would have increased 2,9% to 87,6c a share from 85,1c. The net asset value would have risen to 597,8c from 502,1c a share.

The transactions would not have affected Grintek's earnings but the net asset value would have fallen 3,6% to 79,4c from 80,8c a share.

Powertech rides high on increased demand

Star 3/5/94

■ BY STEPHEN CRANSTON

Powertech has reported a satisfactory 16 percent increase in earnings to 38,7c a share in the year to February.

A dividend of 12,1c has been declared, which represents a 31,5 percent increase on that of the previous year.

Chairman Peter Watt says there was a general increase in demand for the group's products during the second half-year.

Turnover was up 34 percent to R1,54 billion, which was partly accounted for by the consolidation of Gentech for the full year.

Joint venture ABB Powertech had a slow start to the year, as a result of the earlier problems experienced by Eskom and other electricity suppliers in the electrification programmes.

This reversed by year-end and, together with the completion of phases one and two of the pollution control system installed at Duvha power station, contributed positively to group performance.

The loss-making U-Lite, acquired from Unihold, was fully rationalised into the Lascon Luminaire business.

Watt says the newly structured U-Lite Holdings is well-positioned for an improved performance in the year ahead.

Gentech, the listed domestic appliance manufacturer returned to profitability after consolidation and restructuring.

There have been technical developments and breakthroughs in the field of low-cost electrification and electrical appliances, which will help Powertech to meet the needs of the emerging market.

It is also hoping for increased orders from the rest of Africa after the election.

Watt says the current order book is strong, and feels that Willard Batteries has strong prospects in its export drive.

Powertech ended the year with net cash and deposits up from R8 million to a total of R26 million.

(189D)

Net asset value increased from 194,2c to 229,5c a share.

New CE Johan van den Bergh says that he is confident that the political settlement will create the climate for economic growth.

He believes that the group is well positioned to grasp all the opportunities for sustained growth.

Powertech turns current back on

B/Day 3/5/94

ROBYN CHALMERS

IN LINE with forecasts, Altron-held Powertech returned to full health during the year to February with a solid 37% hike in attributable earnings to R62,7m from R45,7m previously.

The acquisition of domestic appliance producer General Technologies (Gentech) helped boost turnover by a third to exceed the R1,5bn mark for the first time, against R1,1bn during the 1993 fiscal year. (1890)

Operating income was 12% higher at R125m (R111,3m), but a higher interest charge of R5,6m (R1,5m) and lower preference dividends received saw pre-tax income just 7,5% up to R120,1m (R111,7m).

The tax bill was reduced to R40,8m (R47,4m) and provisions of R3m (R557 000) for secondary tax on companies left net income raised a fifth to R76,4m from R63,8m.

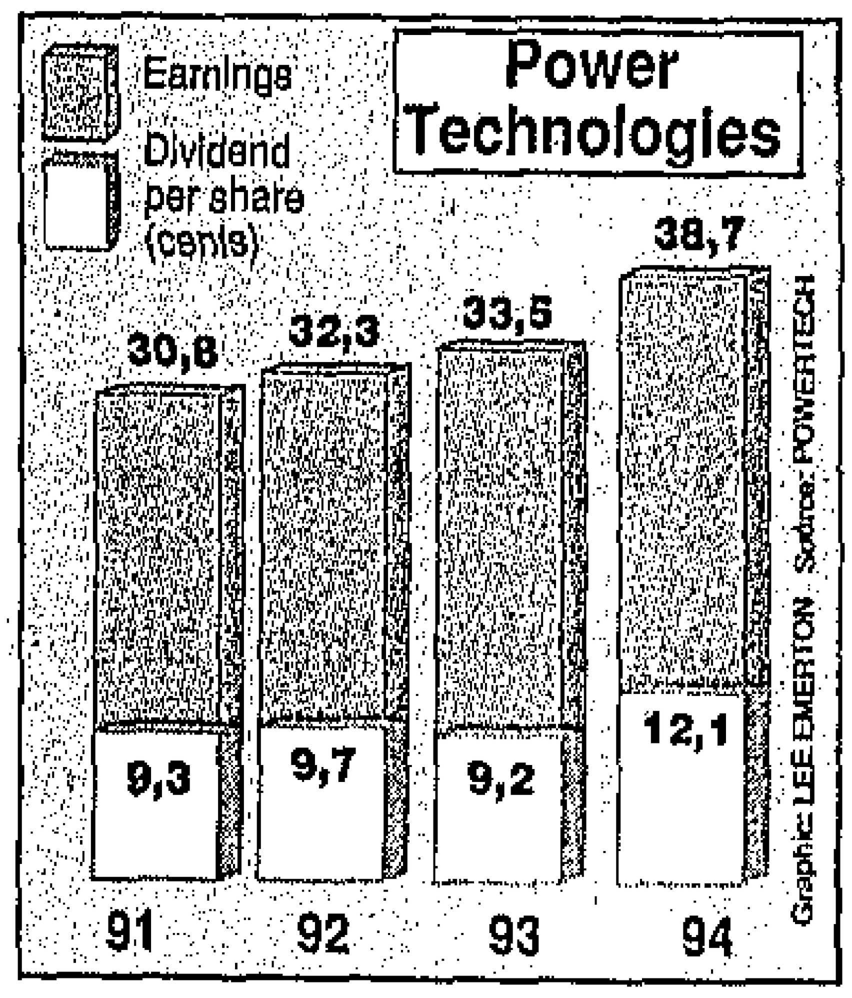
Earnings increased 16% to 38,7c (33,5c) a share as there were more shares in issue following last years' rights issue. A total dividend of 12,1c (9,2c) was declared. The group's balance sheet remained strong with net cash and deposits at year end of R26m (R8m).

Chairman Peter Watt said the results reflected a general increase in demand for Powertech's products.

Looking at subsidiary companies, Watt said Gentech had returned to profitability after a period of consolidation and restructure. ABB Powertech, the joint venture with ABB, had a slow year, mainly as a result of problems experienced by Eskom and other electricity suppliers in electrification programmes.

"This, however, reversed by the year end and, with the completion of phases I and II of the pollution control system installed at Duvha Power Station, contributed positively to the group's performance."

Powertech acquired the loss-making U-Lite from Unihold during the period under review and it was well positioned for an improved performance.



Grinaker restructuring gets no fanfare

B/Day 3/5/94

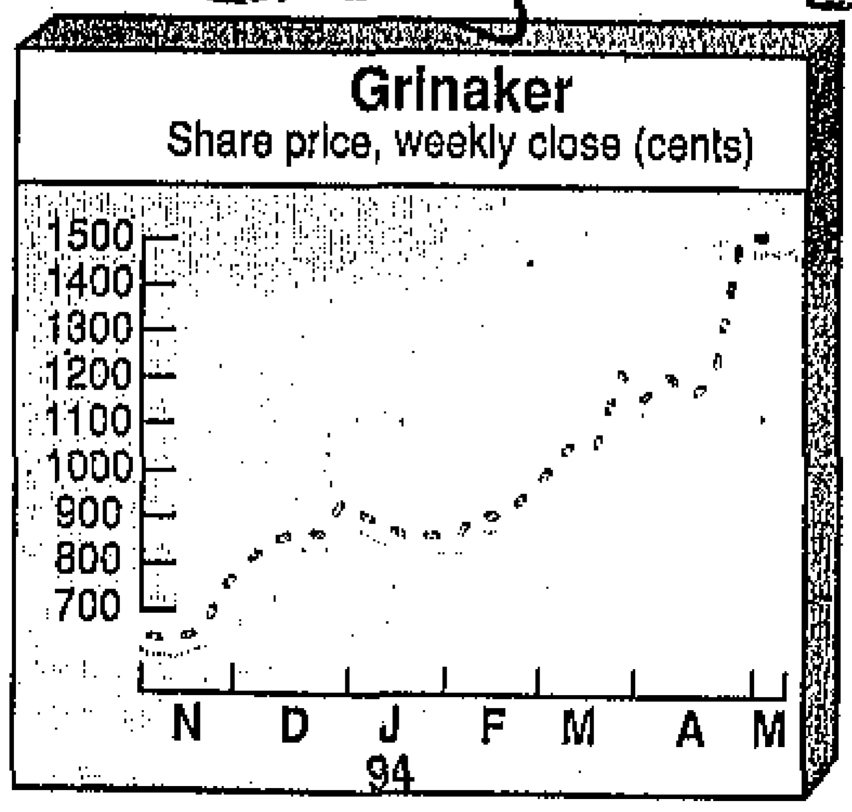
ROBYN CHALMERS

THE restructuring of Anglovaal's construction and electronics subsidiary Grinaker Holdings went virtually unnoticed by the market yesterday, but MD Jack Saulez was bullish about the group's future.

Saulez said the move was "really a cleaning up of the holding structure", and had been on the cards for several years.

"We will receive cash proceeds of about R50m from the deals which will be used to fund additional working capital requirements over the next few years," he said.

Saulez said several further changes would place take within the group, including the growth of construction interests within 92,4%-held Grinaker Construction.



"The experts predict a 10% growth in gross domestic fixed investment next year following a long period of recessionary conditions within the building and construction industries."

Saulez said the organisation would be "hungry for money" in the short-term, largely on the back of an expected boom in the construction industry once the new government's housing and infrastructural initiatives got off the ground.

Investor interest in Grinaker was reflected in the share price. Over the past month, it has soared 350c to achieve a seven-year high of R15, against a 12-month low of R5 in July last year. (189b)

Apart from increased working capital, the major effect of the restructuring would be greater tradeability of Siltek and Grintek's tightly held shares. Grinaker Holdings' direct 3,2% interest in Siltek was sold for R17,3m while the 6,7% stake in Grintek was sold to Genbel for R32,4m.

Altech takes a dip after sale of half its operation

BDay 4/5/94

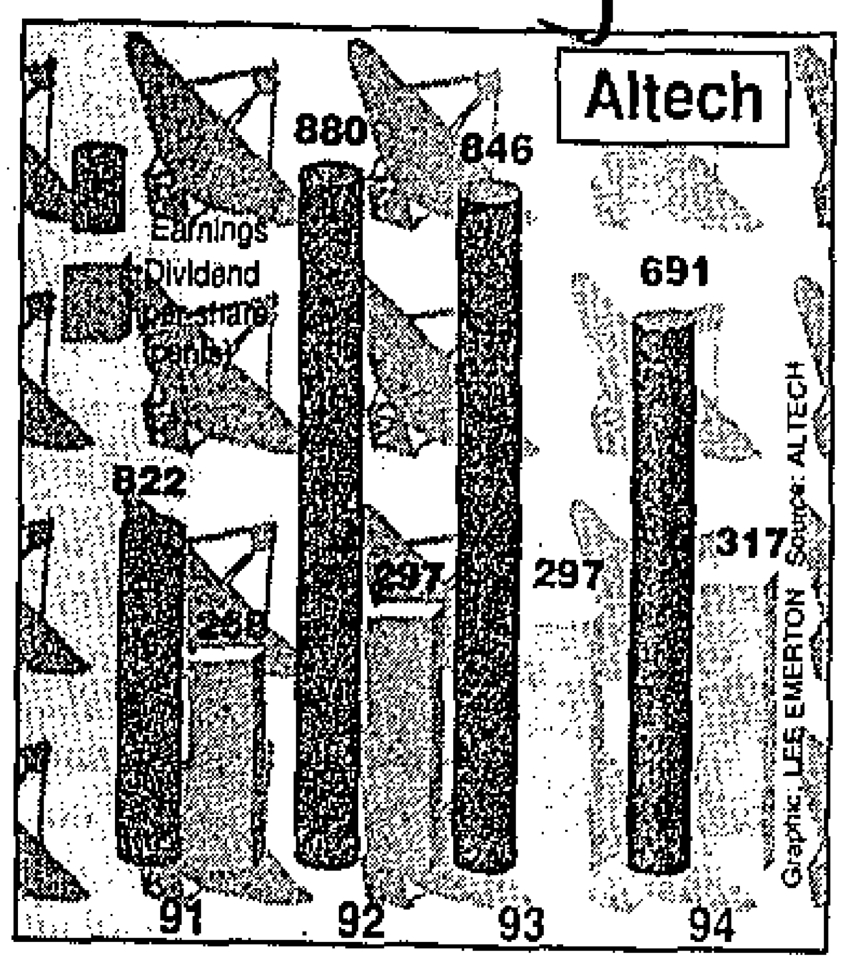
ROBYN CHALMERS

ALTRON electronic subsidiary Altech's attributable earnings slid by a fifth to R68,9m (R88,9m) for the year ended June, after the sale of 50% of its telecommunications operation to French-owned Alcatel.

Directors said the transaction had the short-term effect of reducing attributable earnings. It was the main reason for a R19,6m (R4,1m) payout to minorities. However, it offered long-term advantages.

Turnover rose 15% to R1bn from R935,4m in the 1993 financial year, but pre-tax net income fell to R138,2m from R157,3m previously. The tax bill dropped to R49,7m from R64,3m.

Post-tax income dipped 5% to R88,5m (R93m), which directors attributed to interest rate reductions on group investments and rationalisation costs of non-performing companies. Extraordinary items of R8m related mainly to the closure of certain operations. Directors said these were net of an over-provision of tax on investments in film productions set aside last year. (189D)



Despite a lower tax rate, earnings were 18% lower at 691c (846c) a share, but the total dividend was raised to 317c from 297c a share.

CE Peter Wilson said notwithstanding margin pressures, all trading sectors of the group were performing admirably at levels well in excess of the prior year.

"Altech further consolidated its restructuring programme, thereby entrenching the group as a major player operating across a broad spectrum of the professional electronics market. Altech enters the new year rationalised and focused on many of its strategies, backed by a strong balance sheet and a good order book at acceptable margins," Wilson said.

Prospects for new business ventures launched during the year were promising. These included cellular communications, radio paging, smart card technologies, data networking and remote community telephony. An international software development centre had been established to supply Alcatel's worldwide requirements for telecommunications.

Wilson said the joint venture positioned the group to meet international competition in the new telecommunications contracts arena.

Altech's shares gained 200c on Monday to close at R100, edging closer to the one-year high of R120 achieved in May last year.

Star 5/5/94

Altron earnings in decline

BY STEPHEN CRANSTON

Altron has reported a two percent fall in earnings per share to 543,7c for the year to February.

Chairman Bill Venter nonetheless describes this somewhat lacklustre performance as creditable, given the continuing decline in gross domestic fixed investment and stiff competition.

Turnover was up 19 percent to R3,24 billion, operating income was up less than four percent to R291,6 million.

Altech remained the largest contributor to earnings, but its share fell from 46,5 to 37,2 percent.

Powertech's share rose from 28,1 to 33,2 percent and Fintech's from 18,3 to 20,2 percent.

Venter says a software development centre was set up with Alcatel, and advances were made in the Rurtel telephone system aimed at remote areas. (189D)

Powertech commissioned the R100 million pollution control system at Duvha power station.

Exports doubled during the year, with increased sales to African, Gulf and Pacific Rim countries.

Low interest for Altron offsets record turnover

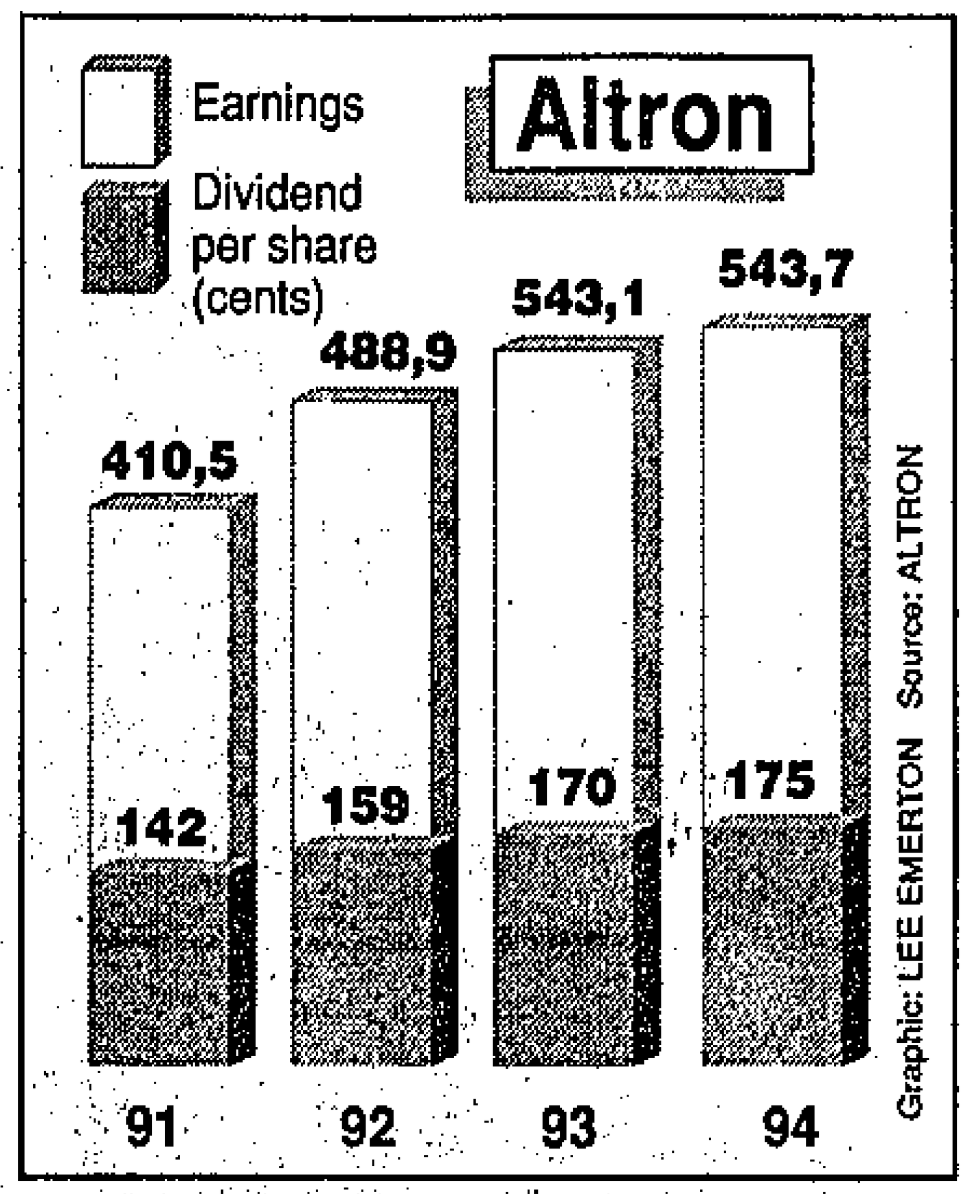
B/Day 5/5/94

ROBYN CHALMERS

ELECTRONICS holding company Altron reported a marginal increase in attributable earnings to R104m from R101,6m for the year to February, buoyed by a strong second half recovery. (1891)

Turnover exceeded R3bn for the first time, increasing almost a fifth to R3,2bn from R2,7bn the previous year.

Operating income was slightly higher at R291,6m (R281,2m), but lower interest rates and increased cash used nearly halved the net interest received to R14,3m (R26,5m). This left pre-tax income of R306m (R307,7m) and a lower effective tax rate reduced the tax charge to R100m (R115m). After-tax income stood at R205,9m (R192,6m).



Outside shareholders' interest rose by a fifth to R101,2m (R84,4m), largely as a result of the acquisition by French-owned Alcatel of a 50% stake in subsidiary Altech's telecommunications operation.

Earnings were marginally higher at 543,7c (533,9c) a share and a total dividend of 175c (170c) was declared.

Executive chairman Bill Venter said the major operations within Altech, information technology subsidiary Fintech and power electrical subsidiary Powertech posted sound performances.

An Alcatel Altech software development centre was established, which would be a vital asset as it entered an open tender environment for supplies to Telkom.

The electrification and social upliftment programme should take off this year, and Venter said Powertech would be a major player.

Reunert lifts earnings a third

B/Day 11/5/94

ROBYN CHALMERS

NEWLY independent electronics giant Reunert raised attributable earnings more than a third to R63,9m from R46,3m for the six months to March. (189D)

Reunert was unbundled from former parent Barlow Rand last September, and subsequently bought Panasonic, Nashua and Airomatic from Barlows.

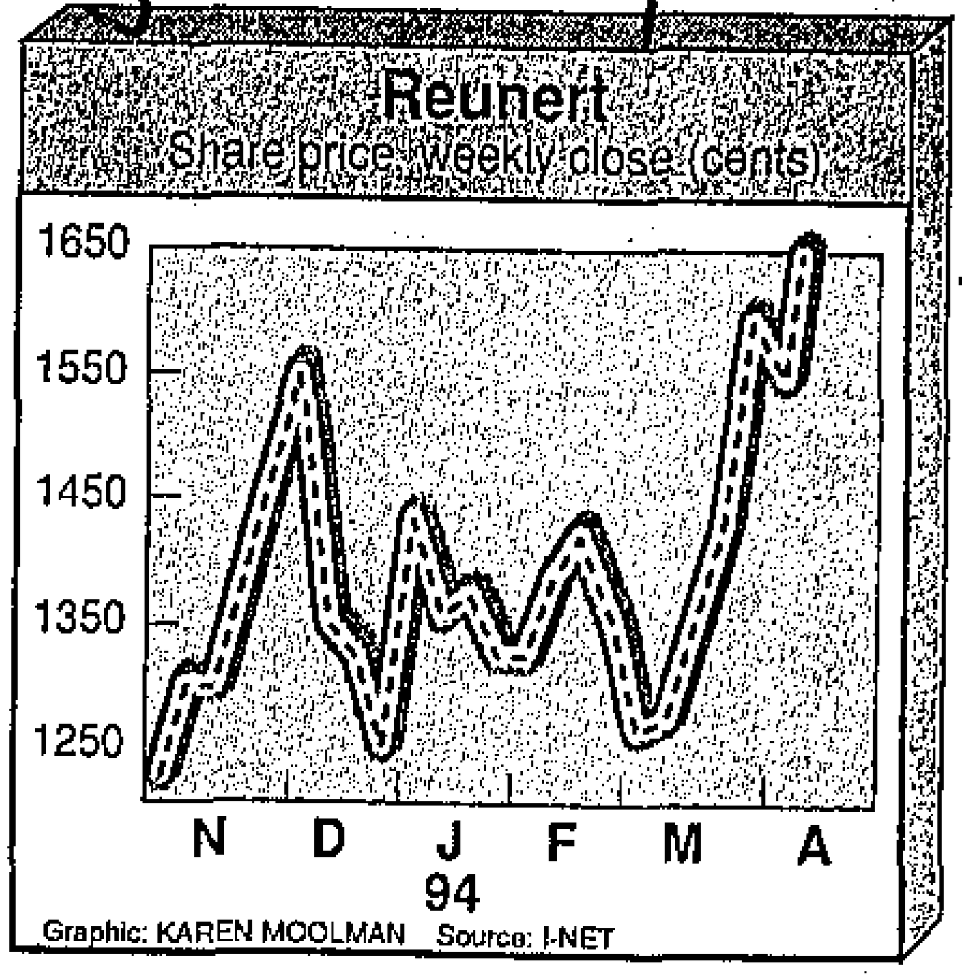
The inclusion of Panasonic and Nashua helped boost Reunert's turnover 46% to R1,7bn (R1,2bn).

Operating profit rose 10% to R125m (R113m). Net interest received jumped to R12m (R7,8m), leaving pre-tax profit 13% higher at R137m (R121,3m). An unchanged tax rate of 44% led to a tax charge of R60,3m (R53,3m), and post-tax profit was 13% higher at R76,8m (R68m).

The weighted number of shares in issue since the unbundling and acquisitions rose a fifth to 190,2-million (158,9-million), leaving earnings 15% higher at 33,6c (29,2c) a share. An interim dividend of 7,5c (6,6c) was declared.

CE Tony Ellingford said the restructuring of the group's telecommunications interests, which involved wholly owned Telkor selling off certain businesses, meant production had been disrupted and one-off costs incurred.

Ellingford said the group was well-positioned to benefit from an expected upturn in SA's economy, but much depended on gross domestic fixed investment levels, the defence budget and the state of the global economy.



Graphic: KAREN MOOLMAN Source: I-NET

"We are placing a lot of emphasis on exports. As sanctions fall away, there will be increased competition from foreign companies, but we also believe there are important opportunities for the export of Reunert's products."

Ellingford said the markets serviced by the group were not showing any significant improvement, and meaningful growth could be expected only next year.

But he said the improvement shown in the first six months should "carry through for the full year".

'Local technology key to growth'

(189D)

CT 18/5/94

INVESTMENT in research and development in the electronics industry should be stepped up to increase exports, Plessey Tellumat SA Ltd group MD John Temple said yesterday.

Speaking at the opening of the three-day Association of Distributors of Electronic Components (ADEC) exhibition at the Cape Town Civic Centre, Temple said high value added, high tech products "cannot be someone else's technology and ... must be developed locally.

"We must therefore invest more in RD. This is risky and the best way of reducing the risks is by increasing the number of projects tackled."

Temple estimated that the growth of the telecommunications industry could double or treble in the medium term.

He noted that further growth was expected in the electronics sector of the defence industry, the export market and infrastructural development due to social and political change.

"This must be good news for the electronic components industry which should gear itself for growth as it follows the primary markets for electronic finished products," he said.

He cautioned companies with unrealistic expectations of the government. "In my view there are companies who in effect expect the new government to ensure that they can make a profit."

He felt the ideal environment should initially encourage competition between local companies until they can compete with international players.

