MANUF. _ Non metallic mineral products

1992

JANUARY — AUG

PPC FM 3/1/92 (193)

Volumes still falling

Activities: *Cement and lime producer*
Control: *Barlow Rand 60,3%*
Chairman: *J C Hall, MD J E Hodgkiss*
Capital structure: *40,3m ords Market capitalisation R1,65bn*
Share market: *Price 4 100c Yields 4,2% on dividend, 6,9% on earnings, p e ratio, 14,3, cover, 1,66 12-month high, 4 300c, low, 4 200c Trading volume last quarter, 309 000 shares*

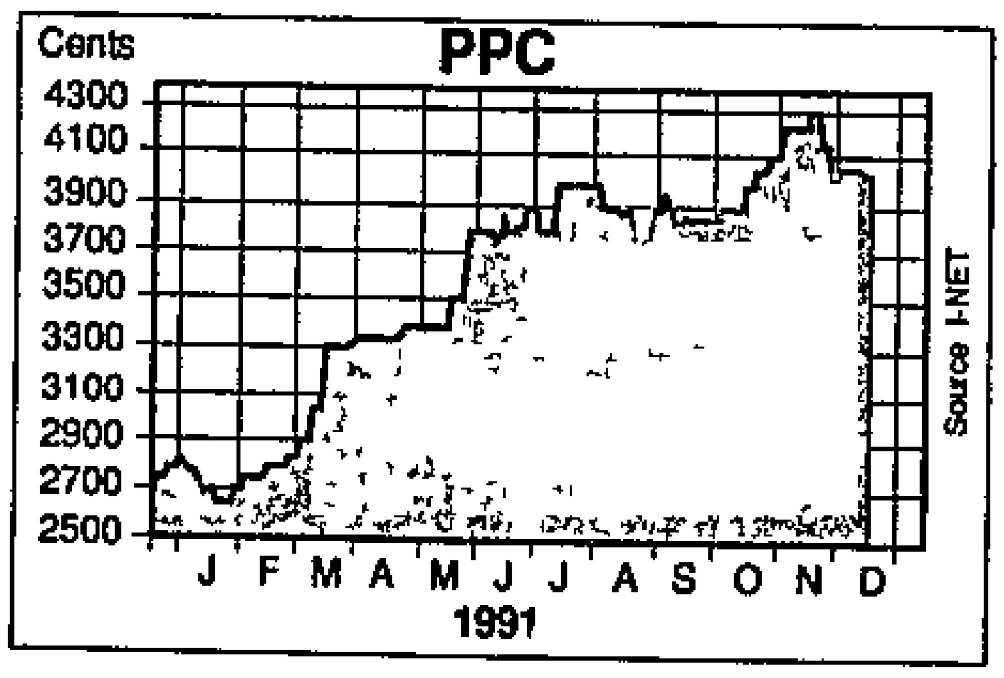
Year to Sept 30	'88	'89	'90	'91
ST debt (Rm)	8,1	7,9	2,5	1,7
LT debt (Rm)	16,1	2,0	30,0	36,0
Debt equity ratio	—	—	—	0,04
Shareholders interest	0,54	0,61	0,59	0,62
Int & leasing cover	16,83	6,84	8,46	15,88
Return on cap (%)	18,2	19,6	19,1	19,6
Turnover (Rm)	589	689	740	818
Pre-int profit (Rm)	143	164	172	185
Pre-int margin (%)	24,3	23,8	23,3	22,6
Earnings (c)	202	252,6	266,2	284,8
Dividends (c)	100	130	150	172
Net worth (c)	1 155	1 267	1 321	1 435

PPC was unable to shrug off the building industry depression in the 1991 year Weaker demand for its products resulted in lower production volumes and thinner margins A higher interest bill and lower investment income added to the pressures, but a reduced tax charge enabled a 7% advance in earnings

The plants operated during the year at only 59% (1990 61%) of capacity Volumes fell most in the lime division, where output was down by 9% The cement division saw a drop of 3% Both are hefty declines for a group in this industry, where fixed costs are high Cement volumes have now fallen to the 1985 level, lime output is the lowest since 1982

Thanks partly to tight control of costs, and rationalisation of operations, the cement division's operating profit improved by 8%, to R118,7m, amounting to two-thirds of the group total

In the lime division, operating profit slipped slightly, to R50,8m, accounting for just over a quarter (1990 30%) of the total The rest was from packaging and various other interests