'Vested interests will oppose generics law'

B/Day 18/5/94

(183)

BEATRIX PAYNE

THE Pharmacy Council could have a fight on its hands if it lobbied government to legalise the practice of generic substitution, council president Johan van der Walt warned yesterday at Sun City.

Speaking at the Pharmaceutical Society of SA's annual conference, Van der Walt said it could take "some months and a few fights with vested interests" before the demand could be met.

Pharmaceutical Manufacturers' Association (PMA) representative and SmithKline Beecham CE Dr Gunther Faber warned delegates that manufacturers who were PMA members, mainly multinational companies, were "totally against generic substitution".

But Van der Walt said the principle of generic substitution would be accepted by government as it would have a major impact on the cost of health care.

He said the council would start lobbying government only in a few months to allow it to "settle in", he said.

In a surprise move, a motion intended to ask the Pharmacy Council to maintain its position that only registered pharmacists may own pharmacies was withdrawn at the last minute.

Van der Walt said the motion would have been superfluous because the council was "very clear" that ownership should remain in the hands of pharmacists.

The council would make exceptions for pharmacies operating in private hospitals and rural clinics.

But one delegate said he believed the withdrawal of the motion was simply a "pragmatic move" intended to show the new government that pharmacists were prepared to move away from some of their traditional positions.

Van der Walt had earlier delivered what some delegates saw as a "rap over the knuckles" when he urged pharmacists "to change a culture of apathy and resistance and accept realities in pharmacy".

He said they were underperforming and would need to provide a package of primary health care services designed to improve accessibility.

Electronics sector 'set to flourish'

B/Day

(189D)

EDWARD WEST

CAPE TOWN — The electronics industry was set to expand rapidly, mainly because of an expected surge in telecommunications industry growth, Plessey Tellumat SA MD John Temple said yesterday. 18/5/94

Speaking at the opening of the Cape's first electronic component industry exhibition, Temple said the industry would also be bolstered by orders from the defence industry.

This sector was at the leading edge of technological capital and should be used as a base for high-technology exports. Because of this, he believed defence spending was likely to rise, not fall.

Infrastructural development due to political change would also stimulate the electronics industry through items such as prepaid electricity meters, transport control systems and education and broadcasting equipment. (89B)

Greater research and development was needed to increase exports. SA could not compete with the Far East's productivity and an alternative area of competitiveness was products where engineering and scientific skills made up a high proportion of the sales price. Temple said the state's support programme for the electronic industry was helpful. In terms of the scheme the state contributed a third of the cost of labour in research and development, reducing pre-tax risks for participants.

Proprietary)

Call for electronics shake-up

SELLO MOTLHABAKWE

THE electronics industry could boost annual sales nearly R1,4bn if government were to adopt measures being finalised, the Electronics Industries Federation (EIF) said yesterday. B/Day

Proposals — which include export incentives, tariff restructuring and counter-trade regulations — could add an extra 8%-10% to the sector's R14bn annual sales.

The recommendations were endorsed last week at the EIF's annual general meeting. 24/5/94

EIF spokesman Dirk Desmet said yesterday the recommendations touched on every aspect of the ANC's reconstruction and development programme (RDP), a substantial portion of which depended on outputs from the electronics industry.

He said industrywide turnover had been stagnating at R14bn for the past four years because of the economic recession, sanctions and poor trade conditions.

Government incentives and the EIF's recommendations, coupled to the right mix of elements of the RDP, couldboost real growth in turnover, he said.

Because electronics was primarily an enabling industry, benefits from a viable industry would spiral down to electronic component users in the car manufacturing industry, where it would lead to increased employment. (189D)

The federation was in favour of assistance schemes because international experience had proven rising economies such as those in the Pacific Rim and the Middle East were lead by electronic component manufacture and export.

The federation recommended government reviewed policies for export incentives, counter-trade regulations and tariff restructuring, among others.

Desmet said much had to be done on export/import regulations which restricted innovation and development. There were no tax incentives at present.

Gentech confident about electrification benefits

SELLO MOTLHABAKWE

DOMESTIC appliances group General Technologies (Gentech) would continue cutting costs this year despite a prospective recovery in fortunes stemming from the electrification programme, chairman Peter Watt said in his annual review.

The Powertech subsidiary had undergone a radical reshaping in the past year, which included a R39m rights issue, streamlining management, strengthening links with principal suppliers and refocusing on core activities.

This helped lift attributable earnings to R3,5m for the year to February against a R660 000 loss for the previous eight-month period, on sales at R274m (178,6m).

Earnings were pegged at 8,7c a share, but the dividend was passed.

Watt said reducing costs and rationalising the working capital base remained "prime objectives".

But prospects this year were positive. "With political stability returning, we anticipate significant improvement in consumer spending," Watt said. 189b

Gentech was strong in the domestic appliance market and so well positioned to benefit from the expected pay-off from electrification.

Extensive access to international brands combined with local brands and production would ensure that the company provided a full range of consumer products, he said.

Gentech's access to capital, a broader technology base, and the manufacture of a wide range of products made possible by the joint Amic and Daewoo acquisition of a 30% stake in Gentech during the last financial year had also strengthened the company competitively.

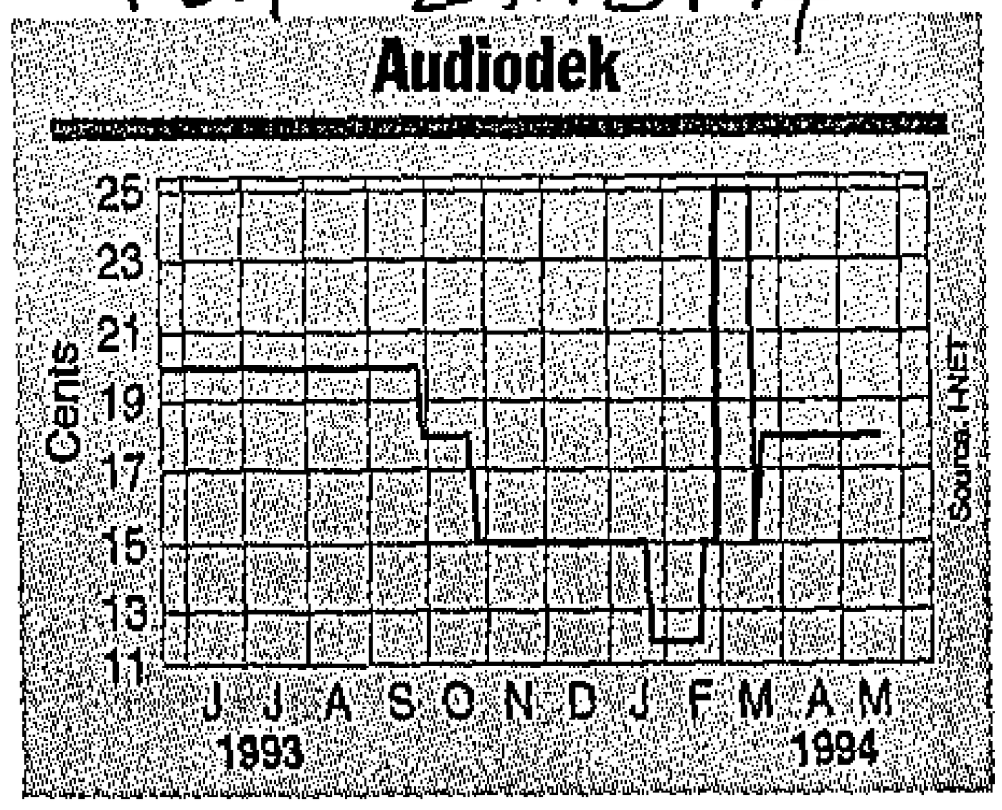
Disposal of the group's interest in geysers had realised a R2,7m extraordinary profit reported separately earlier this year.

Watt said the company should also capture a larger slice of the domestic appliance market.

Watt said the company had adopted a more formalised management structure at the operating level.

Management teams had been appointed to group distribution arm KIC and KIC manufacturing.

FM 27/5/94



AUDIODEK FM 27/5/94

Not for weak-kneed

Activities: *Imports and distributes the Autodek, Fairmate, Proline concept and Alpine range of audio equipment and allied products.*
Control: *Directors 65,3%.*
Chairman & MD: *M M Tolkin.* 189 b
Capital structure: *19,9m ords. Market capitalisation: R3,6m.*
Share market: *Price: 18c. 12-month high, 25c; low, 12c. Trading volume last quarter, 104 000 shares.*

Year to Dec 31	'90	'91*	'92	'93
ST debt (Rm)	5,2	6,4	6,6	9,9
LT debt (Rm)	0,3	0,5	0,5	0,5
Debt:equity ratio	0,85	0,86	0,85	1,34
Shareholders' interest	0,36	0,35	0,32	0,30
Int & leasing cover	3,2	3,3	1,8	0,58
Return on cap (%)	20,6	15,1	8,9	3,9
Turnover (Rm)	47	†67	65	71
Pre-int profit (Rm)	3,7	†4,7	2,3	1,0
Pre-int margin (%)	7,8	7,0	3,5	1,4
Earnings (c)	6,0	6,3	2,2	(2,5)
Dividends (c)	2,75	†4	1,0	Nil
Tangible NAV (c)	33	40	42	39

* Nine-month trading period. † Annualised.

Rising grey imports led to a landslide in earnings for audio importer and distributor Audiodek in financial 1993. EPS tuned into the red and debt:equity soared to 1,34.

Audiodek is the exclusive distributor of Autodek, Fairmate, Proline, Concept and Alpine audio and allied products.

Though grey imports hit all major brands at the top end of the car market, the Alpine division in particular showed "substantial losses." Chairman/MD Monty Tolkin believes full duties are not being paid. "The bulk of the problems appear to stem from misdeclarations and duty evasions."

Another division that suffered was Autodek. There was enormous competition in the bottom end of the home audio market, especially music centres, which is a large share of this division's turnover. To move stock, ordered in anticipation of a turn in the economy, prices had to be slashed. Pre-interest margin plummeted from 3,5% to 1,4%.

Largely because of overstocking, interest charges rose by R500 000 to R1,7m. Interest and leasing cover more than halved to 0,58.

Even more significant was the 13% decline of the rand. Price increases had to be negotiated with all major customers and some clients also delayed or cancelled orders.

To return profitability, efforts will have to be concentrated on achieving an acceptable gross profit margin, reducing interest-bearing debt and increasing stock turn. Should this not be attained, Audiodek's fate could match that of Tedelex, which showed an operating loss of R19m before bowing out of the industry a couple of years ago. 189 b

The share more than doubled to 25c in two weeks earlier this year before falling back to 19c. This typifies tickey stock movement; the weak-kneed should avoid the counter.

Kate Rushton

GENTECH FM 31/6/94

Too rich a ratio?

Activities: *Makes, supplies and markets a wide variety of white goods.*
Control: *Powertech.*
Chairman: *P A Watt.*
Capital structure: *51,9m ords. Market capitalisation: R280,3m.*
Share market: *Price: 540c. Yields: n/a % on dividend; 1,6% on earnings; p:e ratio, 62; cover, n/a. 12-month high, 550c; low, 62c. Trading volume last quarter, 128 000 shares.*

Year to Feb	'91	†'92	*'93	'94
ST debt (Rm)	36	42,8	42,3	22,3
LT debt (Rm)	27,7	24,3	23,7	2,5
Debt:equity ratio	1,3	1,4	1,6	0,28
Shareholders' interest	0,3	0,27	0,24	0,53
Int & leasing cover .	1,9	1,7	0,6	1,6
Return on cap (%) ..	19,8	13,9	3,0	5,4
Turnover (Rm)	n/a	264	177	274
Pre-int profit (Rm) ...	31,6	22,5	4,4	8,2
Pre-int margin (%) ..	n/a	8,5	2,5	3,0
Earnings (c)	54,0	27,3	(2,5)	8,7
Dividends (c)	nil	nil	nil	nil
Tangible NAV (c)	183	169,1	133,5	154,3

† Prior-year adjustment not reflected in previous years.
* Eight months to Feb 1993.

(189D)

These results signal a return to profitability. Not before time, some shareholders in the Powertech stable will say, casting doubt on the wisdom of the original purchase.

The then Picapli Gentech was bought from the Pickard family in a blaze of publicity relating to unsatisfactory arrangements for minorities. That concluded, Powertech set out to discover what it had really acquired — something worse, it turned out, than expected.

FM 31/6/94

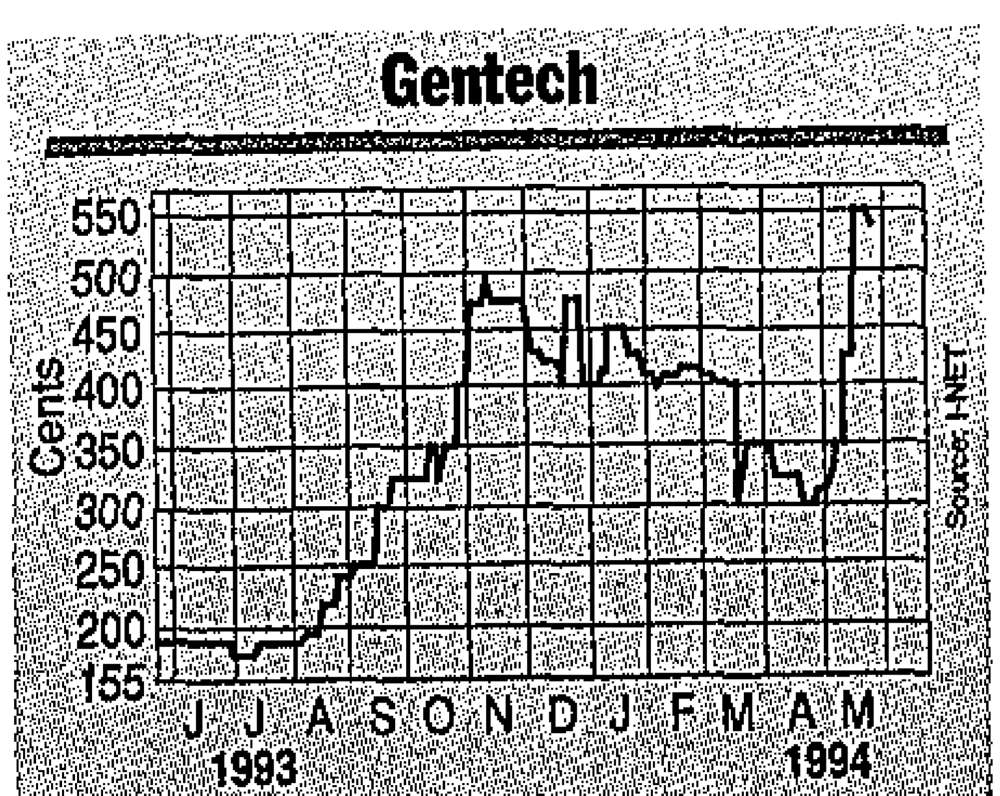
White goods manufacture and assembly are far removed from advanced electronic technology. That is why the purchase raised so many eyebrows. As it turns out, however, it fits neatly into a long-range strategy of vertical integration.

Chairman Peter Watt says the acquisition put the finishing touch to what he calls the "Powertech package": it begins with generator transformers in power stations (supplied by ABB Powertech) and moves on to aluminium ACSR conductors (the cables carrying the electricity) supplied by Aberdare.

The next step in the chain is high-voltage breakers in substations, then smaller cables in the distribution network, small transformers (sometimes pole-mounted), followed by distribution boards in houses, wall sockets and then plugs and switches (Litemaster and Crabtree); pre-payment meters are supplied by UEC (United Electronics).

In that context, extension into providing the goods for which electricity is the power is a natural move. A comprehensive survey commissioned by the group ahead of the Picapli purchase indicates that, for most blacks, purchasing priorities once their homes are electrified are TV sets, followed by deep freezes, fridges, stoves and microwave ovens.

Meanwhile, Watt and his team have had to wrestle with a company whose products and access to technology are well recognised and accepted but whose manufacturing record has been abysmal. The urgent need has been to focus on reducing returns to factories; in part, that accounts for the dismal result for 1993 (an eight-month period, to bring it into line with the group).



(189D)

Since the takeover, Powertech has moved to strengthen the balance sheet through a R38,5m rights issue, which also permitted the entry of the Amic/Daewoo joint venture as a significant shareholder.

After-tax profit of R3,6m excludes an extraordinary R2,7m on the sale of the electric geyser business to Boumat's Kwikot. The bottom line — excluding that sale — is EPS of 8,7c, still insufficient after some bad years to justify a resumption of dividends.

The balance sheet reflects the strengthening from the rights issue. Debt has reduced substantially from a colossal 1,6 ratio to an acceptable 0,28. If there is any complaint, it is that debtors have declined while the creditors' book has gone the other way, which suggests that other companies are managing

COMPANIES

FM 31/6/94

these aspects better.

In five paragraphs devoted to prospects, Watt contrives to say nothing. That is probably understandable in an industry so completely dependent on consumer confidence and spending. Nevertheless, it is right to take a stab at this. If the promised boom materialises — and there is some evidence it's here already — and if the long-promised, much-vaunted housing programmes translate into reality, Gentech will be a good place to be.

These are big ifs but some faith may not be misplaced. My guess is that Gentech will increase EPS by as much as 20% this year, and dividend payments will be resumed (within the group's 3 times cover policy).

The only drawback is that the counter is recording 540c. That puts it on a truly demanding 62 times p:e, which many may think too rich. (189D) *David Gleason*

JASCO FM 3/6/94

Silver lining

(1898)

Activities: *Makes and markets a broad range of electronic and related products.*

Control: *Directors 51%.*

Chairman: *J Sherry; MD: P Rush.*

Capital structure: *28,9m ords. Market capitalisation; R69,4m.*

Share market: *Price: 240c. Yields: 2,5% on dividend; 8,6% on earnings; p:e ratio, 11,6; cover, 3,5. 12-month high, 265c; low, 75c. Trading volume last quarter, 501 000 shares.*

Year to Feb 28,	'91	'92	'93	'94
ST debt (Rm)	0,6	5,0	2,5	3,9
LT debt (Rm)	5,8	5,7	5,3	7,1
Debt:equity ratio	0,61	1,09	0,57	0,54
Shareholders' interest	0,33	0,31	0,35	0,29
Int & leasing cover .	6,4	1,8	3,4	5,8
Return on cap (%) ..	22,8	11,4	17,8	19,7
Turnover (Rm)	64	72,3	74	95
Pre-int profit (Rm) ...	7,0	3,7	5,9	9,2
Pre-int margin (%) ..	10,9	5,1	7,9	9,7
Earnings (c)	16,4	4,5	11,7	20,7
Dividends (c)	4,0	nil	4,2	6,0
Tangible NAV (c)	35	34	39,9	47,4

The litany of woes that has haunted Jasco over the past few years is finally dissipating. The share's appreciation, from last year's 70c to its present 240c, confirms this.

Two questions that hung over the group's 1993 performance have disappeared completely. Litigation has been resolved against four former managers who formed and financed a closed corporation to compete with Pascom, one of Jasco's subsidiaries. Unfortunately, and as a result, connector and cable supplier Pascom suffered severe financial losses and was forced to retrench many employees.

FM 3/6/94

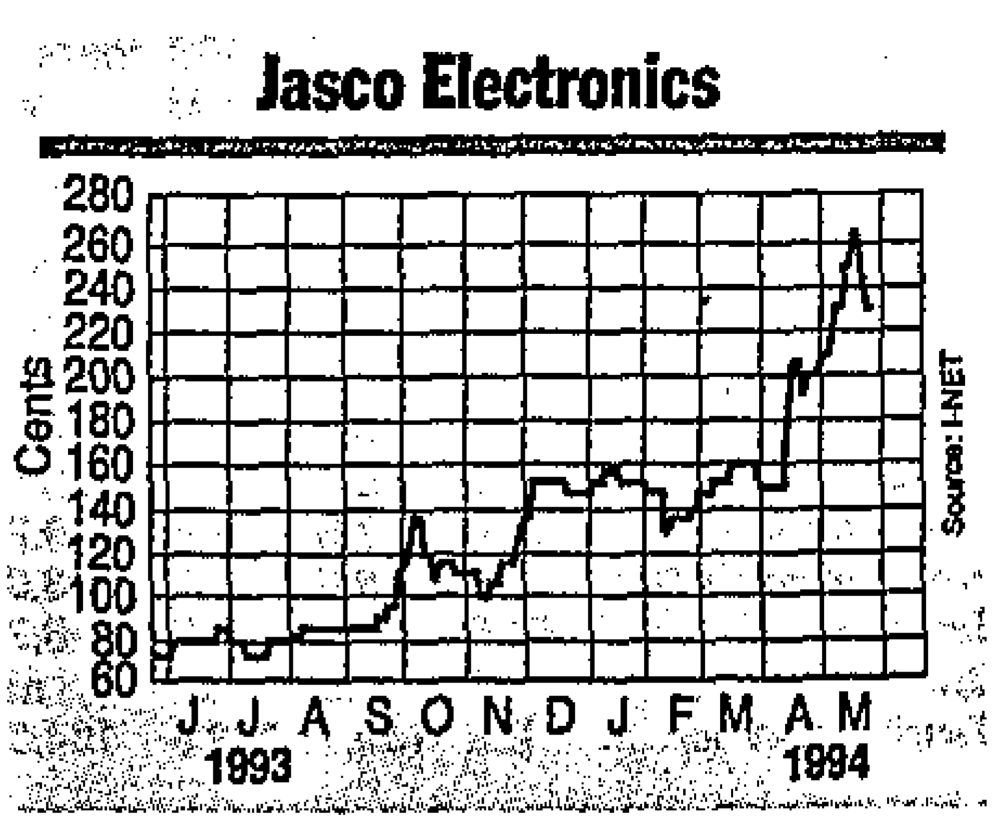
Second, R3m in contingent liabilities, most of which arise from tax deductions relating to investment in film ventures, haven't weakened the balance sheet to the extent feared at first. On the contrary, gearing fell three percentage points to 54% — its lowest level in five years.

MD Peter Rush expects this to drop to below 30% this year provided, he cautions, "we are not involved in any acquisitions." Last year had its disappointments in this area; acquisition of Datatrak was shelved at the last moment. Shareholders approved a R9m rights issue to finance the purchase of Datatrak's automatic vehicle location system — essentially for vehicle tracking. Despite earlier assurances, radio frequencies were not avaliable. Plans for the deal and rights issue were dropped. (1898)

Jasco's managers, despite the disappointment, persisted and in October acquired a majority shareholding in Measuretech, a company supplying high technology equipment for measuring volumes of fluids stored in containers. Rush argues this company holds considerable potential and expects it to produce some exciting results.

Operating income rose 57% over financial 1994 and EPS climbed 77% to 20,7c. The two communications divisions, Jasco International and Skypage both had an "excellent year." Jasco International has entered the market as a supplier of antennae and accessories for cellular telephones. Initial trading results have exceeded forecasts.

SA Scientific group, supplier of laboratory equipment, diagnostic consumables and pharmaceuticals, notched up the biggest improvement last year. Exports from this subsidiary accounted for 5% of group turnover. SA Scientific bought the Roche laboratory and diagnostic division for R2,5m in August. Rush says full benefits will be felt only this year.



The Eskom electrification programme is making a favourable impact on the demand for domestic appliances, generating a substantial upsurge in Jasco's Special Cables division.

The share's rerating is drawing to an end, but its 11,6 p:e still lags the Electronics sector's 16,4 average. The recent performance, together with promising returns from projects that will reach fruition this year, rids Jasco of market scepticism that has plagued it for the past few years. *Kate Rushton*

Transformed Altech has new focus

ROBYN CHALMERS

ELECTRONICS group Altech's restructuring programme had left the company less reliant on its traditional telecommunications and strategic electronics markets, the company said in its annual report.

Chairman Leslie Boyd and CE Peter Wilson said the group was "profoundly transformed" into a major player operating across a broad spectrum of the electronics market. BiDay

"While the telecommunications and strategic electronics markets remain core business areas, a great deal of progress has been made in redirecting technology skills and resources into new areas." 13/6/94

This was evident in the reduced contribution made by the telecommunications and systems group to Altech's bottom line. (189D)

Its attributable earnings contributed 47,8% against 68,5% the previous year.

Most of the slack was picked up by the industrial group, whose attributable earnings contribution rose to 52,2% from 31,5%.

Altech's earnings have declined from 857c a share in 1993 to 690,5c this year. Turnover rose from R930m in 1992 to level off at R1bn the following two years.

Analysts said Altech was forced to seek out new revenue-generating areas.

An important segment of its business was expected to suffer soon with the expiry of long-term agreements with Telkom for the supply of main exchange and transmission equipment.

However, directors said the group expected to enter into a shorter term, open tender environment to supply Telkom.

Greater interaction with the French group Alcatel was expected and the telecommunications operation had been restructured to achieve this.

Altech sold 50% of its telecommunications interest to form a joint venture with Alcatel during 1993.

COMPANIES

Q Data to get slice of Centera

MELANIE SERGEANT

ELECTRONICS group Siltek is set to transfer a big slice of its networking business Centera to software and services group Q Data. BiDay

The announcement, due tomorrow, is expected to see Siltek buy 50% of Q Data's networking company Q Net, and Q Data buying 50% of Centera and then combining the two.

Q Data chairman Piet den Boer said a key motivating factor for the deal was the recent awarding by the SA Police Service of a massive contract to Q Data's largest subsidiary, Q Data Consulting.

The contract, thought to be worth more than R100m, is one of the biggest awarded this year, and involves the upgrade and expansion of the SA Police Service's national network.

It is believed this contract was the starting point for negotiations between Siltek and Q Data.

While some industry sources believed there could be more than 100 people retrenched at Centera, Den Boer said all Centera's 460 staff would be retained.

Q Net has a staff of about 20, who will move into Centera. 16/6/94

Centera MD Werner Sievers has left the company, and heir apparent of Q Data Consulting Leen van der Bijl is set to become MD of Centera.

Den Boer said his company believed there were ways to resolve a potential clash of product lines. One industry source said the massive installation by Centera of NewBridge technology at Standard Bank had not gone as well as planned.

But Den Boer said that with the Q Data Consulting pedigree and the company's extensive experience such problems would be rectified. (189B) (232)

Altron building up exports

S Times (Buss)

By SVEN LUNSCHE

ALTRON is gearing up for increased exports, eventually totalling 25% of group output.

Altron says in its 1993-94 report that exports more than doubled in the past year, with group products going to 47 countries.

No figures are given, but analysts estimate that about 10% of last year's R3,2-billion turnover came from exports.

The financial statement shows that the group entered foreign-currency contracts worth R207-million "for purposes of trade during 1994". Additional foreign-currency guarantees amount to R53-million.

The number of exporting sub-divisions rose by 10 to 22 last year, selling 159 products — up from 78 in 1993.

Africa is one of the target markets, subsidiaries Altech and Powertech leading the way by designing products and systems suitable for them.

Altron has registered as an official supplier to the World Bank, enabling it to tender for projects undertaken by posts and telecommunication authorities throughout Africa.

Altron expects big things from its partnership with France's Alcatel and Swiss-Swedish conglomerate ABB. 19/6/94

The group admits that the gradual removal of benefits under the general export incentive scheme (GEIS) is causing it to give renewed attention to "higher productivity and competitive pricing". (189D)

Altron expresses concern about the effect of the tightening of General Agreement on Tariffs and Trade regulations on South Africa's R14-billion-a-year electronics industry.

"The industry will now have to compete on a world scale against a backdrop of greatly lowered protective tariffs and will dramatically have to improve productivity to survive.

"Competition from abroad, together with dumping, is likely to increase dramatically and margins are likely to remain tight for some time to come," says the report.

Altron lifted turnover by 19% last year and attributable earnings rose 2,4% to R104-million.

Executive chairman Bill Venter expects an improvement in earnings this year, supported by a strong balance sheet.

Spescom venture with multinational

B Rep 22/6/94

SELLO MOTLHABAKWE

SPESCOM Electronics has signed a preliminary agreement with a foreign-based multinational as a precursor to a joint venture to produce hi-tech electricity metering systems, industry sources said yesterday.

1891

Sources said it was likely that Spescom, which issued a cautionary to the JSE on June 8, would soon sign a formal contract with the multinational. The sources declined to disclose the name of the foreign company nor were details of the shareholding involved made known.

A key aspect of the articles of understanding was that the new company would create a centre of competence locally from which exports would be sourced, insiders said.

Spescom is a leading manufacturer of numerically coded pre-payment electricity meters and already exports to ten countries. The foreign partner is a major player in the electrical engineering field, sources said.

COMPANIES

Fintech 'looking at acquisitions'

SELLO MOTLHABAKWE

FINTECH, the Altron-owned information technology group, was turning its attention toward acquisitions after its five-year effort to cut debt, the company said at the weekend.

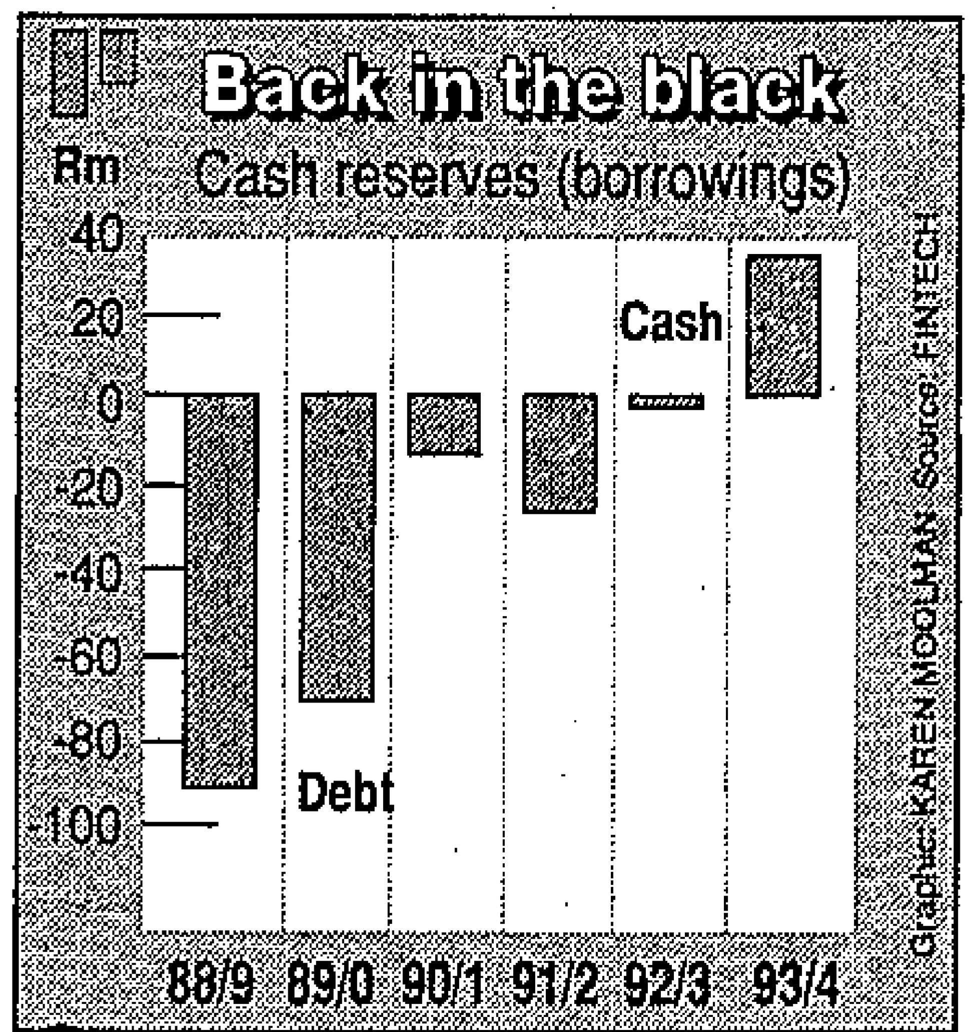
Group financial director Bruce Laing said the company could use its R34,2m cash reserve as a springboard for buying complementary companies in the industry. "We have the capacity to finance acquisitions and it is unlikely that cash constraints would prevent us from pursuing a worthwhile acquisition," he said.

But he added that there were no firm proposals yet. There was a limited range of prospects which met the company's criteria, and "we do not propose to embark on acquisitions in order to be seen to do so."

The company lifted earnings to 265,7c a share (225c) for the year to February as cost controls helped it exploit a 5% rise in sales to R629m.

Fintech's net borrowings stood at R90,2m, with debt as a percentage of shareholders' funds peaking at 144,4% in 1990. Cost-cutting and a steady improvement in shareholders' equity helped cut gearing to just 3,9% last year.

The company realised a 25% rise in net asset value a share last year from 674c to 845c, yielding a dividend of 70c which represented a 40% increase over the 1992/93 financial year.



BDay 27/6/94

Fintech's fortunes have been fortified by its 50/50 shareholding agreement with French telecommunications company Alcatel, which took up interests in Fintech subsidiary STC towards the end of 1993.

The company expected the recent tax measures introduced in the Budget to place some restriction on the growth of the information technology industry over the next 18 months. (1891)

Fintech has registered a sharp gain in its share price over recent months, with the market anticipating expansion plans. The share closed unchanged at its R40 year-high on Friday, against a year-low of R23,75 last November.

Spescom set to expand operations

Bday

SELLO MOTLHABAKWE

ELECTRONICS company Spescom reported an 11,6% drop in pre-tax income to R2,7m (R3m) despite an overall improvement in group results. 1/7/94

The 11% drop in turnover to R54,4m from last year's R61,4m reflected the effects of harsh trading conditions in the first half, chairman Tony Farah said.

Second-half improvement was boosted by the success of new division Spescom MeasureGraph, enabling the company to declare a final dividend of 2,5c, resulting in a total dividend of 4c a share.

Earnings a share of 12,6c (15,6c) reflected a 19,2% drop from last year.

Total assets for the group had increased 9% to R74,2m against R68,1m, resulting in a marginal 9% rise in net asset value a share to R2,08 (R2,06).

The improvement in the group's fortunes had encouraged Spescom to look for possible acquisitions to expand the business of MeasureGraph.

Farah said the decline in sales was due largely to the loss of the Eskom prepaid meters account. The company's recovery in the second half followed the acquisition of new metering contracts, he said. (1846)

Farah said future prospects for Spescom's agreement with Siemens AG, in terms of which the two companies would combine their local metering ventures, held particular promise. The move would strengthen the company locally as well as provide an international distribution network in 150 countries.

S Times (Buss)

Altron buys Hoover SA

31-7-94

ALTRON said on Friday it had acquired the fixed assets and stock of Hoover SA with immediate effect.

Management of the Hoover business has been assumed by Altron's listed subsidiary, Power Technologies. Long-term distributorship and technology transfer agreements have been entered for the supply of Hoover products.

Hoover was a division of Collondale Consumer Products, now under provisional liquidation. The Hoover acquisition is expected not to exceed R20-million. — Sapa

(189A)

Plessey sees 47% sales increase

Star 13/7/94

BY BRUCE CAMERON

Cape Town — Plessey Tellumat has recorded a remarkable 47 percent increase in sales to R400 million.

A major contributor to the increase in turnover of the unlisted Sankorp subsidiary has been the introduction of cellular phones, with the company providing much of the hardware for service provider MTN.

It has, however, raised its dividend for the year to March by only 1c to 826c a share on the back of a 30 percent increase in profits.

Earnings a share jumped 32 percent to 2 478c (1 876c), while net asset value is up by 14,3 percent to R133,68 a share (R116,91).

The company has increased its debt load, with the interest bill squeezing operating margins and profit.

Margin

The interest bill jumped from R1,4 million in 1991 to R6,9 million last year, reducing the 11,5 operating margin to 9,1 percent.

Group MD John Temple says pressure on margins was caused by the cost of entering new export markets and aggressive pricing as a result of the recession.

The company is, however, on the expansion trail, covering a wide spread of activities both locally and internationally.

Temple says new areas targeted for growth included rural communications, cellular telephony, satellite communications and telecommunication transmission products. These products were major contributors to the growth in sales.

"Overall, sales of telecommunication products and services accounted for almost two-thirds of our turnover.

"We won major orders which positioned us as SA's largest supplier of cellular communications equipment and of rural communinications."

Penetration

The company is also poised to increase its penetration of export markets with PABX telephone switchboards, while the "entire year's production of search and rescue transponders, for maritime application, is booked to sell in Europe, the US and the Far East".

Plessey Tellumat continues to invest heavily in both developing and buying technology with the amount allocated to R&D up nine percent to R33 million.

(189D)

Temple predicts an increase in sales locally, with deregulation of the telecommunications structure and increased investment in electrification and housing, information and broadcasting services, transport and mining infrastructure.

John Temple . . . aggressive pricing.

Sankorp's Plessey dials right number

BDay 13/7/94

EDWARD WEST

CAPE TOWN — Sankorp's Cape-based unlisted telecommunications and electronics subsidiary Plessey Tellumat SA lifted attributable income 32% to R20,1m (R15,2m) in the year to end-March 1994, MD John Temple said yesterday.

Sales climbed 47% to R399,8m (R272,5m). However, the operating margin was trimmed by costs of entering new export markets and pressure on margins from aggressive pricing. Operating income was 29% up at R36,5m (R28,3m).

A dividend of 826c (825c) a share was proposed.

Plessey has 810 900 shares in issue.

Temple said new areas targeted for growth in the year, rural communications, cellular telephony, satellite communications and telecommunication transmission products, were the major contributors to sales growth.

Telecommunication products sales accounted for almost two-thirds of sales. These included contracts awarded by cellular phone network operator MTN, equipment supply to a joint venture with Ericsson Radio Systems of Sweden and for equipment installation by Plessey Tellumat.

He said the speed of installation of the MTN infrastructure was one of the fastest network roll-outs in the world.

In addition, the group was supplying short-haul microwave links used by Telkom, Temple said.

The company won orders from Telkom to supply and instal rural telephone systems before the elections. These, he said, were for Plessey systems and for systems supplied through a joint venture with Marubeni of Japan.

Temple said adapting Plesseys' products to foreign conditions proved to be a major hurdle, but exports had climbed 30% off a low base.

The group was selling PABXs in Holland and the UK. Orders for FM transmitters had been received from the UK, Norway, Cyprus, China and African countries, he said.

A year's production of maritime search and rescue transponders was booked for sale in Europe, the US and the Far East. Export prospects for avionics, traffic and electricity metering systems were also bright, said Temple.

Liberalisation of telecommunications infrastructure purchasing would improve market penetration — the group was previously excluded from these markets — while defence avionics activities would benefit from the ending of sanctions.

Increased investment in electrification and housing, information and broadcast services, transport and mining infrastructure would also benefit the group, Temple said.

Control's earnings jump 48%

BDay 4/8/94

SELLO MOTLHABAKWE

ELECTRONICS group Control Instruments reported a 48% increase in net earnings to R5m (R3,4m) for the year to June despite difficult trading conditionsin the three months after the elections.

Turnover had increased 35,8% to R100,3m (R73,9m) and operating income was 40% up at R7,3m (R5,2). Earnings a share were pegged at 7c from 5c. The final dividend was 1,2c (2c), a total of 2,2c (2c) for the year.

Chairman Richard Friedman said the results reflected increased borrowings for additional capital requirements as well as the cash cost of acquisitions and capital expenditure. The 29% gearing was well within the group's self-determined limits.

Dividends had been increased 10%, allowing the group to increase dividend cover from 2,5 to 3,2 times, and use internal resources to take advantage of market opportunities.

(189D)

Friedman said exports of automotive electronics and industrial instrumentation had continued to climb, and the group had successfully entered the cellular phone market.

ANIES

Delta Electrical gains 12% amid tough trading

B Day 18/8/94

SELLO MOTLHABAKWE

ELECTRONICS company Delta Electrical's earnings rose 12% to 29,9c a share for the six months to June, despite a fall in operating performance prompted by tough trading conditions and industrial action.

Although turnover increased 14% to R203,4m, operating income edged forward just 1% to R22,8m (R22,5m).

Higher finance charges cut pre-tax income 2% to R21,9m, but although taxation included the transition levy, the bill fell to R7,76m (R8,7m). 189D

Improved income from linked companies helped the bottom line, leaving attributable earnings 12% up at R12,4m. The dividend was pegged at 10c (9,5c).

Chairman Alex Bury said unofficial holidays and disruptions in the run-up to the elections had a negative effect on performance.

But the second half of the financial year had started off well with a fair measure of labour and political stability. Bury said he expected an improvement in results if such conditions continued to prevail.

He said subsidiary company Delta Cables returned to profitability and had benefited from a lower tax charge as a result of assessed losses.

The company's short-term borrowings had increased by R5,1m to R22,7m since last December following the acquisition of A&A Engineering and Richards Bay-based Rewinds, Bury said.

Delta posts 12% rise in earnings

Star 18/8/94

BY DEREK TOMMEY

Delta Electrical Industries increased its earnings by 12 percent in the six months to June to R12,4 million from R11,1 million a year earlier.

Earnings rose from 26,8c to 29,9c a share and the interim dividend has been increased from 9,5c to 10c.

Turnover rose 14 percent to R23,4 million, but operating income rose only 1 percent to R22,8 million.

The directors say that the unofficial public holidays and the diruptions associated with the election had a deleterious effect on several subsidiaries and operating income fell below forcast.

The second half of the financial yar has started well and, given a fair measure of labour and political stability, an improvement in performance is expected. (1891)

Delta Cables has returned to profitability and the tax charge for the period has benefited from the utilisation of assessed losses.

Short-term borrowing rose by R5,1 million following the acquisition of A&A Engineering.

ALTRON FM 19/8/94

Rich in cash

Activities: *Professional electronics, telecommunications, power electrical and information technology. Holds Altech (56%), Fintech (66%), Powertech (55%).*
Control: *Ventron.*
Chairman: *W P Venter.*
Capital structure: *19,2m ords. Market capitalisation: R1 853m.*
Share market: *Price: 9 650c. Yields: 1,8% on dividend; 5,6% on earnings; p:e ratio, 17,7; cover, 3,1. 12-month high, 10 000c; low, 6 500c. Trading volume last quarter, 69 000 shares.*

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	7,0	5,0	40,5	34,0
LT debt (Rm)	29,0	26,4	8,3	3,7
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,53	0,56	0,77	0,77
Int & leasing cover	27,0	n/a	n/a	n/a
Return on cap (%)	20,3	18,3	8,5	7,7
Turnover (Rm)	2,66	2,65	2,72	3,24
Pre-int profit (Rm)	300	295	281	292
Pre-int margin (%)	10,8	10,4	10,3	9,0
Earnings (c)	411	489	534	544
Dividends (c)	142	159	170	175
Tangible NAV (c)	16,51	19,47	23,50	28,15

Altron sits at the pinnacle of one of SA's most important electronic groups. As such, its performance excites considerable interest, not least among investors. And financial 1994 wasn't one of its better years. EPS grew by a modest 1,8%; in the context of a significantly higher inflation rate, that is disappointing for many shareholders. In a token gesture, the dividend was squeezed a little to yield another 5c and a total 175c for the year.

But no-one can complain about the balance sheet which displays unusual strength. Long-term liabilities are a modest R3,7m by comparison with fixed assets of R411,3m and net current assets of R585m. There are short-term loans of R34m, but they are dwarfed by cash holdings of R311m. In one area, though, the numbers evoke a flutter: minority interests are greater than those of its direct shareholders, and I am surprised no explanation is provided. Financial director John Sayer says this is a function of the group structure.

Altron operates essentially through holding companies which concentrate on three discrete sectors: telecommunications equipment, electronic systems, electronic components and the like (Altech and quoted subsidiary Autopage); various power electric products including transformers, cables, lighting, batteries and electrical appliances (Powertech and quoted subsidiary Gen-

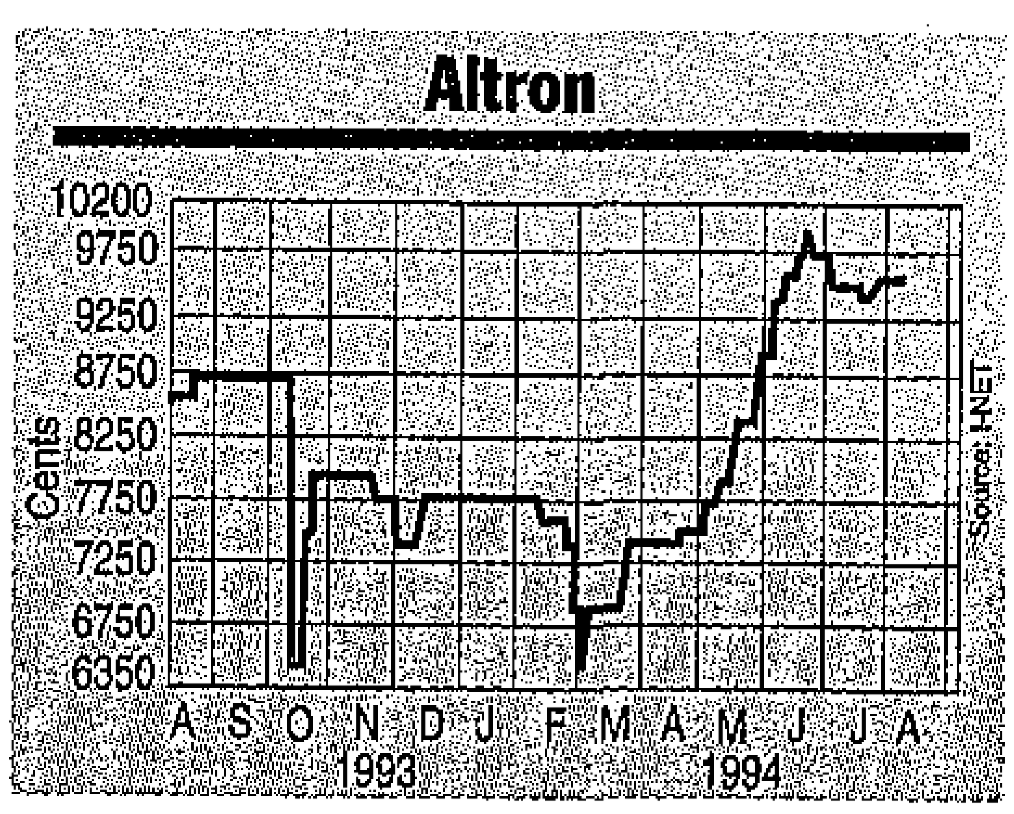
FM 19/8/94

Altron's Venter ... *looking for a good international investment*

tech); finally, in the IT industry through Fintech. Of these, Altech probably has the highest public profile, but Powertech holds the largest selling base.

When I last wrote about Altech I highlighted the deal in which half its telecommunications interests (basically in STC) were sold to French giant Alcatel for R69,5m cash and 425 000 Alcatel shares. Effectively, therefore, Altech and — by extension — Altron is sitting on a pile of near cash in France which is neutralised for the time being.

This view incenses chairman Bill Venter. First, he says, the Alcatel deal is good for the group and SA (I agree); second, he is looking for a good international investment — these don't drop off trees; third, Altech has made good money out of its temporary investment in Alcatel because the share price has risen appreciably. None of which,



good reasons though they are, deflect my opinion that Altron's business is primarily to create wealth from its own efforts, not by investing in that of others.

Altron is a big business which has emerged from two tough years with a strengthened balance sheet. It is well able to benefit from the economic recovery; the chances of improvement in earnings growth must now be particularly good.

At 9 650c, the counter is close to its 12-month high of R100, and is on an historical p:e 17,7. Venter will want the group to perform well this year, so I am looking for earnings growth of about 110c. That puts the share on a forward p:e of 14,8, cheap enough to make it attractive. *David Gleason*

Reunert plugs into RDP's aims

S Times (Buss) 28/8/94

By ZILLA EFRAT

REUNERT, South Africa's largest electronics and electrical engineering company, is to embark on a R195-million capital expansion programme.

Chairman Clive Parker says Reunert's growth potential is intrinsically linked to the success of the reconstruction and development programme, especially the RDP's proposed mass-electrification drive.

He says the investments are aimed at ensuring that Reunert is well placed to serve the burgeoning local and international markets.

Projects include:

□ The R41-million purchase of a cablemaking plant to upgrade aged plant on African Cables' Vereeniging site. This will increase capacity for new products for electrification programmes and make African Cables a leading supplier of insulated electric power cables.

□ Installing additional plant at Consolidated Lamp Manufacturers' Port Elizabeth factory at a cost around R30-million. This will help the GEC Alsthom company meet the higher demands for lamps and bulbs expected to result from housing and electrification programmes.

□ Upgrading capacity at Circuit Breaker Industries (CBI) at a cost of R25,7-million.

□ An upgrading and new technology at ATC, part of Reunert's cables division, expected to cost about R20-million. This planned investment follows steady growth in its copper and optical fibre cable markets and a R40-million export order to Hong Kong.

□ A R18,5-million project to improve production efficiencies and development capabilities at Reutech companies like Aserma, Barcom, Fuchs Electronics, Telkor, Lasco and ESD. (1891S)

□ A R17,5-million expansion at Telephone Manufacturers SA which includes additional space to house its payphone business, increasing capacity to make printed circuit boards by 40% and a production line to make smartcards.

□ Improving production efficiencies and capabilities at mechanical engineering division Reumech, at a cost of R35-million, ahead of the Iveco truck and Landini tractor ventures.

□ A R7,3-million project to boost the consumer and commercial electronics division. This includes upgrading Nashua's computer system, the purchase of a professional imaging company and an automatic component insertion system to make decoders and television sets at Panasonic's Parow factory.

COMPANIES

Move to cut electronics tariffs

SELLO MOTLHABAKWE

THE Board on Tariffs and Trade has recommended reduced import tariffs for electronic and telecommunications equipment to stimulate competition.

A spokesman in the Trade and Industry Department said the board had given a set of tariff proposals for the telecommunications industry which were being examined by the Minister's office.

The spokesman said the tariffs on electronic equipment were high, in keeping with the previous administration's policy of protecting local industry.

He considered the recommendations to be in line with attempts to make local industry competitive to keep up with world market trends.

He said: "We will have to do this over a period of time and bring aboard all stakeholders. The opening up of the economy will have negatives for employment. The government will have to devise measures to cushion employees against the loss of jobs as well as employers against the loss of profits."

BDay 3/8/94

He said in view of the new political situation, the lifting of trade sanctions and guidelines by the General Agreement on Trade and Tariffs as well as the government's own draft policy, tariffs had to be reduced. But the process would to a large extend depend on the sensitivity of individual industries, he said.

(184D)

"It is well known that our electronics companies cannot compete with companies from Taiwan and the East."