As part of a strategy to stimulate demand for cement, PPC entered into a R20m joint venture with French cement manufacturer Saret International, to produce concrete building beams In addition, a 49% stake was acquired in Betram (Pty), which makes and markets concrete door and window frames

Net investment income dropped by just over two-fifths, to R11,6m Cash resources fell to R16,3m, mainly because a special dividend of R32m was paid to shareholders in January 1991

Borrowings were slightly higher, at R38m (1990. R33m), but gearing remains negligible However, R30m of the 1990 year's borrowings were only acquired at mid-year With a significantly higher average level of debt to be serviced for the full year, last year's interest charge jumped from R4,9m to R8,5m No major capital programmes are planned for the "foreseeable future," and the R68m (1990 R116m) spending commitment may be adjusted to market conditions

Chairman John Hall has predicted dull trading conditions for this year At best, he says, sales are expected to remain stable This is partly because of the country's spending on housing and infrastructure, and the slackened demand for lime from the mining, steel and uranium industries PPC has cut its price per ton of cement by R1,20, effective from September 30 1991.

Volume throughput will remain a critical factor affecting the profit outlook, but Hall is confident that returns will recover rapidly once demand picks up

The share, currently at a 12-month high of R43 and offering an earnings multiple of 14,2, remains the best rated of the cement

PPC's Hall *volume is critical*

COMPANIES FM 3/1/92 (193)

producers Anglo-Alpha, at R39,25, and Blue Circle, at R30, stand on multiples of 11,2 and 10,7 respectively However, it is probably too early to expect a recovery in the sector

Basil Barber

SA BREWERIES/PLACOR (193)

FM 3/1/92

Control pool bows out

The shape of SA Breweries' diversified manufacturing interests has altered considerably now that Plate Glass & Shatterprufe Industries (PGSI) has joined the stable PGSI has about 50% more assets than Afcol, Da Gama and Lion Match combined, and almost double their combined turnover

By buying the controlling interest in pyramid Placor, SAB still effectively owns scarcely a quarter of PGSI, but chairman Meyer Kahn says this is just the first foothold "It is out of keeping with our style to operate through pyramids," says Kahn "We are most comfortable when we own about two-thirds of the underlying company "

Kahn says other elements in the deal will be announced this month, including a rights issue in PGSI to fund the R525m acquisition of Pilkington's interest in Glass SA (*FM* December 20) With SAB's muscle behind it, the international arm Belron is poised to benefit from a substantial offshore investment programme

Much depends on SAB's offer to Placor minorities Certainly, it is particularly attractive — ideally, SAB would like to delist Placor and hold its interest directly in PGSI It is offering one automatically convertible preference share for every two Placor The pref carries a fixed dividend of 255c — more than double the latest ordinary dividend of 118c At current prices, the instrument offers a yield of 4,7%, compared with 2,2% on the ordinaries

The instrument will convert into ords once the ordinary dividend matches or exceeds 255c It is estimated that this will happen in about five years' time Kahn says a similar instrument was used to acquire control of Da Gama and was "very well received " In that case 8,9m preference shares were issued, which will be converted when the ordinary SAB dividend matches or exceeds 165c

Though the Lubner and Brodie families have been bought out, Ronnie Lubner remains chairman and CE of PGSI Placor chairman Bertie Lubner says the Lubner and

FM 3/1/92 (193)

Brodie families have widely diversified interests and different requirements The transaction gives them more flexibility, as they are no longer locked into a pool agreement

Liberty Life, which has sold its 29,9% interest, is satisfied that it will receive better yields as a result of the deal and finds the instruments more attractive than ordinary shares for that reason

SAB is in a better position to plan ahead than the outgoing control pool There is no obvious successor to Ronnie Lubner who is 57 Cautionaries began to appear after the death of founder Harry Brodie, which suggests his heirs may have been unhappy with the control pool agreement

PGSI is not the blue chip it was perceived to be two years ago but is probably over the worst It is returning to its roots in the local market and concentrating on autoglass internationally Kahn argues that overall performance has been good but poor results from US interests have dragged it down

PGSI has generated good returns for the control pool but needs SAB's resources to bring it back to its former glory *Stephen Cranston*

Italtile acquires Abacus listing

ROBERT LAING

AUDIOBUILD's listing has been sold by Abacus to Italtile, which will inject its manufacturing operations into the listing and rename it Ceramic Industries Limited. BDay 8/1/92.