Grintek lifts earnings 23%

BY CHARLOTTE MATHEWS

Electronics group Grintek lifted earnings 23 percent to R42,1 million in the year to June, but growth in the dividend was more restrained. Star

A total dividend for the year of 4,4c, 19 percent above 1993, has been declared on earnings 22 percent higher at 21,5c.

Turnover climbed 23 percent to R1,7 billion, but operating profit was 28 percent better at R88,6 million. Interest paid declined nearly a third to R4,3 million and the tax rate was slightly higher. 2/9/94

Chairman Jack Saulez said yesterday results were particularly pleasing because conditions were difficult, with continued competition and pressure on margins.

Grinaker Electronics continued to experience low defence spending, but continued to upgrade and maintain equipment. Its profitability improved on a broader base of commercial products and improved management controls. (189D)

Grintek's listed subsidiary Siltek earlier this week reported a 23 percent improvement in earnings to R57 million, while Siltek associate Q Data achieved a 30 percent rise in earnings.

Saulez said in the last few months of the financial year there had been signs of a recovery and that the group was well positioned to capitalise on opportunities.

Grintek sees growth after restructuring

BIDay 2|9|94

YURI THUMBRAN

GRINAKER'S listed electronics company Grintek saw earnings rise 22,8% to R42,1m for the year to June despite continued competition for available work and political uncertainties that prevailed for most of the year.

Earnings a share rose 22% to 21,5c (17,6c). A final dividend of 3c a share was declared making the total dividend for the year 4,4c — 18,9% higher on the 3,7c for last year.

Group turnover increased 23,4% to R1,7bn, operating profit was up 28% to R88,6m, but tax increased 35% to R26,3m. The company's gearing improved to 3,8% (4,2%). Interest-bearing debt was reduced to R6,2m (R7,5m). (189D)

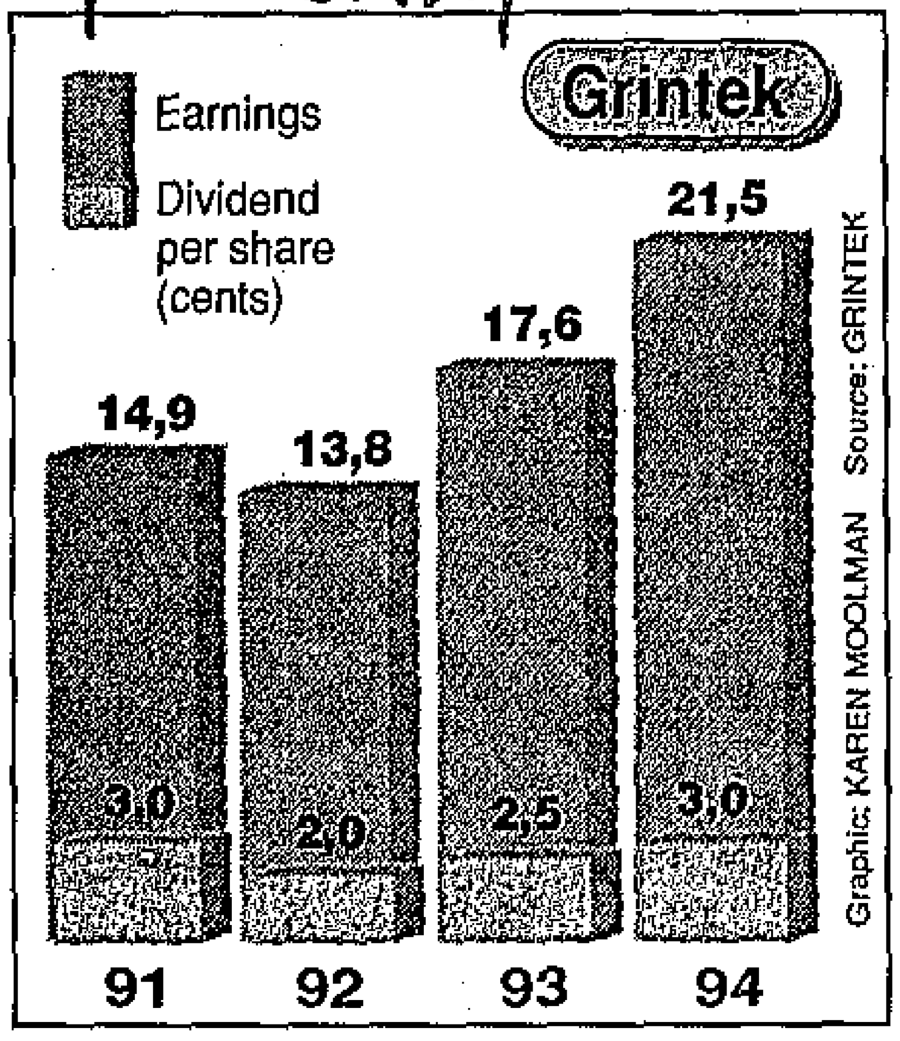
The company reported an extraordinary item of R24,6m of which the bulk consisted of goodwill and the net loss on the disposal of investments.

Chairman Jack Saulez said the results were pleasing because they were achieved under conditions which were "difficult and highly competitive".

He said earnings from all divisions were up following restructuring and rationalisation which helped to eliminate duplicate infrastructures.

Earnings from subsidary Grinaker Electronics increased 32,5% to R10,6m. Turnover was 285,4m despite experiencing lower defence spending.

But Grinaker still enjoyed continued demand from its defence customers for upgrading, support and maintenance.



A broadened base of commercial products enhanced the company's profitability in the past year.

Information technology subsidary Siltek increased earnings 23% to R57m. Its turnover rose 26% to R1,41bn.

HiPerformance Systems boosted profits significantly in the systems division, while Large Scale Systems repositioned itself as a systems integrator.

Listed associate company Q Data Limited achieved 30% growth in earnings.

With effect from July, networking and service businesses of Centera were merged with Q Net, a subsidiary of Q Data. These businesses were well positioned to achieve improved profits for the current year.

R21,2-m loss hits Cullinan

(187D) ARG 6/9/94

Business Staff

ELECTRICAL products group Cullinan Holdings has reported a R21,2 million attributable loss in the year to June 1994 from a profit of R186 000 in 1993 after an expected second-half improvement failed to materialise.

Total turnover dropped to R425,98 million from R430,2 million and there was an operating loss of R3,6 million on continuing operations, against 1993's profit of R11,5 million.

After a loss of 146,2c a share, the dividend has been passed.

The 1993 earnings a share figure of 1,3c was swelled by a change in accounting policy.

In view of these results, the group would review its senior management structure and sell some divisions to reduce borrowings and costs, chairman Alan Clark said.

■ THE declaration of 15 percent higher interim dividends for the half-year to September by four **Rembrandt** companies last week is unlikely to bring a similar increase in earnings for the same period, analysts say.

However, analysts predict group earnings a share will be 10 percent or, at most, 14 percent better.

They say the group has historically maintained a fairly high level of dividend cover of 4,5 to five times, giving it the reserves to grow dividends faster than earnings.

It also bases its dividend on taxed income, rather than including equity earnings.

Analysts say there is nothing to produce a total 15 percent climb in earnings. For several years the tobacco business has been in retreat and it is unlikely to grow significantly. The investment in Vodacom is absorbing cash.

However, the upturn in the commodities cycle is likely to benefit the investments in Gencor, Goldfields and Trans Hex.

MARKETS

Cullinan loses battle for profit

JOHANNESBURG. — Industrial ceramics and electrical powered products group Cullinan Holdings yesterday posted a net attributable loss for the year ended June 30 of R21,2m against 1993's profit of R186 000, on a turnover of R425,9m (R430,1m). (189D)

Borrowings increased to R101,6m (R67,1m), while ordinary shareholders' funds declined to R82,9m (R118,1m). CT 6/9/94

Chairman Alan Clark said significant external factors such as Iscor plant breakdowns and the stalling of Eskom's electrification programme prior to the election, contributed to the disappointing performance of the group, but there were areas where management controls had proved ineffective.

"The group is pursuing a strategic downsizing exercise which will involve the sale of certain divisions. The effect will be a substantial reduction in costs and borrowings," he said.

"Certain of our divisions remain effective businesses with considerable recovery potential. Although the sale of other divisions will affect results in the next half year, we expect to return to profitability in the medium term." — Sapa

Altron buys Hoover for R17,2m

ROBYN CHALMERS

ELECTRONICS giant Allied Electronics had concluded its R17,2m acquisition of domestic appliances group Hoover, which would be located in General Technologies subsidiary Gentech Trading, the company said yesterday.

Altron said a stock valuation of loss-making Hoover led to a settlement price of R17,2m, after deductions of R3,8m for the refurbishment of Hoover's facilities.

Management of the Hoover business would continue under Altron's listed subsidiary Power Technologies (Powertech).

Powertech CE Johan van den Bergh said he was satisfied with progress made to incorporate Hoover into the Powertech stable, and he expected Hoover to return to profitability in the short term.

Van den Bergh said Hoover's staff complement of 380 people at its main East London plant and branch offices in major centres had been retained.

He said licence, technical assistance and long-term distributorship agreements had been concluded with the US-based Maytag Corporation for the manufacture and supply of Hoover products in southern and central Africa. BDay

The Maytag group was a major international manufacturer and supplier of a broad spectrum of household appliances and equipment. 7/9/94

"The acquisition of Hoover and its location in the Gentech group was a logical step in the group's aim to address the broader spectrum of the domestic appliance market."

Van den Bergh said the Gentech group manufactured and supplied domestic appliances to the consumer market in southern Africa. It represented international principals and traded under brand names such as KIC, Daewoo, Indesit, Whirlpool and Hitachi. (1898) (232)

"The purchase introduces a premier household name into the stable of the Gentech products, which will serve to enhance the Gentech group's product profile and consolidate its position in the market."

Grinaker puts in fine performance

BDay 7/9/94

ROBYN CHALMERS

RATIONALISATION introduced last year has begun to pay off for Anglovaal's construction and electronics group Grinaker Holdings, with attributable earnings rising more than a third to R41,1m for the year to June.

The group's turnover increased 21% to R2,8bn.

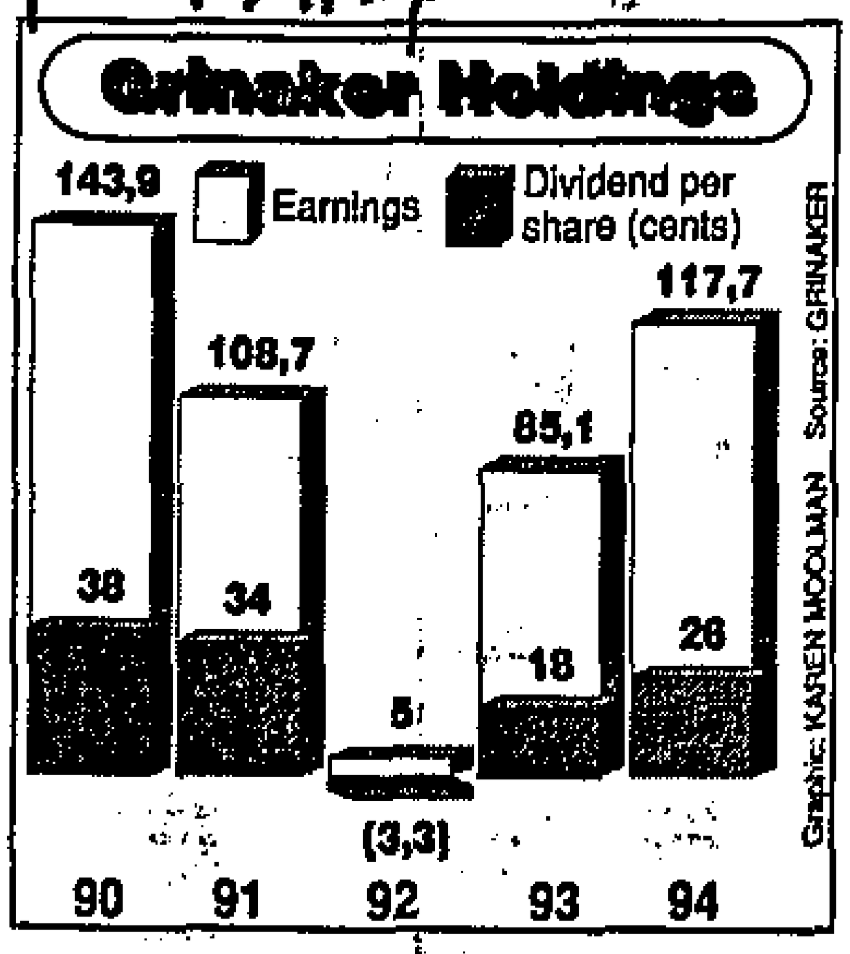
Earnings a share rose to 117,7c from 85,1c during the 1993 year, and a final dividend of 20c was declared, bringing the total dividend to 26c against 18c previously.

Operating profit improved 39% to R107,3m, and R19m in income from investments, together with a lower interest bill of R13m (R16,7m), saw pre-tax profit rise 42% to R113,4m.

After providing for the higher tax charge of R32,9m (R21m), after-tax profit advanced to R80,5m (R58,6m).

Extraordinary items amounted to a net surplus of R16,8m.

One of the strongest turnarounds came from subsidiary Grinaker Construction, Grinaker Holdings chairman Jan Robbertze said.



Turnover rose 18% to R1,1bn and pre-tax profit soared 146% to R24,8m while earnings increased 111% to R18,2m.

Grinaker Electronics boosted earnings a third to R10,6m on the back of a 12% increase in turnover to R285,4m.

Information technology subsidiary Siltek continued its strong performance, raising earnings 23% to R57m and turnover 26% to R1,41bn.

Cullinan posts loss of R21-m

■ BY CHARLOTTE MATHEWS

Electrical products group Cullinan Holdings has reported a R21,2 million attributable loss in the year to June 1994 from a profit of R186 000 in 1993 after an expected second-half improvement failed to materialise.

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Chairman Alan Clark said yesterday external factors, such as plant breakdowns at Iscor and the stalling of Eskom's electrification programme ahead of the election, contributed to the loss, while in some areas management controls had been ineffective.

In view of these results, the group would review its senior management structure and sell some divisions to reduce borrowings and costs, he said.

Top award for SA company

Business Editor (189D) CT 16/9/94

AN electronics company set up by two friends in a garage 12 years ago won an international award for the high standard of its technology this year and has been allocated a stand at the hard-to-get-into Orgatec exhibition of office equipment in Cologne next month.

Technical director Brian van Zyl and MD Ray Mazzullo started making products to solve office power and cable management problems in 1982. Now Multitech Industries (Pty), which has a factory in Ottery, exports half its production.

In June, Mazzullo and Van Zyl were presented with the 15th international trophy for technology and quality awarded annually by the International Trade Leaders Club and a European magazine Editorial Office.

Aberdare Cables was the only previous SA winner.

Now Multitech is believed to be the only SA company to take part in the Orgatec exhibition, held every two years.

"This is a very exciting opportunity," Mazzullo said this week. "Orgatec attracts about 2 000 exhibitors from 37 countries and looks at the office environment in its totality. All the world's major corporations go there to see what is on offer.

"And of course the exhibits have to conform to high German standards.

"I was helped to get a stand by the SA consul in Bonn, who spoke to me when I was taking part in an exhibition in Hanover this year and promised to give support to our application."

Hicor plugs into strong recovery

S I Times (Buss)

HICOR, the listed consumer electronics group which owns 82% of Allwear, has posted interim profits of R793 000 compared with a loss of R30 000 for the same period last year, writes **JEREMY WOODS**.

But the first half is the worst one for Hicor and retail analysts believe Hicor's year-end results will show profits of well over R3-million — or earnings per share of 6c against 2,3c last year.

Allwear has made a dramatic turnaround in profits and exports. Allwear manufactures school wear and some fashion clothing and this year should make profits of R3,5-million.

"Both groups are going well. Allwear has full order books to the end of this year while Hicor's consumer electronics business is growing fast," said Renier van Rooyen, who runs Hicor.

Hicor's net asset value is 41c a share. (189D)

In the last 12-months, Allwear's share price has rocketed to 190c from 60c, while Hicor's has only moved from 17c to 38c. 18/9/94

ANBEECO/SUPALEK/AMIC

Strategic shifts

FM 23/9/94

Results published in June hinted at what is about to become reality — after gaining shareholder approval for the deal, watch distributor Anbeeco will dispose of 86,1% of its 52,5% controlling shareholding in audio dealer Supalek; it will retain 7,3%.

In financial 1994, watches and allied products contributed 51% (1993: 44%) of turnover and 84% (1993: 70%) of Anbeeco's EPS — the rapidly diminishing remainder coming from Supalek.

Anbeeco director Barry Phillips says during the past two years efforts were focused on broadening Supalek's product range beyond the elite Kenwood range and small volume, lower-market Cortina audio products. This was unsuccessful. However, the opportunity arose to distribute middle-of-the-range Daewoo audio products and locally manufactured TV sets. A condition of this transaction was that control of Supalek had to change. (189b)

After much deliberation, Anbeeco sold its Supalek interest to Gold Fortune, a Hong Kong-based investment holding company, for R6,3m — 43c an Anbeeco share. (Phillips says a decision hasn't been made on how this money will be spent.) Gold Fortune in turn has granted an option to Daewoo Amic — an SA company jointly controlled by Daewoo Corp and Daewoo Electronics (both incorporated in Korea) and Amic — to acquire controlling interest. Should they take up this option, Gold Fortune and Daewoo Amic will each hold about a third of Supalek's issued paper.

Placing the disposal at 43c a share may seem a little low, given Supalek's 150c present market price. But management points out the share price failed to breach 50c until the first cautionary announcing negotiations was published. Also, Supalek's

Continued on page 92

FOX

Continued from page 87 FM 23/9/94

NAV per share at year-end April was 37,2c.

Benefits seen by Golden Fortune in entering a joint venture with Daewoo Amic are obvious: the association in this sphere with Amic alone provides a useful foot in the SA brown goods market; and the opportunity to distribute some of its own goods through Daewoo Amic is a bonus. (189b)

Daewoo Amic's rationale for the move is less apparent. The company is small in terms of Amic's overall scheme of things, but Amic business development consultant Laurie Olivier says: "we are hopeful that, through growth, Amic will receive a well above average reward for its investment. The investment is of more importance in terms of Daewoo Amic's developmental objectives. The opportunity exists to expand on the product range through Daewoo." This limits Supalek's dependency on Kenwood, which is strongly exposed to the yen. Another positive prospect for Supalek is the possible establishment of a local brown goods manufacturing plant.

Both stocks have responded positively to the announcement. Supalek has tripled to 150c since the first cautionary in June; Anbeeco has gained 47% to 110c.

For the time being, they'll both retain their names and listings and are worth watching.

Kate Rushton

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Continued on page 92

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Kate Rushton

US firm in jobs bonanza for Atlantis

S/Times [C/Metro]

By JEREMY WOODS

US-BASED Diamond Electronics is setting up a manufacturing operation in Atlantis that will export R230-million worth of cellular telephone chargers a year and provide 2 000 new jobs.

Diamond Electronics will assemble the charger-unit for Motorola cellular phones. The electronic units are used to recharge the batteries of cellular phones.

Production of chargers will be targeted at 250 000 chargers a month, from four production lines.

If the operation goes well, Diamond Electronics is considering relocating a factory in Mexico to Atlantis, says Wesgro, the Western Cape growth organisation.

The planned location of the new R130-million manufacturing plant in Atlantis, which will lead to a massive jobs bonanza for the area, follows a fact-finding mission to the Western Cape by Mr Ronald Burrell, an African American and partner in Diamond Electronics. 25/9/94

Employment is planned to start in November and the plant should be in production by Christmas.

Mr Burrell says he will have 750 people on the payroll by the middle of next year, and 1 200 a few months later. Medium-term plans, say Wesgro, show employment rising to 2 000 people by 1996. 189D

A test programme using relatively inexperienced people produced 500 units and was extremely encouraging.

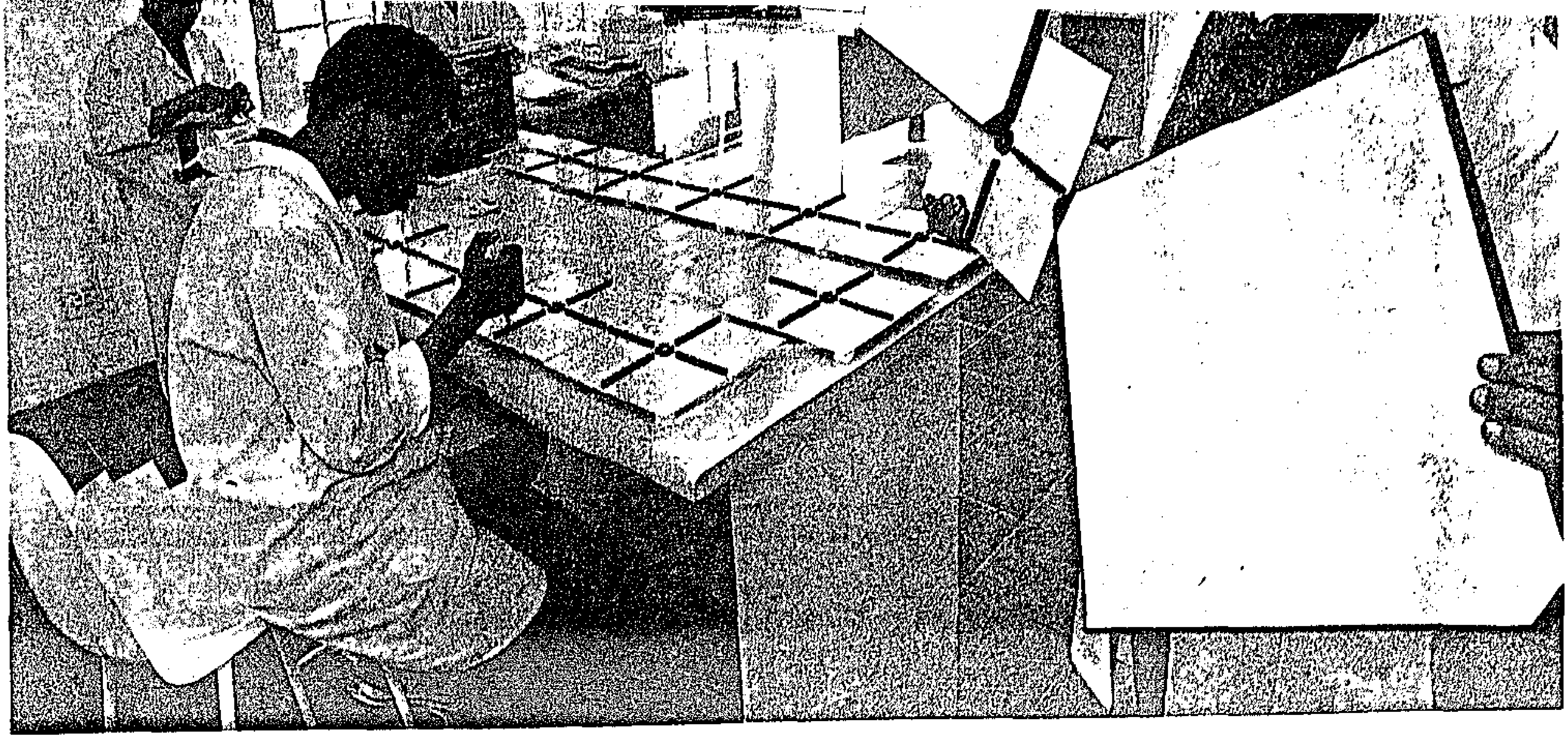
A test programme producing 500 units to establish productivity and defect rates in the Atlantis factory has already been completed by relatively inexperienced people.

"The test results were extremely encouraging as the defect rate did not rise above 0,2 percent during the test," says Mr Burrell.

"Many of the new jobs will go to women as they demonstrated the necessary dexterity to mass assemble the delicate electronic components of the charger-unit," says Mr Burrell.

"Diamond Electronics will also consider building houses for their employees to rent and enter into an agreement with them that ownership of the house eventually passes to the employee after a certain period of time with the company."

Mr Burrell says if everything goes according to plan, Diamond Electronics would "seriously consider closing its Mexican assembly line and relocate the factory to Atlantis."



BRIGHT FUTURE ... Mr Zakhele Phikiso, with the state-of-the-art antennas he and fellow residents of Hout Bay's informal settlement are helping to manufacture. Picture: TERRY SHEAN

Hi-tech work for the jobless

S/Times [C/Metro]

By JEREMY WOODS

THE sky's the limit for residents from Hout Bay's informal settlement who have been employed to make high-tech satellite terminal antennas for two local electronics companies. 25/9/94

Plessey Tellumat and Omni Systems have established a joint venture company to design and manufacture low cost, high performance satellite terminal antennas.

Social development is an important part of the project and residents from the Imizamo Yethu informal settlement in Hout Bay have been trained to manufacture the antennas.

"The product is unique," says Omni Systems managing director Mr Johan Pretorius, "and so is the project."

The antenna is light, easy to deploy, and reliable. It is designed for the portable Inmarsat B satellite terminals. (189D)

Export orders worth R1,5-million have been won from Japan, Germany, Norway and America since the joint venture started.

Settlement residents readily agreed when asked to take part in the project by Mr Pretorius' wife Mariette, who is actively involved in community projects at the Hout Bay informal settlement.

After selection and training, the residents formed an independent association which is now subcontracted by the joint venture.

"At present the association consists of six members and 10 support workers," says Mr Pretorius.

KEVIN McMANUS

"The association lays down its own standards for discipline and it is the association's responsibility to ensure that quality standards and production levels are adhered to. The joint venture has also introduced an incentive scheme to encourage productivity."

Mr Pretorius says the result has been excellent quality of work and high levels of commitment.

"Since we started training in March, there has not been a single absentee."

Electronics sector 'set for rapid expansion'

BDay 27/9/94

SELLO MOTLHABAKWE

THE electronics sector was set for rapid expansion with the National Electrification Forum's five-year plan to electrify 500 000 homes, and could become a new growth sector rivalling the construction industry, sources said yesterday.

They said the Cabinet endorsement of the NEF's proposal to connect electricity to 500 000 homes over a five-year period was long overdue.

Altron group corporate communications executive Jacques Sellschop said group companies had made capital investments of more than R200m in the past two to three years to position the group as a leader in the field.

Dave Brian, whose company Hardware Assemblies is a significant supplier of components to Eskom, said he expected an upturn in production output, employment and revenues.

The industry was likely to get busier around December when the second leg of a project to connect 50 000 more homes started.

Reunert affiliate GEC Alsthom SA group MD Mike Sullivan said the electrification project would benefit the electronics and electrical engineering sectors.

"Insofar as we are concerned we see an upstream benefit in supplying equipment for the transmission of electricity. The downstream benefit will be the increased consumption of products such as lamps, appliances and appliance components."

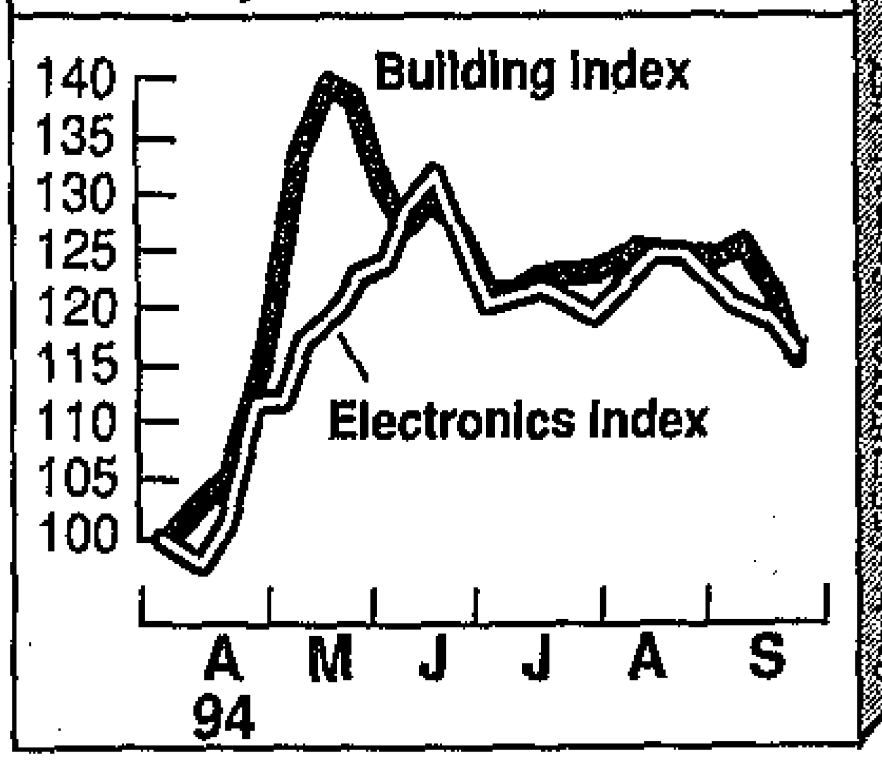
The latest electrification plans and the endorsement of them at Cabinet level had had a beneficial effect on share prices, Sullivan said. "This sector, along with the tourism industry, is considered the growth sector of the economy."

Powertech CE Johan van den Bergh said should the electrification programme gain momentum, it would boost the industry through increased demand for products and services. It would also provide job opportunities.

An industry analyst said the share prices of companies in the electronics sector had gone up in anticipation of electrification projects. "Once it (electrification) gets off the ground companies in the components sector will make good money. Rising earnings will be coupled with good dividends."

The electronics index moved 21 points yesterday to 1 751. The index recorded a year-high of 2 015 in June.

Building/construction & electronics indices
Weekly close (Based to 100)



Fintech reports income up 31%

BIDay 27/9/94

SELLO MOTLHABAKWE

STRICT cash management and the relaxation of trade sanctions by US cities and states helped electronics group Fintech raise its attributable income 31% to R15,9m for the six months to August, executive chairman David Redshaw said yesterday.

A turnover increase of 21% to R372,6m from R306,7m was accompanied by an improvement in operating margin from 4,7% to 5%.

Operating income stood at R19,6m (R14,7m) with pre-tax profit at R20,6m from R16,4m. The company passed its dividend as it did in the same period last year.

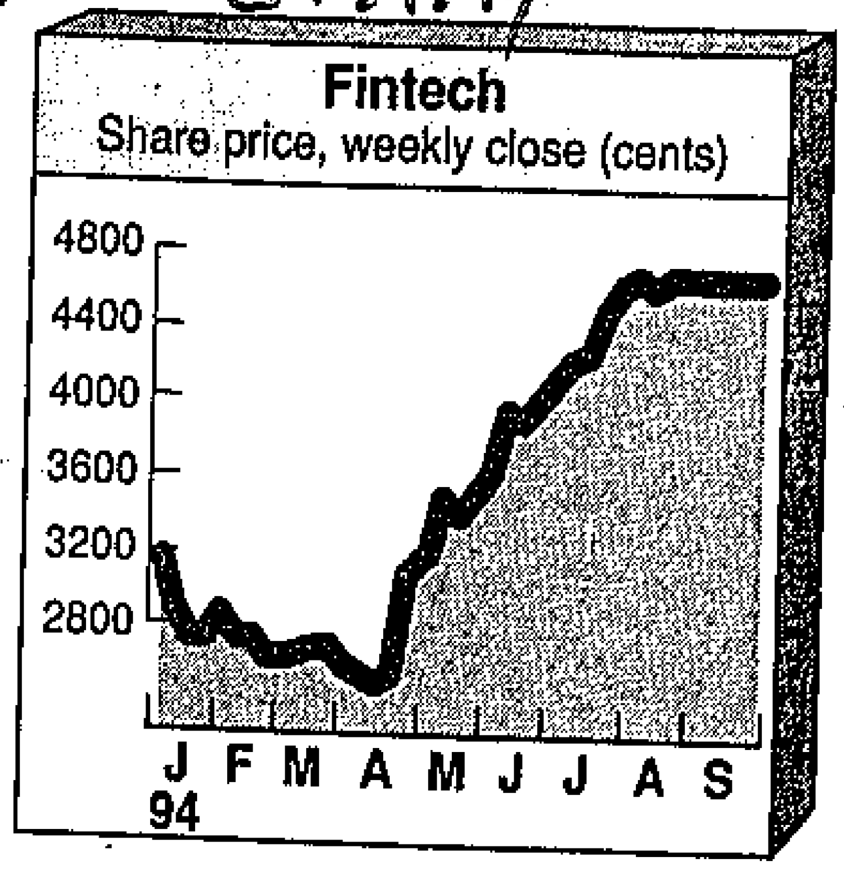
Retained income for the period stood at R15,9m (R12m) while the accumulated deficit of the period dropped from R145,2m to R124,7m. The deficit figure changed to R108m after the year's adjustment.

Earnings a share before adjustment for the transitional levy were 140,9c (103,2c) but changed to 134c after the levy.

Redshaw said subsidiary company National Data Systems (NDS) had contributed significantly to the overall improvement in results while the joint venture with Alcatel of France, Alcatel STC, had increased turnover and profit on the back of new product introductions.

NDS had renewed its exclusive distributorship with its partner, US company AT&T GIS, on a long-term basis, he said.

The French company had earlier this year increased its stake in Fintech STC Business Communications to 50%.



Redshaw said the removal of American city and state sanctions had enabled XeraTech to reverse last year's trend and introduce new-technology products with a commensurate improvement in results.

The company broadened its relationship with US-based Xerox Engineering Systems by entering into an exclusive distribution agreement for its specialised range of printers and plotters. (891D)

He said group prospects looked good although the economic recovery remained fragile.

But the solid order book the group possessed, coupled with the continuing potential which existed for XeraTech to continue its upward trend, meant medium- to long-term prospects remained promising.

The group expected full-year growth to exceed that achieved in the past financial year.

The Altron-owned company had in June this year reported it had cut debt to significant levels and had reserves amounting to R34m with which it was looking at possible acquisitions.

Electronics giant in local tie-up

Star 28/9/96 (1895)

Recoton of the US, one of the world's leading manufacturers, distributors and marketers of electronic products, has appointed GAS Electronics as its sole SA distributor.

Errol Guggenheim.

GAS Electronics director Errol Guggenheim (formerly managing director of Frank & Hirsch) says the deal promises to change the face of the electronics accessory industry in SA.

Robert Borchardt, president of Recoton, comments: "Our appointment of GAS Electronics is based on a well-established business relationship with Errol Guggenheim and the GAS directors.

"We believe that GAS Electronics will soon — particularly with our products — become a major player in the SA market."

He expects GAS eventually to cover the entire sub-Saharan region.

Recoton makes more than 1 500 products covering audio, video, telephone, computers, music, cellular, home office and 900 MHz wireless. — Business Staff.

Gentech posts R2,5-m loss

(189D)

Business Staff ANU 28/9/94

ELECTRICAL appliances manufacturer General Technologies Limited, (Gentech) which was taken over by the Powertech group last year, has reflected a trading loss of R2,5 million, mainly as a result of labour problems and poor productivity, the company said.

Interim results for the half-year ending August 31 show a loss of R2,5 million (R1,9 million in August 1993) although turnover at R145,7 million was 20 percent up on the previous year.

Powertech CE Johan van den Bergh said trading had adversely been affected by the elections, the rash of subsequent public holidays and the wave of wage-related industrial unrest which had reduced production throughout manufacturing sites.

"Having met the expectations of the labour force in the recently concluded wage negotiations, management met considerable resistance in its efforts to motivate employees to higher levels of productivity and efficiency."

Poor production volumes had therefore continued to have an effect on the company's ability to supply the market adequately.

Mr Van Den Bergh said the situation had been exacerbated by the increasing cost of locally-sourced material, especially steel.

He said the financial statements were not directly comparable with those of the equivalent period last year because of Gentech's acquisition of Hoover in July this year.

Mr Van Den Bergh said Hoover's return to normal trading and the recaptalisation of the business should also contribute to an inprovement for Gentech.

■ Recoton of the US, one of the world's leading manufacturers, distributors and marketers of electronic products, has appointed GAS Electronics as its sole South African distributor.

GAS Electronics director Errol Guggenheim (formerly managing director of Frank & Hirsch) says the deal promises to change the face of the electronics accessory industry in South Africa.

Gentech plunges deeper into loss

JOHANNESBURG. — Electrical appliances manufacturer General Technologies Limited, (Gentech) which was taken over by the Powertech group last year, has reflected a trading loss of R2,5m, mainly as a result of labour problems and poor productivity, the company said yesterday.

Interim results for the half-year ending August 31 recorded a loss of R2,5m (R1,9m) although turnover at R145,7m was 20% up on the previous year. (18(d)) CT 28/9/94

Powertech CE Johan van den Bergh said in a statement trading had been adversely affected by the elections, subsequent public holidays and the wave of wage-related industrial unrest which had reduced production.

"Having met the expectations of the labour force in the recently concluded wage negotiations, management met with considerable resistance in its efforts to motivate employees to higher levels of productivity and efficiency," Van den Bergh said.

Van den Bergh said poor production volumes had been exacerbated by the increasing cost of locally-sourced material, especially steel.

"Extensive remedial action to satisfy customer requirements was, however, being taken by increasing product sourcing from overseas principals," he said.

He said the financial statements were not directly comparable with those of the equivalent period last year because of Gentech's acquisition of Hoover in July this year.

In spite of the increased asset base resulting from the acquisition, the impact of the rights issue in 1993 had helped reduce the interest charge for the period with gearing at 23% (28%), van den Bergh added.

"Manufacturing continues to be a major area of concern. If labour issues cannot be resolved and manufacturing productivity does not improve this area of activity will come under serious review." — Sapa

Strong order book sees Altech forging ahead

BDay 30/9/94

SELLO MOTLHABAKWE

A STRONG order book saw electronics company Allied Technologies (Altech) raise attributable earnings 13% to R37,7m for the six months to August.

Turnover increased nearly a third to R632m on the back of increased strategic systems operations, while operating income increased by a quarter to R66m.

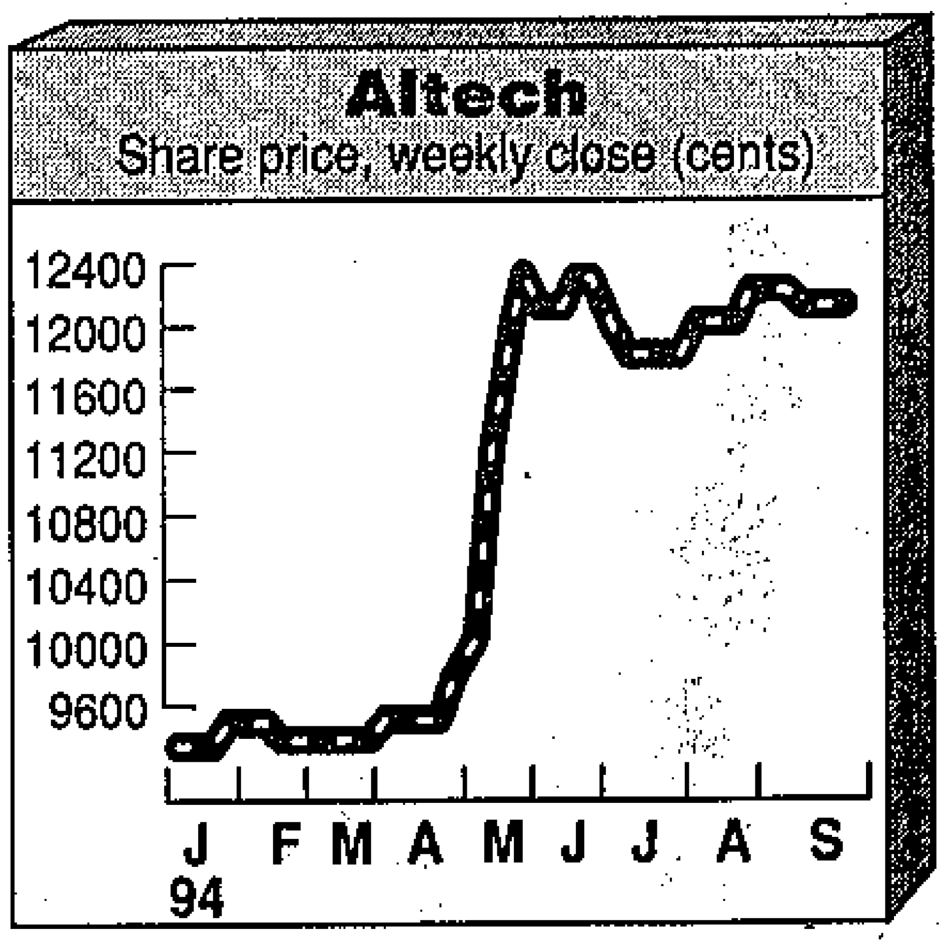
Lower interest rates on group cash resources limited net pre-tax income to R75m reflecting a 17% increase from R64m. Earnings a share rose 12% to 375c.

Tax was marginally higher at R23m (R22m) while the 5% transitional levy of R3,5m saw total after tax income at R48,7m. Income attributable to outside shareholders was R11m (R8,7m) and an extraordinary item of R1,3m was taken below the line.

(189b)

Earnings a share before the transitional levy was 410c, but changed to 334c.

Altech CE Peter Wilson said sound performances were recorded in Alcatel Altech Telecomms and Isis Information Systems business within the Telecommunications and Systems Group.



Aggressive competition and discounting strategies which characterised the cellular service provider market had generated difficult trading conditions, affecting the group's interests in Autopage Holdings.

He said the balance sheet remained strong with significant cash resources, while an excellent order intake has been obtained at satisfactory margins.

The group was due to take delivery of a major capital plant for subsidiary Detonator Technologies in December.

Altech boosts earnings 13%

CT 30/9/94

Own Correspondent

JOHANNESBURG. — A strong order book saw electronics company Allied Technologies (Altech) raise attributable earnings 13% to R37,7m for the six months to August. (189D)

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Star 30/9/94

Jasco turns up the heat

BY CHARLOTTE MATHEWS

Jasco Electronics Holdings boosted net taxed income by 62 percent to R3,5 million in the six months to August, compared with the same period in 1993, with all divisions performing well and ahead of budget.

Turnover lifted only 23 percent to R54,3 million after the sale of loss-making cable and connector supplier Pascom, but operating income was up 68 percent to R6,2 million.

Finance costs rose on gearing up to 98 percent from 82 percent, but it is expected to drop to below 60 percent by year-end.

Earnings lifted to 12c from 7,5c. Group policy is to declare a single dividend at year-end.

Jasco directors said yesterday the group's order books had never looked better. Subsidiary Skypage has won a R15 million contract from the TPA, most of which will be reflected in the second half. Sales of cellular phone accessories have exceeded expectations and Eskom's electrification programme has increased demand for electrical appliances.

Exports of analytical equipment to several African countries are growing.

(189D)

Altech sees earnings rise 13 percent

Star 30/9/94

BY CHARLOTTE MATHEWS

Altech grew attributable earnings by 13 percent to R37,7 million in the six months to August, against the same period in 1993, but warns second-half results could be somewhat lower.

Turnover rose 32 percent to R632,5 million and operating income was 25 percent above 1993's at R65,7 million, showing a decline in operating margins to 10,4 from 10,9 percent.

Less interest received, as a result of a lower interest rate on cash balances, together with the impact of the transition levy, took some lustre off the bottom line.

Earnings a share were 375c, from 334c in 1993. Group policy is to declare a dividend only at the end of each financial year.

According to Altech chief executive Peter Wilson, sound performances were achieved by Alcatel Altech Telecoms and Isis Informations Systems in the telecommunications and systems group and also by the distribution and manufacturing divisions of the industrial group.

But intense competition in the cellular telephone industry affected returns from Autopage Holdings.

Many group businesses have positive prospects, Wilson says, but some strategic contract deferrals, conditions in the cellular telephone market and a higher tax bill could have an impact on the second half-year.

(189b)

Powertech earnings reflect 23,4% growth

(1890)

By ARI JACOBSON

ELECTRICITY and electronics group Powertech pushed up earnings a share by 23,4% to 13,7c (16,9c) in the six months to August.

CE Johan van den Bergh said buoyant growth was achieved despite labour problems, production losses and a highly competitive market.

However, he pointed out the benefits of the RDP to the group, "with Powertech leading the race in the development of innovative products that will bring about inexpensive but reliable power".

He stressed: "This is the challenge facing the whole industry — to provide affordable and reliable electricity".

Van den Bergh said that Powertech had devised a cost-effective solution for large-scale reticulation projects and had successfully completed two township electrical connection projects.

"As the RDP and its electrification programmes gain momentum, the Powertech group will continue to contribute meaningfully to social and economic upliftment".

Group turnover increased by 22,7% to R896m (R730m) helped by an improved export drive — especially into sub-Saharan Africa.

"Orders have improved in this region both for electrical products and our Willards brand batteries."

In addition, he said that subsidiary Aberdare continued to export telecommunication cables successfully from its base in Port Elizabeth.

On future prospects Van den Bergh said that "close attention will be paid, in the months ahead, to consolidating the group's operations so that recent acquisitions are restored to acceptable levels of profitability".

He expressed confidence that subsidiary Gentech's performance (previously Picardi Appliances) will be boosted by the acquisition of Hoover in July.

"It will certainly broaden the furniture and appliances range of Gentech and make a positive contribution to earnings in the next financial year."

He concluded that order books of the major operating subsidiaries were at "satisfactory levels" and went further to reflect on the positive signs of the "emerging economic recovery".

On Diagonal Street, Powertech shares have jumped 126,4% over the year to the current trading price of 815c a share — a little off this year's high of 915c a share.

Powertech reflects economic upturn

BiDay 3/10/94

MICHAEL URQUHART

ELECTRICAL components manufacturer Power Technologies announced attributable earnings of R27,4m for the six months to August 1994, 24% up on the same period the previous year.

The higher earnings were achieved on a 22% increase in turnover to R896m. No dividend was declared on earnings a share of 16,9c, in line with the company's policy of declaring only a single annual dividend.

Chairman Peter Watt said the Altron subsidiary reported that the results were achieved in a highly competitive market, despite the effects of lost production during the election period, numerous public holidays, and industrial action related to wage negotiations.

Gentech, Powertech's listed subsidiary, operating in the domestic appliance field, was particularly hard hit by labour problems resulting in poor productivity and efficiency, the company said.

Gentech had acquired the Hoover business in SA for R17,2m, financed by the issue of Gentech and Powertech shares. The acquisition would broaden Gentech's product range and should make a positive contribution to Gentech's earnings in the 1995 financial year.

Watt said close attention was being paid to bringing the recent acquisitions to an acceptable level of profitability. The group was in a favourable position to take advantage of new investment opportunities which would complement existing areas of operation. (1891D)

Powertech continued to show improvement in its export drive, and orders for ABB Powertech products from sub-Saharan Africa had increased. Aberdare Cables continued to export telecommunication cable and Willard Batteries had shown a significant increase in exports.

Management would continue to pursue exports to fuel growth. This, and a growing exposure to international competition from the gradual removal of tariff protection, meant a focus on bringing about a world-class business culture in the group.

Access to technology provided by strategic alliances with world-wide technology partners would help achieve this objective.

As the reconstruction and development programme and its electrification project gained momentum the Powertech group would be well placed to make a continuation.

The order books of the major operating companies in the group were at satisfactory levels, which reflected the positive signs of the emerging economic recovery in the country, Watt said.

Altron still under pressure

Star 6/10/94

BY CHARLOTTE MATHEWS

Allied Electronics Corporation (Altron), which has major holdings in Altech, Powertech and Fintech, lifted attributable earnings by seven percent to R47 million in the six months to August compared with the same period in 1993.

Turnover grew by 21,5 percent to R1,9 billion and operating income was 22,3 percent higher at R147,5 million.

However, lower interest received, a higher tax bill on increased STC and the transitional levy, as well as a greater share of profits due to outside shareholders, diluted growth at the bottom line. Earnings rose 8 percent to 265,3c a share.

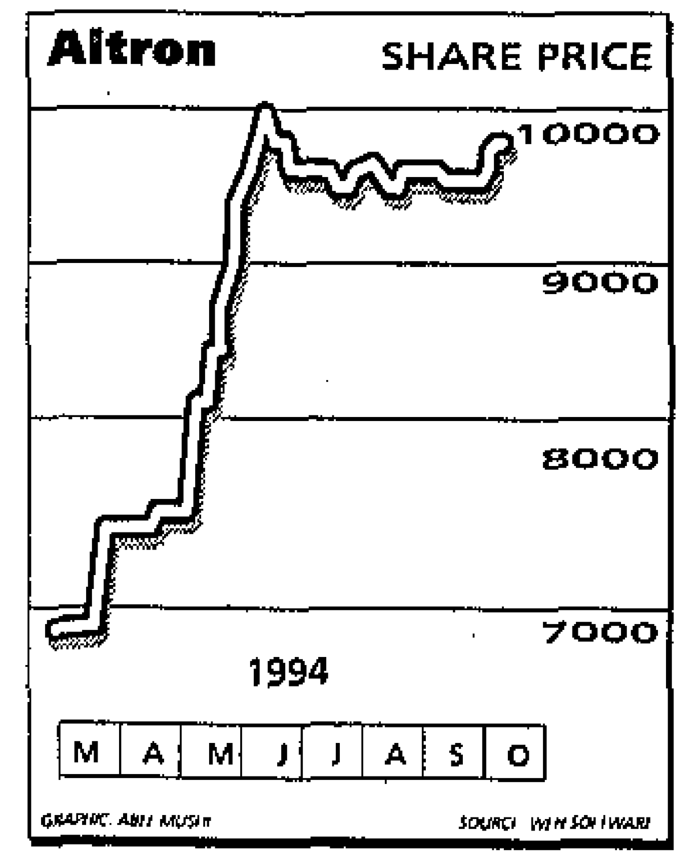
Ventron, which holds a 53 percent share of Altron, announced earnings of 92,2c from 85,3c in 1993. (189D)

Altech, Powertech and Fintech, which have published interim figures, increased their contribution to group profit. The corporate division's earnings dropped after certain activities handled at the centre of the group were shifted to the operating companies.

Jointly-owned subsidiaries ABB Powertech and Alcatel Altech Telecoms produced sound profits.

The group's export drive continued to make progress, with ABB Powertech and Alcatel Altech Telecoms growing their order books in sub-Saharan Africa, Willard Batteries expanding exports to Europe, Altech Mining registering its first export orders in the US and Aberdare Cables exporting telecommunications cable.

Altron executive chairman Bill Venter said exports had risen by 55 percent in the six months against the previous interim period to about R150 million or nearly 10 percent of turnover. The target was 20 percent of turnover.



Venter said the group's major operating subsidiaries had solid order books, auguring well for the second six months of the year. New product development related to the Reconstruction and Development Programme had been undertaken and increased housing spending, already evident, would benefit the group. However, the removal of tariff barriers would create more competition from imports.