Abacus director Martin Capper said the company had sold its Krugersdorp-based ceramics factory, Studio Ceramics, and the Audiobuild listing to Italtile for about R6m.

Abacus would retain its non-ceramic interests, including hi-fi manufacturing plant Audiocor and door factory Doorcor. (193)

"It is a good deal for us because the ceramics factory was not being fully utilised and the extra listing was getting expensive," said Capper.

Italtile offered Audiobuild's minority shareholders 1,08 Italtile shares for every two consolidated (100 ordinary) Audiobuild shares held.

The companies published a statutory request for approval of Audiobuild's capital reduction and distribution of its consolidated shares today.

Audiobuild sold its non-ceramic interests to Abacus for R40m.

Audiobuild will acquire Italtile's manufacturing operations and Tilecor from Italtile, becoming a substantial producer of ceramic tiles and vitreous china sanitaryware.

Italtile acquired Abacus's 60% share of Audiobuild for the issue of Italtile shares at R6 a share.

D&H/EVERITE (193)

In the bidding

FM 10/1/92

Though the building supplies group Darling & Hodgson (D&H) will be delisted from the industrial holding sector in mid-February, it is not the last we have heard of it D&H — now a Murray & Roberts subsidiary — will operate autonomously and keep its own head office Moreover, it is the favourite to take control of Everite from Swiss parent Nueva Holdings

Nueva has called for offers and will give prospective buyers the chance to carry out feasibility studies It will choose a buyer at the end of February So far, Fraser Alexander and D&H have confirmed their interest Grinaker, which has a concrete products division, is also a possible bidder

Dorbyl says it will not be bidding MD Dawid Mostert says Dorbyl looked at Everite when Nueva previously tried to sell but decided not to make an offer He says the pipe market is overtraded

These are being seen as the more obvious contenders, though there could be other candidates, such as Blue Circle or Group Five

Fraser Alexander is already highly geared and would probably need a rights offer to

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proceed This would be subject to the approval of major shareholder Rembrandt, which may not be overenthusiastic Everite's performance in recent years has been noticeably weaker than that of Fraser Alexander The cyclical building industry seems an awkward fit with Rembrandt's other investments

For D&H, funding will be easier as it will soon be wholly owned by Murray & Roberts (M&R) When it acquired a controlling stake in D&H from Malbak in October, M&R announced its intention to delist the company The response from minorities must have surprised even them

M&R bought 98,6% of the share capital It paid out just R350 000 cash For the rest, shareholders were paid R182m in M&R ordinary shares It is using section 440 of the Companies Act to acquire the rest of the shares

Andre van der Colff, chairman of M&R Suppliers & Services, says Everite would slot logically into D&H, though any bid might be made by M&R itself rather than through D&H

But, he says, before there is a bid, two main obstacles have to be considered One is that Nueva is offering shares in the pyramid Everite Holdings, which will give M&R a relatively small stake in the underlying company M&R would be unable to rationalise, say, Everite Pipes and Rocla, until it owned a far larger stake

M&R does not like operating through pyramids This may pose fewer problems for Fraser Alexander — which is itself controlled through pyramid Fralex — though it, too, would presumably be seeking synergies

More importantly, Everite's performance has been poor Nobody in building supplies has done well in the past couple of years, but Everite has performed even worse than most Still, it would not be the first time that M&R, nor for that matter the team which Rembrandt installed at Fraser Alexander, have tried to turn around an underperformer

Stephen Cranston

'Expose suppliers to more competition'

B/Day 22/1/92

(193)

Reports by
PETER GALLI

THE building supply market should be subject to greater competition, and the entire policy of tariff protection on general imports and building materials should be urgently reviewed, says SA Building Industries Federation (Bifsa) economist Charles Martin