Altech's results were likely to remain under pressure owing to strategic contract deferrals on the defence side and overtraded and under-regulated conditions in the cellular telephone market.

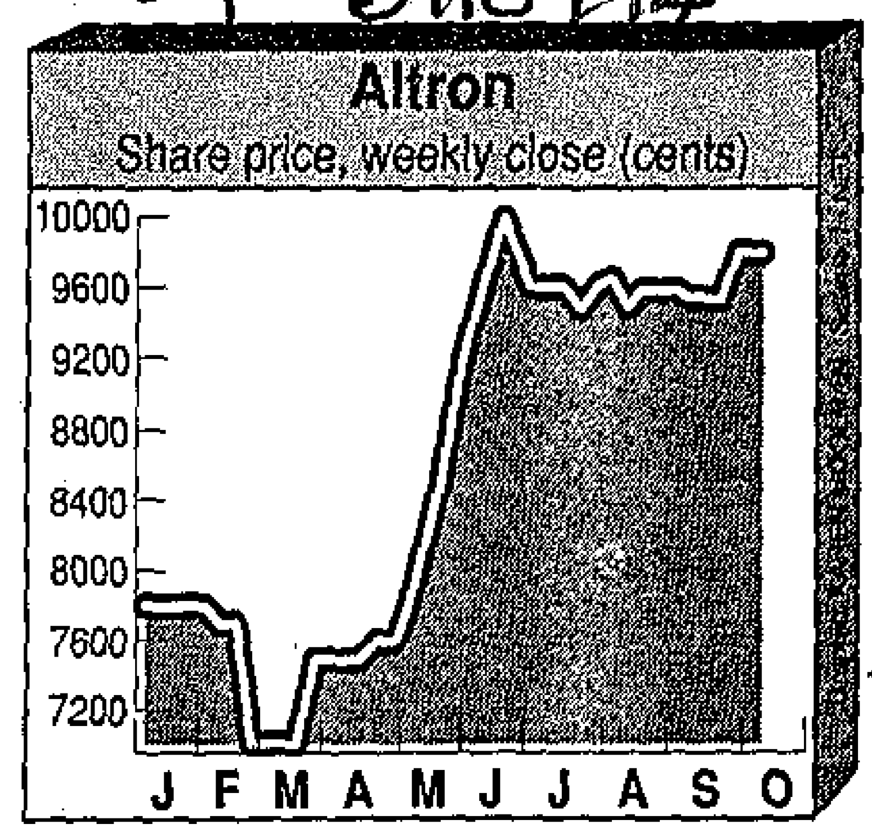
Altech's contract with Telkom, which is about a third of its operations, expires in February 1994 but is followed by a two-year notice period, Venter said. However, the expiry of this contract was not "a red flag item" because many of the products Altech had provided to Telkom were designed into the network and almost impossible to change.

Profit for the full year was likely to be at least level with 1994's and "we expect it to be quite a bit better," he said.

Subsidiaries help to lift Altron earnings

BDay 6/10/1994

SELLO MOTLHABAKWE



SOUND profit performances by electronics company Allied Technologies' (Altron) subsidiaries helped the holding company raise attributable earnings 8,65% to R47m for the half year ended August.

Turnover increased 21,5% to R1,9bn as a result of significant gains in market share, the export of goods to African, Middle and Far Eastern countries as well the US. Exports had risen 55% to more than R150m.

The acquisition during the year of KIC, which specialises in white goods, and the inclusion of Hoover's turnover for the months of July-August had contributed to the increases in group turnover.

Operating income was higher at R147,5m, reflecting a 22,3% gain, notwithstanding a lower net interest received of R4,8m as well as the R6,96m provision made for the transitional levy. Pre-tax income was R152,4m (R127,2m).

Earnings before deductions for the transitional levy were 265,3c (226,5c), but changed to 244,2c after the tax. The company passed the half year dividend.

Altron executive chairman Bill Venter said performances by subsidiaries ABB Powertech and Alcatel Altech Telecoms had resulted in an increase in the minorities' share of profit.

(189b)

The balance sheet remained strong with cash and deposits of R233,3m and net asset value a share at half year was 12,8% higher at 3,066c.

Venter said the group continued to pursue a strong export drive with Alcatel, Altech and ABB Powertech accomplishing notable increases in their order books in sub-Saharan Africa.

Port Elizabeth-based Willard Batteries continued to pursue its export drive to Europe and Altech Mining recently had launched a sales drive in the US.

Prospects for the major operating subsidiaries remained good with all companies reporting solid order books.

Venter said directors expected increased competition from imports which would result from the removal of tariff protection measures.

The renewal of NDS's exclusive distibution agreement with US partner AT&T Global Information Systems (NCR) on a long-term basis and the reinstatement of Xeratech's extended distribution arrangement with Xerox offered encouraging medium- to long-term prospects.

POWERTECH

Demand rising

Fm 7/10/94

The cynical explanation of how power engineering and cable group Powertech increased turnover 22,7% to R896m, and EPS 23,4% to 16,9c in the six months end-August, is "with difficulty." The reality is market demand for products has been good.

Powertech Package, a cost-effective solution for large electrical reticulation projects, recently made a significant contribution to the RDP and electrification programmes. These included the completion of two township development projects; the package provided for 5 400 electrical connections at Makeepsvlei and Freedom Square. (189D)

Powertech's export drive is also showing continued improvement. Orders have increased for ABB Powertech products (transformers and high voltage products), as well as Willard Batteries (automotive and industrial) from sub-Sahara Africa.

These positive factors have helped ensure the capital structure remains sound, with gearing at less than 2%; net debt is R7,2m. NAV increased from last interim's 213,9c a share to 249,7c.

Powertech, however, has one weak spot. The last six months of the financial year were beset by labour problems particularly in listed 42,5%-owned Gentech, the electrical appliance manufacturer which Powertech acquired in 1993. Though turnover was up by one-fifth at R145,7m, Gentech lost an attributable R2,5m for the half-year ended August. (If Gentech had broken even, Powertech's EPS would have been about 5% higher.)

CE Johan van den Bergh says that having met the expectations of the labour force in the recent wage negotiations, management

Fm 7/10/94

faced considerable resistance in its efforts to motivate employees to higher productivity and efficiency. "Poor production volumes continue to impact negatively on the company's ability to manufacture products and Gentech reverted to imports to satisfy market needs."

He says if labour problems could be resolved soon, and aided by the seasonal nature of the business, results should improve in the second half. The acquisition of Hoover in July this year will broaden Gentech's product range, even though it will make a positive contribution to earnings only in financial 1996.

"If, however, labour difficulties are not resolved and manufacturing productivity does not improve, this activity will come under serious review," says Van den Bergh. "It would be premature to say what steps will be taken, but discussions are underway."

Powertech's share, on a p:e of 19,5, is seen a major beneficiary of the RDP. This explains the rapid rise in the price since May, from 600c to 815c. Gentech lost ground during the same period and until labour relations are resolved, it's likely to remain weak. (189D)

Kate Rushton

ADE geared for bumper exports

(189D) CT 7/10/94

Business Staff

ATLANTIS Diesel Engines (ADE) expects to export more than R70m worth of components to customers in Germany, Argentina, Brazil, France, England, Korea and Indonesia this year, MD Fritz Körte said yesterday.

"We have also landed a contract to supply machined crankshafts to a diesel engine manufacturer in the US."

And, because prices for ADE engines were rising at a lower rate than inflation, their real cost would be lower by the middle of next year than it was in 1990.

This was being achieved by overall annual cost reductions and improved productivity.

Körte was reacting to a suggestion by the Motor Industry Task Group that import tariffs on heavy vehicles should be cut by 50% to open the market to more competition and that local content requirements should be reduced and the surcharge on imported components scrapped.

Stressing that ADE was competitive and viable on a level playing field, he said the removal of a minimum local content requirement would help truck manufacturers reduce selling prices by at least the unrebated duty element of 7%, as well as the trade discounts of from 10% to 15% "which are included in the retail price to create artificial local content levels."

Körte said an independent market study had shown that end-users preferred ADE-powered vehicles.

"The main reason cited is the enormous benefit derived from standardisation, which reduces the cost of ownership dramatically. ADE's after-sales package cannot be equalled by any other manufacturer operating in Southern Africa today."

He said ADE's production saved R300m a year in foreign exchange, in addition to providing jobs. "On top of this local production provides a buffer against steeper losses of foreign exchange as the yen and D-Mark strengthen."

He warned that "dumping" would prove a false economy if cheap imported trucks did not provide adequate after-sales service.

Nu-World gains from RDP and export levels

AMANDA VERMEULEN

HIGH export levels and the reconstruction and development programme's electrification drive helped small appliance group Nu-World lift after-tax income 48,8% to R3,3m in the year to August.

Earnings a share increased 41,7% to 24,8c and a dividend of 5,3c (3,8c) was declared and turnover rose to R112,9m (R74,6m).

Since August 1992, turnover had more than doubled, while average turnover growth since the group's 1987 listing had been 37,6%. BIDCY

Net operating income also saw good growth of 48% to R6,9m. An increased interest payment of R2,7m (R1,9m) left pre-tax income 51,5% up at R4,2m.

MD Michael Goldberg said exports, 20% of total turnover, were increasing on a monthly basis, and the group was making a concerted effort to move into Africa, particularly the Francophone countries in West Africa, and Eqypt.

In SA, the group would bring a new factory on line early next year. Other capital expenditure for next year included a new plant. New production capacity would allow the company to increase turnover to about R250m by the end of 1996. 17/10/94

Goldberg said government's housing projects and the RDP electrification project would stimulate the demand for small appliances.

Furniture stores represented a high growth potential and special "starter packs" — three to five appliances sold as a package — were selling well.

The group's strong position in the lower cost end of the market positioned it to take advantage of increases in demand for small appliances. It had also been successful in tendering for certain products for Eskom which was selling them to home owners taking part in the electrification programme.

The group's share had also shown significant growth since its 1990 low of 35c. The share now stood around the R5,50 mark. (189D)

Spescom in meters deal

SELLO MOTLHABAKWE

ELECTRONICS company Spescom has won the first phase of an R18m contract to install pre-payment electricity systems in Khayelitsha, near Cape Town.

Spescom sales manager Dennis Cox said the company had been awarded the tender for pre-payment electricity meters earlier this year. In terms of the contract Spescom had to supply Phambili Nombane, a joint operating company owned by Eskom, Electricite de France and Eastland Electricity of the UK with the meters. B/Day

A potential 60 000 electricity connections could be made by the end of a three-year period. 18/10/94

Cox said his company had made available opportunities for aspirant entrepreneurs in the electrification programme through its portable PowerVend vending machines.

The terminals made electricity payments simple, Cox said. (189D)

KOPP ELECTRONICS

Fm 21/10/94

Strong recovery

Activities: *Manufactures, imports and distributes electronic and electrical components.*

Control: *Directors (68%).* (189b)

CEO: *A Kopp.*

Capital structure: *11,1m ords. Market capitalisation: R16,7m.*

Share market: *Price: 150c. Yields: 2,7% on dividend; 8,3% on earnings; p:e ratio, 12,1; cover, 3,1. 12-month high, 170c; low, 30c. Trading volume last quarter, 159 800 shares.*

Year to June 30	**'91**	**'92**	**'93**	**'94**
ST debt (Rm)	0,5	0,5	-	-
LT debt (Rm)	0,5	1,2	0,9	1,2
Debt:equity ratio	0,15	0,23	0,04	0,14
Shareholders' interest	0,56	0,57	0,58	0,46
Int & leasing cover	4,2	3,7	5,1	10,2
Return on cap (%)	12,6	13,7	12,6	14,4
Turnover (Rm)	27,5	32,4	32,1	44,0
Pre-int profit (Rm)	1,5	1,7	1,7	2,8
Pre-int margin (%)	5,4	5,4	5,4	6,4
Earnings (c)	7,8	6,0	7,7	12,4
Dividends (c)	2,5	2,5	3	4
Tangible NAV (c)	63,0	68,6	75,2	81,5

After having been in a bit of a rut for a few years, Kopp blossomed during the 1994 year with a 37% increase in sales, and improvements of over 60% in both operating profit and EPS.

Fm 21/10/94

Chairman Albert Kopp attributes the upsurge to an all-round recovery in markets, as well as the benefits of earlier action taken to enhance profitability.

Last year's strong growth was achieved despite two factors which hampered profits. The first appears to have been self-inflicted, since the group seems to have taken the opportunity offered by the surge in profits to accelerate and complete the amortisation of agency agreements and development costs which no longer have any carrying value in the balance sheet. Most analysts will probably welcome this as such items are difficult to value accurately.

This cost the group R376 000, three times the amount written off in 1993. It depressed operating profit by about 8%.

The second factor that curbed earnings was an effective tax rate which increased from 41% to 47,5%. This, in terms of EPS, cost about 1,5c a share.

The improvement in profitability last year was nevertheless impressive. More effective cost recoveries attributable to the higher sales were reflected in an uptick in the trading margin to 6,4% from the 5,4% of the previous three years.

Other profitability ratios were similarly improved. Asset management is reflected in the fact that, though total assets increased by 42% last year (five percentage points more than the increase in sales), capital employed (total assets less interest-free liabilities) rose only 15%, contributing to a strong improvement in the gross return on capital employed from 1993's mediocre 19% to 27%. (189b)

Net return on equity rose from 10% to 15%, but in absolute terms this ratio remains a bit disappointing — partly because of the high effective tax rate and because gearing remains modest.

Just how modest, however, is a moot point. Based on year-end values the debt:equity ratio was only 0,14. But against this, interest payments of R403 000 on year-end debt of R1,2m suggests average indebtedness throughout the year was probably about R1m higher than the June 30 figure which, if correct, would raise the effective debt ratio to around 0,25.

Still, a 10x interest cover indicates more than adequate capacity to take on additional borrowings if needed to finance, for example, higher working capital requirements. Though, in 1994, net working capital was held constant at just over 20% of turnover, the additional investment here amounted to R2,5m, or R300 000 more than cash flow.

A similar pattern is possible again this year if, as Kopp expects, sales trends are maintained. The market is expecting another strong performance, judging by the share price which has increased fivefold over the past 12 months from a low of 30c to 150c now. Yields of 2,7% and 8,3% on dividend and earnings respectively are still modest, showing the price could run further if profits meet expectations. *Brian Thompson*

Defy sold to Malbak for R130m

S.Times

MALBAK has bought the appliances division of Defy to expand its investment in the white goods and small appliances market, writes JULIE WALKER.

Malbak will pay Tek Corporation R130-million. Tek is currently managed by Sankorp. (Buss)

Malbak director Hugh Brown says it makes sense for Malbak to buy this part of the Defy business in which turnover is roughly R500-million. 28/10/96

Research shows that with electrification, consumers most often buy a TV set, then a stove, then a fridge. Malbak has 20% of the television market through its holding in Tedelex.

Defy has 42% of the stove and microwave market, 31% of the market for dishwashers, tumble driers and washing machines, and 24% of the domestic fridge and freezer market. Defy's three factories in Durban, Ladysmith and East London, make the goods.

(189D)

Rapid growth in demand for TVs

B/Day 24/10/94

BEATRIX PAYNE

TELEVISION sets were in extremely short supply because of a global scarcity of components and increased demand sparked by Eskom's electrification drive, sources said at the weekend.

TEK Electronics MD Richard Ferrer said local television sales had risen 30% during the past year. However, the market had been undersupplied since August because of a global shortage of colour tubes.

Furniture Traders' Association executive director Frans Jordaan said preliminary figures showed September sales of furniture and appliances up 14,1% on year-earlier figures. Appliance sales in August were up 12% on last year's figures.

Radio and Television Manufacturers' Association chairman Mike Bosworth confirmed the growth in television set sales. (189b)

He expected the shortage to increase during the Christmas period. Consumers might have to wait a few weeks for television sets.

However, most retailers said they had suffcient stock to cover Christmas demand.

Ferrer said shortages were unlikely to lead to price increases. New technology had cut manufacturing costs and the market was highly competitive. TEK was producing at 70% of capacity. Its main problem was the shortage of colour tubes. The global shortage — currently 15-million tubes — was likely to grow to 20-million next year. However, Ferrer said he expected supplies to improve by the last quarter of 1995.

Even if the Amic/Daewoo joint venture to produce colour tubes in SA was approved by government, it would have little effect on local component shortages, which would be over by the time the plant began production, he said.

It was reported that the venture could be scrapped if the government continued to dither.

Some members of the appliance industry were concerned about Amic's claims that the project would be feasible only if government levied a 60% surcharge on imported tubes for the first six years of the plant's life.

Bosworth said the proposed surcharge would not be tariff protection but "start-up assistance", necessary to attract foreign investment.

Voltex blames political uncertainty for slump

B/Day 25/10/94

AMANDA VERMEULEN

POLITICAL uncertainty affecting industries serviced by electronics group Voltex resulted in a 9% slump in attributable income to R45,2m in the year to June.

Fully diluted earnings a share dropped 13,1% to 11,9c and a total dividend of 5,95c (6,75c) was declared.

Turnover increased 4,3% to just more than R1bn, but operating income declined 14,6% to R81,3m.

After net finance costs of R10,4m (R23,2m) and interest on compulsorily convertible debentures of R8,1m (R13,5m), income before tax and extraordinary items was up 6,5% to R62,8m. Tax of R19m (R10,1m) and share of associated companies' net income after tax of R1,8m (R1,6m) left income before extraordinary items down 8,6% at R45,7m.

After income of R525 000 (R337 000) attributable to outside shareholders, income to shareholders totalled R45,2m (R49,6m).

Joint chairman Myron Berzack said the results were satisfactory considering the political uncertainty in the review period, which had severely affected many of the industries serviced by the company.

But the new financial year had seen a significant improvement in almost all group activities, with operating income showing good growth.

The group's participation in the RDP boded well for future performance, while a continuing stable political environment would stimulate increased industrial and mining capital expenditure, which would be beneficial to Voltex.

Tighter cash management reduced interest paid by 55,1%, while an extraordinary loss of R11,7m after tax related to unauthorised forex transactions. The group had absorbed the full loss and had taken steps to prevent any recurrence.

The elimination of Sanlic and Elcentre from the group was expected to have a positive effect on future group performance.

The board said it would offer a capitalisation share award and a final announcement would be made by November 4. (189D)

Results from Berzack and Bivec, which derived a substantial part of their income from Voltex, were similar in most respects. Berzack's earnings declined 15,9% to 73c a share, while Bivec showed a 14,4% reduction to 52,2c.

Berzack's annual dividend declined 15,4% to 27,5c, while Bivec's dividend dropped 15,2% to 19,5c.

Berzack's losses in its UK operations reduced operating income 29% to R4,8m.

Analysts suggest Adcock should rethink strategy

B/Day 25/10/94

BEATRIX PAYNE

PHARMACEUTICAL group Adcock Ingram is likely to provide shareholders with a "respectable" 10%-16% rise in earnings for the year to end-September, analysts said yesterday.

But if the group intended to grow over the next few years, it would need to rethink its business strategy to take advantage of the changing health care environment, one analyst said.

Over the past five years the group showed compound earnings growth of about 25%. Comparedwith its competitors' results, the picture was not rosy, the analyst said.

SA Druggists reported a 30% rise in earnings for the year to August and Premphарm is expected to post a 20%-25% surge in earnings for the year to October.

"The possible fall in Adcock's earnings growth represents quite a slowdown," he said. "The group just isn't in the right markets."

He said it needed a higher market penetration in generic medicines and added that some of its markets, particularly ethical products, were not reporting growth.

Another analyst said Sabax, the group's intravenous drip division, had lost market share to SA Druggists' Inmed operation. There was also considerable pricing pressure on the group's leading products — mainly ethical medicines. (189)

The group had acquired a number of small generic interests but would need to become a lot more aggressive if it hoped to make a dent in SA Druggists' and Premier Pharmaceuticals' current market shares.

He said the group was unlikely to post more than a 15%-20% rise in earnings during financial 1995 but a turnaround was possible if it increased consumer products growth.

"Its past growth was driven by a number of smart deals with divesting multinationals but the environment has changed completely now," said another analyst.

But a third analyst said the group had continued to show earnings growth each year despite an increasingly higher base.

RDP 'overlooks entrepreneurs'

A STEADILY declining level of entrepreneurship in SA over the past three decades threatens to undermine economic growth, says the Small Business Development Corporation (SBDC).

SBDC researcher Prof Geert de Wet said yesterday the private sector's decreasing share of economic activity and low level of investment did not augur well for growth.

He said government needed to move away from the notion of central planning and to embrace the entrepreneur as the "prime mover" in economic activity.

However, SA entrepreneurs were seriously constricted by a lack of access to financial resources, such as private capital and property.

Most SA enterprises — informal sole proprietorships and self-sufficient farmers — contributed only 13% towards GDP.

Government needed to ensure that entrepreneurs gained access to financial resources. However, financial resources needed to come from government and not necessarily from financial institutions.

De Wet said "the word entrepreneur was not mentioned once" in government's RDP. — Sapa.

PETER GALLI

COMPANIES

Illegal transactions uncovered

BDay

AMANDA VERMEULEN

ELECTRONICS group Voltex, which reported its year-end results yesterday, said it had uncovered unauthorised forex transactions totalling R11,7m two to three months ago.

Joint chairman Myron Berzack said yesterday the transactions had been a "shocking discovery" for him.

The transactions had been committed by an employee of Voltex in the second half its financial year. Berzack said the company was considering taking action, but declined to give more details.

Reserve Bank foreign exchange GM John Postmus was not available for comment, and the SAPS commercial branch was unable to confirm whether an investigation was under way. 20/10/94

Berzack said the company had absorbed the full loss and steps had been taken to prevent more unauthorised transactions.

Previous reports that Voltex shares would be suspended from the JSE were not related to the discovery.

The delay in reporting results was directly attributed to the negotiations with Bidvest, which were announced last month and terminated last week. (189D)

SA's leading TV makers opposed to joint venture

BIDay 28/10/94

MICK COLLINS

LEADING players in the TV manufacturing industry have come out strongly against the proposed R650m joint venture between Amic and Korean conglomerate Daewoo for the manufacture of colour TV tubes in SA.

One major manufacturer said if the project was given the go-ahead it would push TV prices up by 25%, where they would remain for the next five to eight years.

The joint venture depends on start-up protection being guaranteed by government. Amic said it was looking for a 60% surcharge on imported tubes for the first six years, 45% in the seventh and 30% in 2002.

But a spokesman for one of the big four manufacturers said the price of TVs in SA would be much higher if protection was granted. The venture would follow a pricing policy tied to import parity.

Manufacturers presently sourced tubes from overseas parent companies at a 60% surcharge. If the surcharge was dropped to 30%, the maximum permissible under GATT, it could later be adjusted downwards to give consumers the best possible prices.

He added the project was in conflict with SA's commitment to GATT because the application for customs duty on imported tubes was aimed at securing tariff protection as an incentive for the use of local content.

The benefits would be minimal because only about 300 jobs would be created while the livelihood of thousands of workers currently employed in the TV manufacturing sector could be at risk.

Annual output from the plant would be in the region of 1-million tubes a year to make it viable but the local offtake would be only about 300 000 units. This meant the project would have to find export markets.

He said Amic/Daewoo contended they needed the protection to enable them to amortise the initial cost and, once that had been achieved over the next five to eight years, they would be able to survive at a lower level of protection.

While Amic/Daewoo agreed that adverse effects would be felt over the next eight years, they contended prices would level out after that period.

But another industry spokesman said that when the capital outlay had been amortised, the project would require further protection to update its technology and increase local content. Furthermore, the venture would receive at best fourth-hand technology from overseas. (18SD)

Concern was also expressed about Amic/Daewoo technology being aimed at the 51cm model since this was being phased out in the developed world.

The project would also create a local monopoly for the supply of its tubes which could have unpleasant consequences for consumers.

☐ Comment: Page 14

State help urged for electronics industry

(189D)

CT 3/11/94

From JOHN DLUDLU

JOHANNESBURG. — The state should play a pivotal role in generating activity in the electronics sector, including R355m in support every year, according to recommendations by the standing committee for electronics.

The committee, which includes representatives from government, labour and business, was formed after a decision in 1992 that electronics, clothing and textiles and the motor industry required special attention to improve competitiveness.

In a 44-page report released this week, the committee called for supply-side measures from the state to the tune of R220m annually, with other measures bringing the total to R355m.

In a section dealing with financial measures, the report proposed that the Trade and Industry Department consider providing more extensive support for industrial innovation in designated industrial sectors, for niche products with sustainable export growth potential and small-to medium-sized enterprises (SMEs).

It suggested tax-based financial incentives to stimulate investment in manufacturing technology and training.

The committee intends submitting proposals on these incentives to the Katz commission on tax reform for consideration.

But some committee members felt that tax-based incentives would distort the tax system and called for grants instead.

The report called for the department to consider providing special support of R50m a year for SMEs through development organisations for special funding and management support schemes. Proposals must be submitted to the National Economic Forum's working group on SMEs.

Public sector purchases should provide the "home base support" necessary to build a strong local industry. Changes were proposed to the Code of Practice on State Procurement and the State Tender Procedures for the Public Sector Purchases. The issue would be considered by the National Economic Forum's working group on state tender procedures.

Suggested changes to the support programme for industrial innovation include R10m for sectors that contribute to achieving the aims of the RDP.

Strategic alliances between independent firms and larger enterprises must also be given support, the report suggested.

It proposed further that the department give support of R10m a year in respect of foreign patent applications by allowing patenting to be used as a qualifying cost under the support programme or by providing direct financial assistance.

Patent support, the paper warned, should be highly selective.

In view of the phasing out of the general export incentive scheme, a yearly R20m support through the department-administered export marketing assistance scheme should be considered.

The report said the Electronics Industry Federation supported a "modest levy" on companies to finance a permanent secretariat, maintenance of an industry database and to cater for special industry training requirements without recourse to government.

Legislation to facilitate the implementation of these proposals, not only for the electronics industry, was suggested.

Regarding tariff structure, the report noted that the electronics industry generally agreed with government proposals, which were based on National Economic Forum recommendations.

'Tax-based incentives' proposed

State asked to give support to electronics

B/Day 3/11/94

JOHN DLUDLU

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☐ To Page 2

Electronics

B/Day 3/11/94

☐ From Page 1

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Seardel to list Sharp operation

BDay 4/11/94

EDWARD WEST

CAPE TOWN — The Seardel group is to list its Sharp electronics consumables operation Seartec on December 1 to enable the division to pursue its own investment strategies and to reduce group gearing, chairman Aaron Searll said.

Seardel would retain 75% of Seartec's 60-million shares in issue, while about 15-million shares would be available to existing shareholders by way of a rights issue on a 65-for-100 basis.

Renounceable letters of allocation would be listed on November 7.

In the past financial year to end-June, Seartec's turnover was R186m, with taxed profit at R9,8m. (89D) (222)

The R1,75 issue price was based on a forward price-earnings ratio of 10,7 times, which compared favourably with the price-to-earnings ratio for the electronics and retail sectors. Most of Seartec's products were imported from Japan.

Reunert earnings boosted by parastatal expansions

SELLO MOTLHABAKWE

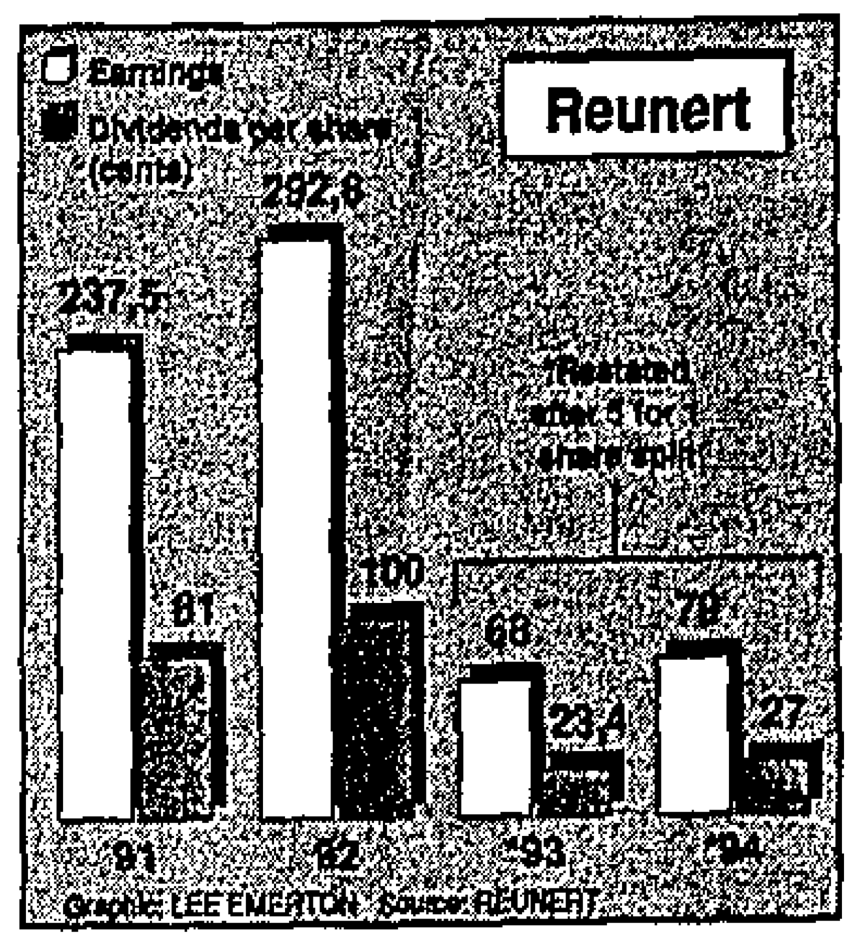
NETWORK expansions at parastatals Eskom and Telkom helped electronics and electrical engineering group Reunert lift earnings 16% to 79c a share in the year ended September, although the increase in secondary tax on companies (STC) put the brakes on earnings growth.

The group said earnings growth would have increased by about 20% had it not been for a rise in STC. A tax bill of R126,3m made for an effective tax rate of 41,5%.

Turnover rose 48% to R3,5bn, largely because of the acquisition of Panasonic, Nashua, Airomatic and related businesses in the consumer and commercial electronics division last year.

Operating profit rose 20% to R233,8m and pre-tax income was R304m (R257,8m). A final dividend of 19,5c was declared, lifting distribution for the year 15% to 27c a share.

Chairman Clive Parker said the results were not comparable with those of the previous year due to the impact of the three acquisitions and the revamp of the group's telecommunication interests, which came into effect in October last year.



However, its operations in the telecommunications, electrical and commercial electronic and defence sectors remained healthy. There was a strong likelihood that they would maintain the pace of their current earnings growth into the next financial year.

Margins in consumer products were generally lower than those in Reunert's other businesses, which led to a moderate growth in operating profit.

Interest received dipped marginally to R20,2m (R21,3m), even though cash holdings grew by R86m to R375m.

The group has provided a breakdown of operating profit by market segment for the first time. This indicated that the electronics division contributed R106,8m to total operating profit and telecommunications R69,7m, while the consumer products division brought in R64,7m and defence R56,6m.

Parker said electrical and telecommunications companies were benefiting from the expenditure by Eskom and Telkom, which were extending their services to a large number of customers ahead of the government's reconstruction and development programme.

The balance sheet indicated that shareholders' funds increased 31% to R792m, while total assets stood at R2,2bn, a 29% increase.

Future plans included a R250m capital expenditure bill in the new financial year. The money would be spent by cable companies Consolidated Lamp Manufacturers and Circuit Breakers Industries. Expenditure would be directed at expanding capacity as well as improving international competitiveness and export contributions.

NU-WORLD

Controlled sales surge

Fm 11|11|94

Activities: *Makes and distributes domestic electric appliances and wiring.*

Control: *Directors 64,6%.*

Chairman: *J A Temple. MD: M S Goldberg.*

Capital structure: *14,0m ords. Market capitalisation: R75,6m.*

Share market: *Price: 540c. Yields: 1,0% on dividend; 4,6% on earnings; p:e ratio, 21,7; cover, 4,7. 12-month high, 550c; low, 200c. Trading volume last quarter, 119 000 shares.*

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	2,5	2,5	6,3	8,8
LT debt (Rm)	5,8	7,8	7,0	5,8
Debt:equity ratio	0,89	0,73	0,70	0,43
Shareholders' interest	0,34	0,30	0,34	0,37
Int & leasing cover	2,4	2,9	2,5	2,6
Return on cap (%)	14,9	11,8	10,4	11,6
Turnover (Rm)	40	51	75	113
Pre-int profit (Rm)	3,3	3,5	4,6	6,9
Pre-int margin (%)	8,1	6,8	6,2	6,1
Earnings (c)	11,5	13,9	17,5	24,9
Dividends (c)	2,6	3,0	3,8	5,3
Tangible NAV (c)	58	69	119	154

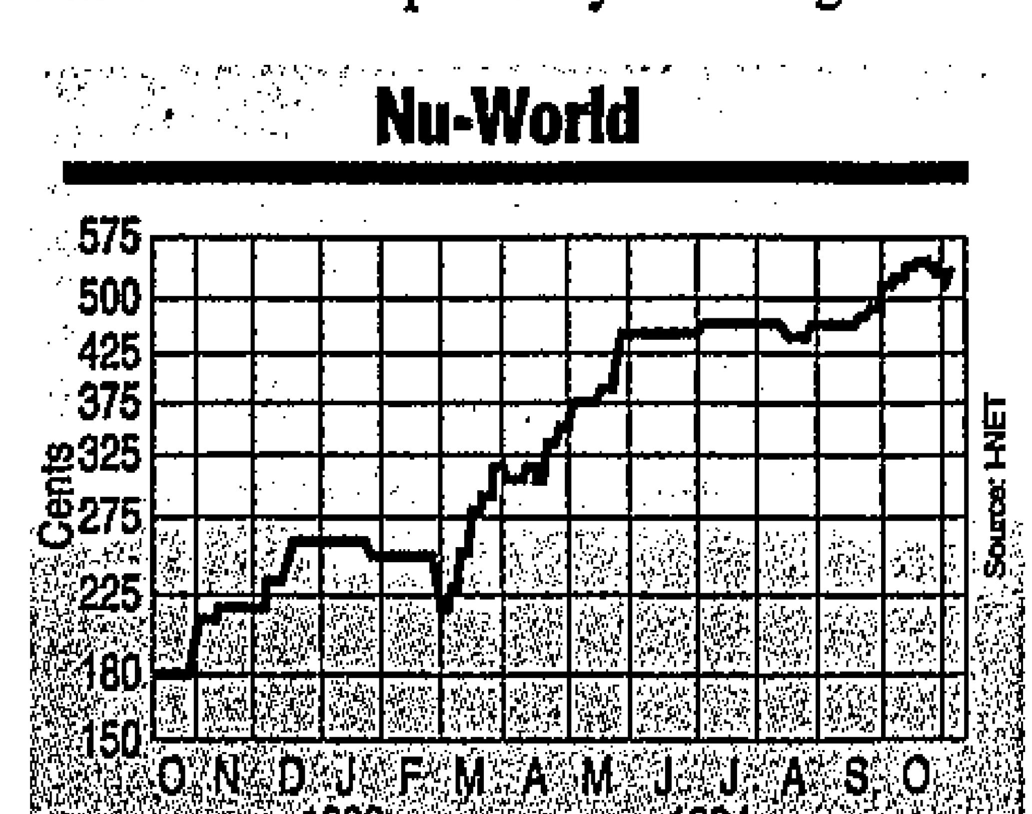
Congratulations to those who bought Nu-World stock for only 50c in January last year. The share now fetches 540c.

Nu-World increased sales by 51% in 1994, its turnover exceeding R100m. (Average annual turnover growth since listing in November 1987 is 37,6%.) (189D)

The sales improvement is attributable primarily to exports, which constitute 10%-15% of sales, as well as a boost in products needed in the new SA as Eskom's electrification programmes move into high gear. Nu-World has tendered successfully to supply appliances to Eskom as well as to the Durban Corp. Once Eskom has electrified a home, it sells the tenant basic products — iron, kettle, and hot plate — some of which carry Nu-World brand names.

This has widened Nu-World's client base. Inroads have also been made into the furniture sector, which offers a potentially big growth market. Nu-World products can now be bought at, for example, Joshua Doore, Beares and Ellerine stores.

Attributable earnings climbed 48,8% to R3,3m so margins are being maintained despite the sales growth. EPS rose 41,7%. Earnings dilution resulted from the issue earlier this year of shares for cash. In March 1,3m shares were issued for R3,2m. This was undertaken primarily to strengthen the



balance sheet; debt:equity is down to 42,5%. Financial director Graham Hindle does not foresee further reduction in gearing this year. Nu-World's success lies in branding. Brands marketed have mushroomed from one at the share's listing to seven. Most are in kitchen appliances: these include Russell Hobbs, one of the leading brands in the UK, NW, Ideal, Goldair, Fenici and Magic Line. There is also WIK, a leading haircare brand in Europe.

Another year of strong growth in sales and profits is forecast. This is supported by the Industrial Development Corp's decision to buy an adjoining factory property for the company. The new premises should be ready for occupation by February. Hindle says more manufacturing, warehouse and distributing facilities are needed if turnover is to exceed R200m by financial 1996.

Despite this positive outlook, the 21,7 p:e is quite demanding for a company with a market cap of R76m and turnover of R113m. (189D) *Kate Rushton*

ELECTRONICS INDUSTRY

Fm 11\11\94

Support for Made in SA

(189D)

For the electronics industry to survive international competition, government must adopt a strategic industrial policy supporting it. This is the view of the Standing Committee for Electronics which last week released a report recommending that government should put R355m aside each year to boost the electronics sector (see diagram).

Fundamental to the committee's strategy is that State purchasing power should be used to develop local industry. It also wants to extend support for niche products with sustainable export potential and for small-to-medium enterprises.

The committee, under the auspices of the Department of Trade & Industry and chaired by the IDC, includes representatives from industry, government, labour and user bodies. It argues that electronics is an enabling technology essential for any modern economy and has a vital role to play in achieving the objectives of the RDP.

It says government intervention is the norm worldwide and that to compete SA must follow suit. "There is no such thing as a laissez-faire economy. If SA opted for a totally free market economy, it would end up wiping out its electronics industry," says Keith Prins, executive director of the Electronics Industries Federation, a key contributor to the report.

Electronics had a turnover of more than R13,4bn in 1992 and rates alongside agriculture in its contributions to GDP. However, the market has become increasingly tough for suppliers in recent years because of spending cutbacks from State-owned companies like Eskom and Telkom. In 1984 purchases from the utilities represented half the electronics industry's customer base: this has fallen to around 21%. Rationalisation has contributed to a decrease in employment from 55 000 in 1991 to 35 000 last year.

Earlier this week US telecommunications giant AT&T announced a memorandum of understanding with Telkom to provide lucrative international corporate services. AT&T Telecommunications SA president and MD Frank Coleman says: "SA does not have sufficient telecommunication R&D programmes to produce globally competitive products."

The report says SA is suffering from insufficient investment in modern capital equipment and that this is curbing its local and international competitiveness. To make matters worse, exports represented a mere 2% of the industry's turnover in 1991. Conversely, imports accounted for 34% of its turnover. "The anti-export bias inherent in the SA economy, which has been created by excessive tariff protection and exacerbated by surcharges and fiscal duties, is in need of reform," the report says.

Thankfully, the Electronics Industries Federation (which has long been regarded as a bastion for large vested interests) reached consensus that a lower tariff structure is in the interest of the industry and the country as a whole. It "generally agrees" with government's new tariff proposals which conform with the Gatt recommendations.

With tariff barriers on their way out, the committee's main strategy is to ensure that State purchases provide "the home base support necessary to nurture a concerted and sustainable export drive."

No doubt the utility companies will support local industry but they reserve the right to choose their technology partners — as the Telkom/AT&T agreement indicates.

ELECTRONICS SUPPORT

Rm PER ANNUM IN 1994 MONEY VALUES

DEMAND STIMULATION	**ONCE-OFF COSTS**	**ONGOING COSTS**
ABOLISHING EXCISE DUTIES (LOSS TO FISCUS)	–	114
SUB-TOTAL	–	**114**
SUPPLY SIDE MEASURES		
TAX INCENTIVES (LOSS TO FISCUS)	–	80
SUPPORT PROGRAMME FOR INDUSTRIAL INNOVATION (SPII)	–	80
PATENT SUPPORT	–	10
SMALL TO MEDIUM ENTERPRISES (SME) SUPPORT	–	50
SUB-TOTAL	–	**220**
EXPORT FACILITATION		
EXPORT MARKETING ASSISTANCE (EMA) SCHEME	–	20
SUB-TOTAL	–	**20**
ORGANISATIONAL FUNCTIONS		
ELECTRONICS DATABASE	1,25	0,25
STANDING COMMITTEE FOR ELECTRONICS (SCE)	–	0,5
SUB-TOTAL	**1,25**	**0,75**
TOTAL	**1,25**	**354,75**

Source: SCE

As a result, the committee proposes that "offset" and "joint economic development" programmes should be introduced in projects of national relevance, where the main procurement contract is placed outside of SA. The two cellular phone operators were made to sign such agreements before they were allowed to build their networks.

The report also recommends tax-based financial incentives should be considered to stimulate investment in manufacturing technology, training and reskilling. These will be submitted to the Katz Commission on tax for consideration. Some of the committee members, however, felt that grants would be more appropriate.

The committee wants to increase the Support Programme for Industrial Innovation up to R10m per project in the case of appropriately high growth potential sectors of industry, which contribute to achieving the objectives of the RDP, and that small-to-medium enterprises should receive additional support of up to R1m in total per project.

But this programme (and its predecessor, the Innovation Support for Electronics scheme) was heavily criticised for the secrecy surrounding the allocation of funds. Committee chairman Gerard Morse denies claims that a few large companies benefited from the grants. He says the latest statistics show that since the inception of the new programme in 1991, 55% of small-to-medium enterprises have received 48% of the support.

The report also recommends selective patent support and a R20m-a-year export marketing assistance scheme in view of the phasing out of the General Export Incentive Scheme (Geis) by April.

It envisages that the total government support of R355m will not come only from new State allocations but rather from a reallocation of existing expenditure, such as Geis. (The electronics industry only received R53m in Geis last year.)

Interested parties must submit comment on the report before November 25. Final proposals will be referred to the Department of Trade & Industry and the National Economic Forum.

Whether government support will improve the competitiveness of local industry is debatable.

In the past government intervention has proved to be prone to patronage, poor judgment and corruption, as the abuse of Geis has shown.

Marina Bidoli

Powertech rewires struggling Gentech

SI Times (Buss)

By ZILLA EFRAT

POWERTECH has announced a major restructuring of Gentech, its struggling producer and supplier of domestic appliances.

The move involves a senior management reshuffle, including the appointment of David Evans, 57, former chief executive of Powertech industrial group, as Gentech's chief executive officer.

Gentech will be changed from a holding company to an operating company and the administration and management functions of its two operating divisions, Hoover and KIC, will be merged.

But the group's strong brand names, which include the likes of Daewoo, Indesit, Whirlpool and Hitachi, will be kept in the marketplace.

When Gentech bought KIC in 1993 and Hoover in July this year, both were experiencing financial difficulties.

Johan van den Bergh, Powertech's chief executive, says: "We now have a much better understanding of the domestic appliance business and believe that we have done much of the groundwork to overcome the structural problems we inherited."

Problems at Hoover mainly related to inadequate access to components and products as, at the time of takeover, the company's sourcing had virtually ground to a halt.

Mr van den Bergh says overseas suppliers are now coming on stream and Gentech is confident that it will be able to meet customer requirements.

KIC has been plagued by labour problems and poor productivity which have affected its ability to supply the market adequately and it had to import increasing volumes of non-competitive products.

Remedial action to resolve these problems includes the retrenchment of about 340 people — or about 35% of the workers — at its Isithebe factory and the review of the sourcing strategy of completed products.

On the manufacturing side, Gentech will concentrate on areas where it can be a low-cost producer and remain competitive.

In other areas, the company will import high-standard products to meet customer requirements. There will also be a strong focus on service.

Powertech has had a bumby ride since it bought Gentech, formerly Picardi Appliances, in 1992. At the time there was some controversy over the arrangements made for minorities.

Gentech has bounced in and out of the red, turning in a trading loss of R2,5-million in the six months to August.

20/11/94

Nonetheless, a joint venture between South Korea's Daewoo Corporation and Amic took a 30% stake in Gentech last year and Gentech also raised R39-million in a rights offer in the same year.

189D

Mr van den Bergh says the restructuring is expected to improve its performance significantly.

He believes turnover could be boosted from R270-million to at least R400-million in the forseeable future.

While Gentech operates in a competitive industry where margins constantly come under pressure from branded imports, it is set to benefit from increased electrification and better consumer spending.

Gentech made strong gains on the JSE in May to peak at 550c a share, but has since fallen back to trade around 320c with a strong p:e ratio of 30,8 times.

DAVID EVANS . . . Gentech's new chief executive

Hoover, KIC to restructure

SELLO MOTLHABAKWE

DOMESTIC appliance manufacturer and supplier General Technologies (Gentech) will next month restructure its two operating divisions, KIC and Hoover, to improve the group's profitability, CE Johan van den Bergh says.

Gentech is a member of the Powertech and Altron group of companies.

Van den Bergh said the administration and management functions of KIC and Hoover would be merged. The integrity of Gentech's product brand names would remain intact.

In terms of the restructuring, Gentech, which was previously a holding company, would now become an operating company, with former Powertech industrial group CE David Evans as Gentech CE.

Van den Bergh said the changes were aimed at improving Gentech's profitability, which had lagged following the latest acquisitions. He said Powertech had entered the white goods market recently with the acquisition of KIC in 1993 and Hoover early this year. BDay

Both companies were in financial difficulties at the time of the takeover. Gentech had as a result reported a trading loss of R2,5m in its half-year results.

In Hoover's case, problems centred on inadequate access to components and products. Components and raw materials had been secured from overseas.

KIC had been hit by labour and poor productivity problems. Action to resolve these issues had led to retrenchments and an overhaul of the sourcing strategy on completed products. 21/11/94

Van den Bergh said Gentech would, on the manufacturing side, concentrate on manufacturing at cost, while in other areas it would import goods in order to meet customer requirements. 189B)

The restructuring was expected to improve turnover to about R400m from R270m in the near future.

RDP to fuel electronics

SELLO MOTLHABAKWE

MOST companies in the electronics sector were in for good growth fuelled by reconstruction and development programme projects, boosting prices in a sector where shares had always traded at a premium, analysts said yesterday.

The electronics index surged 6,7% in the eight months to August, reflecting strong performances by computer and information technology companies.

The index gained 3,3 points to 1 951,5 yesterday, from its low of 1 333,42 earlier this month. It reached a high of 2 010,15 in June, and currently has a dividend yield of 1,8 and an earnings yield of 5,3. B/Day

Slightly "tardy" growth in relation to the industrial index was due to the effect of index constituent companies, such as Altron, which had pulled the index down because of poor performances by some of its divisions, an analyst said.

Star performers in the sector were Didata, Fintech and ISG, which were currently experiencing good growth as a result of solid computer sales. 22/8/94

ISG shares had risen steadily from above the R3,50 mark in January to peak at R5,40 yesterday.

The JSE's overall index last week touched a high of 5 941,4, reflecting a 6,7% move for the eight-month period, after having touched a 12-month low of 4 124,56. (189b)

Usko soars back into the black

(189D)

CT 23/11/94

From MICK COLLINS

JOHANNESBURG. — Conductor and cable manufacturer Usko bounced back into the black in the year to September, reporting earnings of R13,4m compared with a loss of R2,6m the previous year.

The company, in which Iscor has a 28% stake, saw turnover rise 5% to R290m on the back of better sales. Chairman Flores Kotzee said improved results from joint companies Transvaal Copper Rod and Alustang had also contributed.

A radical improvement in margins saw operating income up by more than half at R19,3m as tighter cost controls took effect. Kotzee said a reduction in staffing levels had helped to contain costs.

Interest received rose marginally to R2m but pre-tax income shot up 49% to R21,3m. After tax income was 52% higher at R18,8m.

Earnings a share came in at 7,4c compared with last year's loss of 18,4c.

No dividend was declared on the A preference shares. The dividend on B and C preference shares was also passed. On the balance sheet, shareholders' funds increased 18% to R84,6m while current assets rose 11% to R112m. Total assets rose 10% to R134m.

Kotzee said he expected the company's results for next year to be favourably influenced mainly by the housing and the accompanying electrification programmes initiated by government.

Steps were being taken to restructure the company's share capital, Kotzee said. Details of a major recapitalisation were released last month in a bid to reduce the company's debt from R105m to R23m.

Kotzee said the restructuring programme was on track and well supported by shareholders.

Hopes high at Berzack-Voltex

Star 24/11/94

BUSINESS STAFF

The Berzack-Voltex group is looking forward to the best prospects for sustained improvement it has seen for five years, according to the forecast in the annual reports.

Voltex joint chairman and Berzack chairman Myron Berzack says Voltex' prospects in the 1995 financial year are encouraging, after substantially increased growth in operating income from June to September.

The readmission of SA to the international community will open the doors to many potential export markets, particularly for products manufactured by Voltex.

The group is well placed to supply electrical products, where demand will follow the government's commitment to the RDP and recognition that affordable housing and electricity are a prerequisite for stability and economic growth.

Voltex' manufacturing capacity is being upgraded, so the group can keep abreast of the expected increase in demand.

In the Berzack group, the apparent improvement in consumer demand should translate into capital investment in the business sectors in which it operates, Berzack says. (189D)

Berzack's garment and luggage division expects higher demand and the foreign division is forecasting a return to profitability.

The labelling business expects steady growth will continue, but household products is facing increased competition as international businesses enter the market.

SPESCOM

Strategic change

FM 25/11/94

Activities: *Develops, makes and distributes electronic products.* (189D)
Control: *Directors 41%.*
Chairman: *T Farah. MD: J Steyn.*
Capital structure: *19,8m ords. Market capitalisation: R46,5m.*
Share market: *Price: 235c. Yields: 1,7% on dividend; 5,4% on earnings; p:e ratio, 18,7; cover, 3,2. 12-month high, 250c; low, 90c. Trading volume last quarter, 1,7m shares.*

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	8,4	9,3	10,2	13,3
LT debt (Rm)	0,6	1,1	1,4	2,3
Debt:equity ratio	1,47	1,41	n/a	0,07
Shareholders' interest	0,22	0,21	0,61	0,55
Int & leasing cover	1,1	1,9	2,51	2,42
Return on cap (%)	11,3	11,8	7,8	6,2
Turnover (Rm)	32,9	45,9	61,4	54,4
Pre-int profit (Rm)	2,4	3,3	5,1	4,6
Pre-int margin (%)	7,4	7,1	9,4	7,5
Earnings (c)	2,6	9,2	15,6	12,6
Dividends (c)	—	3,0	5,0	4,0
Tangible NAV (c)	70,2	76,1	204,2	207,8

Last year, Spescom changed its strategy, though not by choice. The loss of its major contract for the supply of electricity prepayment meters to Eskom forced an intensive search for a more diversified customer base and product mix.

A joint venture and new distributorship undertaken in the second half met these requirements.

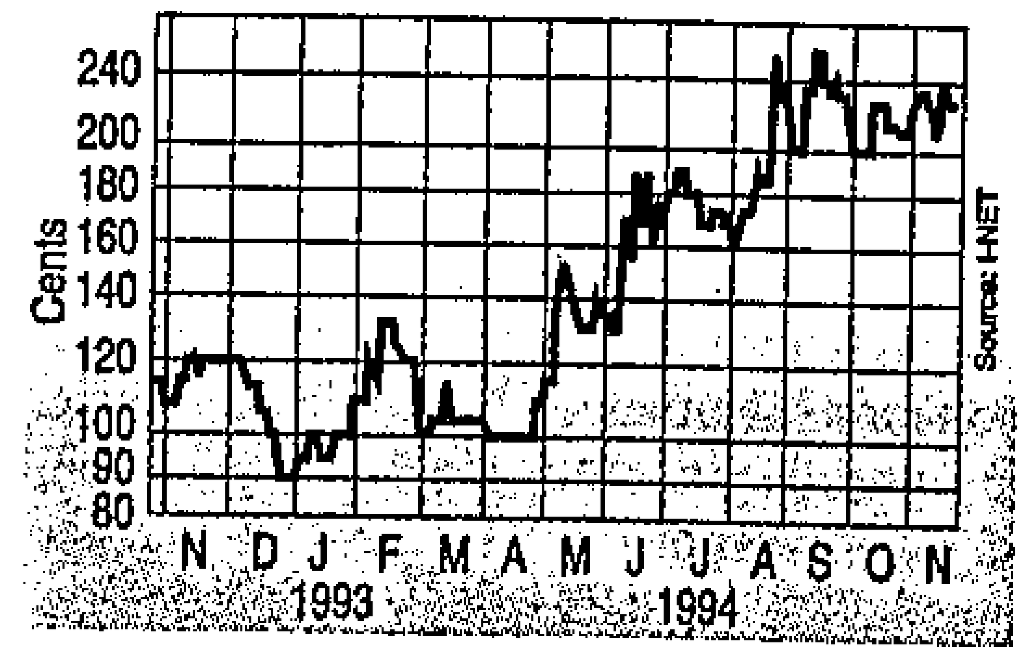
But the financial damage was done. Year-end sales and earnings were down 11% and 9% respectively, and the pre-interest margin slumped.

Aside from the retrenchments that resulted from the loss of the Eskom contract, production fell by a quarter. The poor start to the year was, however, countered to a certain extent by a good second half, thanks mostly to the success of new division Spescom MeasureGraph. It was established to handle instrumentation and graphics activities, plus the newly acquired exclusive distributorship for US-based Fluke. (Fluke is a leading maker of hand-held test and measuring instruments.)

MeasureGraph's success does not end

FM 25/11/94

Spescom Electronics



there: last month it acquired the Avvid video technology group, which is in the education technology and multimedia market, for R2,7m. Had this deal been effective for the 1994 year, it would have boosted EPS by 34% and NAV almost 4%.

With the imminent sale of Spescom's metering division to a new joint venture company with Siemens, "a significant change in the balance sheet is expected," says chairman Tony Farah.

Farah ... *a change expected in the balance sheet*

In June, Spescom announced plans for a new joint venture company, with equal Spescom-Siemens participation. This association is expected to contribute significantly to the positioning of Spescom in the growing prepayment meter market, locally and internationally. It will provide political and financial muscle needed in this competitive field. (189D)

The joint venture is also expected to be a cash generator. This should help the company to reduce debt, which has been a cause for concern. Elimination of the R2,6m net interest paid last year would have added 2,5c (19,8%) to EPS.

The market remains confident. The share climbed to new highs during the year and, on a p:e of 18,7, it trades at a premium to the Electronics sector. Spescom's access to more than 180 countries through the Siemens joint venture makes the stock interesting.

Kate Rushton

POWERTECH

FM 25/11/94

Strong links to the RDP

Overcoming structural problems is one key to growth

Electrification is one of the cornerstones of the RDP. In a sense, real power to the people will be achieved only when the vast majority has access to electricity. It comes as little surprise then that power engineering and cable group Powertech is seen as a major beneficiary of the programme. This is already evident in results for the six months to end-August; turnover rose 22,7% to R896m, EPS climbed 23,4% to 16,9c. And it goes some way in explaining the rapid rise in the share price from last November's 350c to 860c.

The counter, on a 20,5 p:e, would be considered fully priced if an increase in profit from RDP-related activities were not on the cards. But it is. Powertech's RDP electrification products include substations, pole-mounted transformers, plaster-depth wiring systems and prepayment meters. It also has subsidiaries involved in lighting and white goods manufacturing. It has a partnership with Asea Brown Boveri (ABB), the world's biggest electrical power company.

There is, however, one weak spot. The last eight months have been beset by labour problems, particularly in 52%-owned electrical appliance manufacturer Gentech. Though its turnover was up a fifth at R145,7m in the interim results to end-August, Gentech lost an attributable R2,5m. (If Gentech had broken even, Powertech's EPS would have been about 5% higher.)

CE Johan van den Bergh said early last month that if labour problems "could not be resolved and manufacturing productivity did not improve, this activity would come under serious review." It has.

Gentech can no longer afford a non-producing factory and is restructuring and merging its two operating divisions, KIC and Hoover. David Evans, formerly CE of Powertech's industrial group, will become CEO of Gentech. Evans was responsible for building Litemaster into a multimillion-rand producer and exporter of ancillary electrical products. (189D)

Powertech entered the white-goods market with the acquisition of Picapli (now Gentech) in 1993 and Hoover in July this year. Both companies were in financial difficulty at the time of takeover.

Hoover's problems mainly related to inadequate access to components and products as, at the takeover, its sourcing had virtually ground to a halt. But the required components and raw materials from overseas suppliers are coming on stream "and we are confident we can meet requirements," says Van den Bergh.

Gentech subsidiary KIC, on the other hand, has been plagued by labour problems. Remedial action taken to resolve these include retrenchments — 340 (about 35% of Gentech's workforce at the Isithebe plant) — and a review of the sourcing strategy of completed products. In some areas, Gentech will now import products to meet customer requirements, "but will insist on maintaining high standards." There will be a strong focus on the service component. After-sales service is considered crucial in the domestic appliance business and the KIC/Hoover merger is intended to strengthen this.

"We needed to address these problems before tackling restructuring and consolidation," says Van den Bergh. "We have a much better understanding of the domestic appliance business and believe we have done much of the groundwork to overcome the structural problems we inherited."

The market appears to agree. Gentech's

FM 25/11/94

share is on a 30,8 p:e. This must indicate future growth is being discounted in the price, because this rating certainly isn't based on historical earnings.

Gentech was only a holding company, but will become an operating company. On the manufacturing side, it will concentrate on areas where it can be a low-cost producer and remain competitive. Turnover "is likely to increase from R270m to at least R400m in the foreseeable future."

This will help reinforce Powertech's position as the largest listed power electrical group, by turnover, in SA. Sales have mushroomed from R600m in 1988 to R1,5bn in financial 1994 through acquisitions, gains in domestic market share, efficiencies and rising exports. Most purchases have been scrip-settled.

In the early Nineties growth of Powertech's domestic turnover was hampered by several factors: recession, deferment by government of mass housing and township electrification schemes and spending cuts by major customers — including Eskom, Telkom and Transnet. In financial 1992 operating profit fell 13% and margins were pushed below 10% for the first time since 1988. EPS never dipped, making Powertech Altron's most consistent performer.

A profit recovery at Gentech would help ensure earnings growth for Powertech. A source of comfort is that a loss-maker has been brought to good account before. Powertech acquired lighting business U-Lite from Unihold in September 1993. These manufacturing facilities, rationalised with existing lighting subsidiary Lascon, lost money in financial 1994. But the purchase of major competitor Zumbotel Thorn, and the benefits of the integration of the manufacturing operations, have produced sufficient savings for a small profit to be produced in the latest interim — a turnaround management hopes to repeat with the KIC/Hoover restructuring.

Powertech has five other business segments — Aberdare Cables, ABB Powertech, Willard Batteries, Tridonic SA and Industrial. Divisional profits are not disclosed. "This provides a little mystery. If we wanted to supply a breakdown, we might as well have each one listed separately," explains Van den Bergh. Really? Why adequate disclosure of divisional performances should be equated with separate listings is incomprehensible. (189D)

What is clear is that growth potential is enormous. Main source is the Powertech package, marketed as a complete solution for the supply of electricity. It combines low-cost products with the extensive range of products already available. These include high-voltage substations, medium voltage distribution networks, low-voltage connections to individual consumers and all household fittings and domestic appliances.

Watt

Throughout the world, industries face increased competition, lower entry barriers, market fragmentation and broader customer needs. SA will not be immune to these forces and industry will face wider competition and less protection. Chairman Peter Watt hopes government realises "SA should not try to run before it can walk and that it deals with Gatt issues in a discretionary manner."

Van den Bergh

As for local competition, Van den Bergh concedes it exists, "but none offers the complete package — from generation to consumption — as we do." He adds: "Oversupply is unlikely to develop for a long time." A household without electricity, relying on other energy sources such as wood, coal, paraffin and candles, uses 1,5 times more energy than an electrified household.

Also, the areas where development projects are most needed, are those where unemployment is at its worst. Labour from local communities will therefore be used to implement these projects. In the rural/agricultural arena an intermediate voltage plough-in underground system has proved successful. As a further cost-saving measure it is envisaged that aerial telephone cables will be installed on the same poles used for power distribution. Telkom's strategy to expand the telephone subscriber base in rural areas, with a surge in demand for telecommunication cable ahead of the election period, has resulted in above-average orders for cables.

Powertech's order book in other areas is also improving. Demand has increased for ABB Powertech products (transformers and high-voltage products), as well as Willard Batteries (automotive and industrial batteries.) This year C&D Charter Power Systems, the leading producer of standby industrial batteries in North America, appointed Willard as its sole agent in sub-Saharan Africa. Willard will provide the infrastructure and service back-up, while C&D will provide the products and technology. Because Powertech recognised the potential spin-offs of an electrification programme years ago, it does not need to spend huge sums on money developing ideas or new plant.

For example, the manufacturing programme introduced during the past three years has strengthened subsidiary and chief earnings contributor Aberdare's manufacturing base. Timeous capex has allowed Aberdare to secure orders for Columbus, the new shaft at Vaal Reefs Gold Mines and the Namakwaland Sands mineral processing plant. Tenders have been submitted for the new Alusaf smelter in Richards Bay.

Aberdare's Optical Fibre division has also received orders, including a turnkey contract for Jan Smuts airport radar upgrade, a wide camera installation for monitoring waste burn-off at Durban's Genref refinery, and a 360 km fibre link from Transtel.

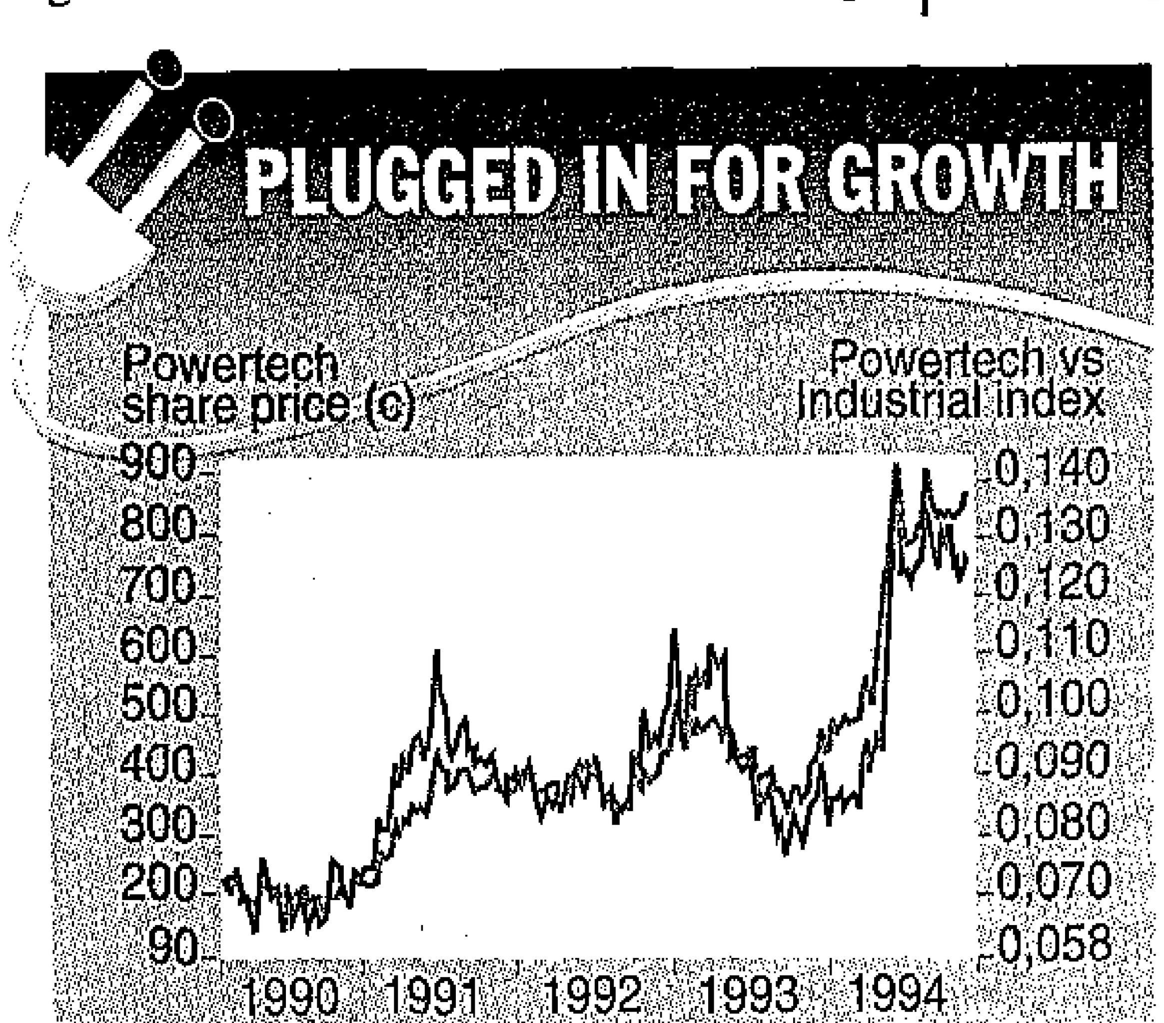
Powertech is looking beyond the RDP and public sector for increased earnings. This includes export growth from ABB Powertech, the joint venture with the international ABB group. Substantial demand exists for development in sub-Saharan Africa, including electricity transmission and distribution facilities. Sizeable contracts have been received from Zambia, Malawi, Zimbabwe, Kenya, Botswana and Lesotho.

ABB's lead times range between six and 12 months for medium to large power transformers. These are important time ranges, especially if seen against the RDP. Profits from an electrification project will take some months before hitting Powertech's income statement and shareholders' pockets. Financial 1995 results are expected to reflect only minimum RDP-related profits.

Indeed, the second half is traditionally the better. Assuming interim growth is maintained, full-year EPS will probably be in the mid-40c range. It could be argued these initial forecasts by analysts for the year should be thrown out the window: Gentech's restructuring costs will have to be brought to account; and this subsidiary has probably lost money in the second-half and will take time to turn.

However, Gentech accounts for only a small percentage of Powertech's attributable income. Powertech's 20,6 p:e, therefore, probably fairly reflects current prospects.

Kate Rushton



Fm 25/11/94

gently. Existing police deployments are woefully inadequate and underpaid. Officers on the taxi beat invariably have to cope with other, nontaxi violence and riots and are already over-extended.

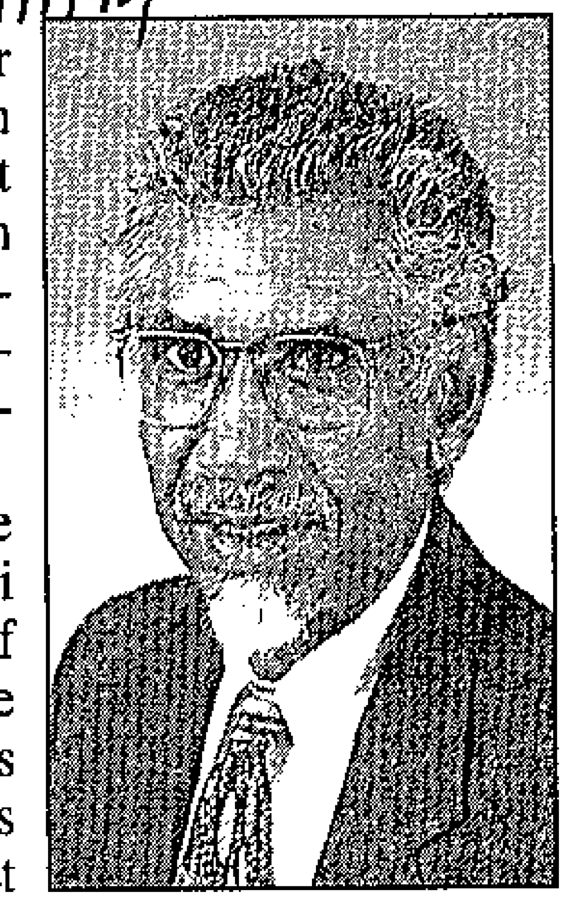
In some areas, taxi men accuse the police of passing weapons to hit men or taking sides in disputes. The Goldstone Commission found cases where policemen were operating taxis and in some areas, such as Alexandra township, ex-policemen head taxi associations.

A solution could be to establish special provincial police task forces. Analysts and taxi leaders argue, though, that law enforcement is not enough; they want a comprehensive approach.

"We want a subsidy just like the buses and trains get or we want their subsidies abolished," says Nafto vice-chairman Simon Mathysen. "There is no way in the world you can solve the shooting problem in the taxi industry until the government makes it fair for all."

Department of Transport officials say the ultimate solution is to formalise the industry which, coincidentally, is something the Organised Taxi Industry supports as it could probably bring subsidies. But this is not the way to go. Whatever solution is tried, the use of taxpayers' money should not be an option.

"We have two choices," says Transport Minister Mac Maharaj. "Either we try to resolve the problem using a heavy-handed jackboot approach or we go for an inclusive process which addresses the problem systematically and locks all the participants into a solution."


Maharaj

(332)

So far, he has had little success. Maharaj says the taxi bosses are not representative of the industry at grass roots. He plans to break the taxi boss monopoly by holding elections in the industry next April to set up a negotiating forum to deal with government. He also intends to establish a national task team in January comprising transport specialists and government leaders to address issues such as taxi wars, collisions, illegal operators, permits and passenger needs.

The taxi bosses see the elections as a threat and privately say they will never let them go ahead, raising the prospect of more violence. When Maharaj met Organised Taxi Industry leaders to present his proposals recently, the taxi men walked out before he had read halfway through his discussion paper, saying he was being prescriptive. And how could Maharaj's proposals deal with the pirate problem?

PWV MEC for Transport Olaus van Zyl, meanwhile, is out to woo the bosses. Amid much fanfare in Sandton last week, he and Safety & Security MEC Jessie Duarte got hundreds of taxi men to sign a declaration of intent to end the violence and work together. Where Maharaj has taken a bottom-up approach, Van Zyl has concentrated on the top structure. He dangles promises of subsidies and emphasises that provinces, not central government, will administer public transport. The industry is interested but noncommittal.

"We want to set up a structure through which the associations can communicate with government," says Van Zyl. If that means electing a body, and if the industry agrees, he says he will support the plan.

"The associations will have to restructure anyway," he says, referring to dissension among members. "If they don't, they will not be able to continue operating."

Throwing money at the taxi problem may be tempting; it would also be futile. The fact that certain taxi ranks have become no-go areas for traffic police should be sufficient humiliation for government. Above all, the challenge is one of law and order. ■

POWERTECH

Fm 25/11/94

Strong links to the RDP

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(189b)

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The market appears to agree. Gentech's

Log-Tek scores a high with six-month results

SELLO MOTLHABAKWE

ELECTRONIC, transport maintenance and human resource group Log-Tek lifted attributable profit 135% to R955 000 for the six months to October on the back of improved efficiencies in business processes which raised operating profit 50%. BDay 2/12/94

Turnover rose 39% to R25,2m while operating profit shot up to R2,5m from R1,7m. Net interest improved to R953 000 from R903 000. Pre-tax profit reflected a 102% increase to R1,6m.

Extraordinary profit had improved to R179 000 after the previous year's loss of R337 000.

Earnings a share were 133% higher at 20,3c and a dividend of 5c was declared.

The balance sheet reflected a slight increase in short-term borrowings to R8,7m from R6,3m while long-term borrowings declined to R801 000 from R5,5m previously.

Deferred taxation had increased to R1,6m from R1m. Net asset value a share moved up to 90,5c (67,7c).

Management said the results indicated a highly satisfactory performance for the period under review. The group had complied with all requirements relating to the disposal of its headquarters. Included in current assets was the R2,9m representing the group's future net cash inflow from the disposal. The funds would be deployed to reduce interest-bearing debt. (189D)

Prospects for the group centred on a strengthened order book with further growth in earnings a share forecast for the remainder of the year. There were good prospects for software developed in-house for government inventory management and private companies.

It offered no comment on plans to sell software to a large US distributor which were announced earlier this year. Plans to operate training colleges in Zimbabwe, Namibia, Botswana and New Zealand were on course.

Seartec's debut lacks sparkle

Star 2/12/94

BY CHARLOTTE MATHEWS

Seartec, the Seardel Group's R170 million Sharp electronics business, closed its first day of listing on the JSE yesterday bid at 177c, 2c above the price at which it was offered to Seardel shareholders.

Preliminary information indicated only 20 000 shares traded, at a day's high of 180c and a low of 175c.

Of the 60-million shares listed yesterday in the stores sector, 75 percent are held by the Seardel group and 25 percent by the public. (189D)

Seartec has waited seven years for this debut. The plan was first raised in September 1987 and the listing was planned for November 1987. In the intervening month the market crashed.

A Seardel spokesman said at the time the listing had "just been put on hold for a while".

Voltex cable group expresses optimism about coming year

BD 9/12/94 E189D

MICK COLLINS

ELECTRICAL cable group Voltex has forecast improved earnings on the back of an improvement in consumer demand which should translate into capital investment in the sectors in which it operates.

In his annual report, joint chairman Myron Berzack said prospects for the 1995 financial year were encouraging, especially as there had been increased growth in operating income to September this year.

The readmittance of SA as a member of the international community would open many potential export markets for products manufactured by the group.

Government's commitment to the reconstruction and development programme, and recognition that affordable housing and availability of electricity to the entire country was a prerequisite for stability and economic growth, placed the group in a position to take a leading role in the supply of electrical equipment.

Berzack said the group had already identified strategic areas and new branches had been opened. Others were at an advanced stage of planning. Manufacturing capacity was continually upgraded to enable production to keep up with expected demand.

He said the past year had been characterised by extreme fluctuations in the economy. Indicators pointed to an upswing. Business confidence was higher than in past years.

"While we await the full implementation of RDP, we believe it is imperative for government to accelerate those areas of concern including health, education, employment, sanitation, housing and electrification so as to ensure the upliftment of living standards, particularly among the disadvantaged," he said.

It was encouraging that many of the world's leading companies were returning to SA. Competition would lead to greater local efficiency and productivity.

The trend of wage demands exceeding productivity increases needed to be addressed if local companies were to be competitive, especially when protective tariffs were reduced.

"Voltex has recognised the importance of a stable and motivated work force and has accordingly budgeted an increased amount for employee training and development," he said.

"Formalised and on-the-job training has been instituted at all levels with the aim of increasing equal opportunities for all employees, based on merit and ability."

Big demand for electronic goods

(1890)

SELLO MOTLHABAKWE

CELLULAR PHONE retailers Pick 'n Pay and Game Stores had contingency plans in place to meet an increase in demand for electronic goods over the festive season, spokesmen for the companies said.

Game Stores MD Dan Barrett said supplies of cellular phones, electronic equipment and accessories to stores on the coast had been increased above normal levels to take advantage of the influx of holidaymakers to those areas.

The company recently opened retail operations in the Cape and Durban areas. BD 21/12/94

Barrett said unit sales of cellular phones at the stores, which traditionally accounted for a significant slice of business for national service provider Teljoy and network operator Vodacom, were expected to top 25 000 by the end of January. The stores had so far sold 15 000 units.

He said "spectacular" sales were recorded with the recent opening of a retail store in Cape Town.

Because of the high number of cellular phones sold over the past few weeks, it was feared that supplies might not hold for the rest of the holiday season.

However, the company had contingency plans if supplies ran dry.

A spokesman for Pick 'n Pay said the group was expecting "great" sales of electronic goods.

The company was geared towards servicing the increased demand over the holiday period and foresaw no supply problems.

The spokesman said cellular phone sales in the past few months exceeded industry projections.