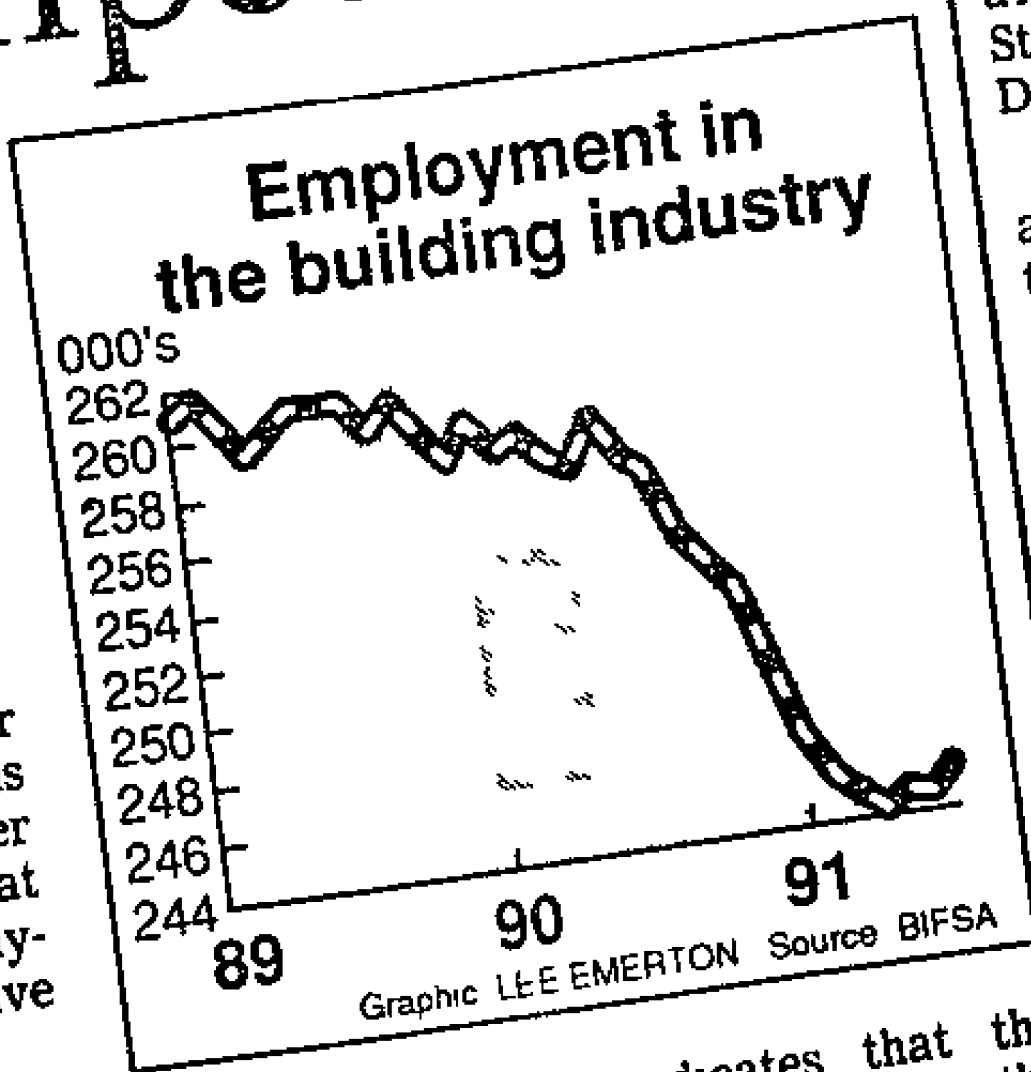
"The raison d'etre for introducing or increasing tariff protection when sanctions were the order of the day is no longer appropriate or valid, especially now that the improvement on the balance of payments allows more scope for selective imports

"However, any reduction in tariffs should occur on a gradual basis to prevent major disruptions in that market," Martin says in Bifsa's latest building review

While prices of building material have been reported mostly lower in recent months, this is largely a statistical phenomenon with sharp increases in certain materials still being reported by contractors and sub-contractors, he adds

Building materials should remain freely available during 1992 and Bifsa expects prices to rise by 15,5% this year

On the labour front, further major reductions in the industry's labour force are unlikely, although isolated retrenchments are still possible in the short term



A Bifsa analysis indicates that the labour force has stabilised around the 244 000 level in recent months

The rise in the cost of labour is also expected to slow down marginally in the short term, and should increase by 13,5% in 1992, as total labour costs continue to increase in line with inflation

"The anticipated upturn in the building cycle during the second half of 1992 should see a noticeable increase in job opportunities in the industry from 1993," he says

The drop in building activity during 1991 had ended shortages of materials

"All materials are currently freely available, but we expect this situation to reverse during 1993," Martin says

'Save energy in buildings'

TRUE energy efficiency in SA building construction will come only when it is a consideration from the initial design stages and not an afterthought, says Stauch Vorster architect Dierk Volavsek

"There is a growing awareness of the opportunities for greater energy efficiency in office buildings

"Although electricity is cheaper locally than abroad, building owners are still starting to look more closely at heating and cooling as a component of running costs"

While speculative developers were less concerned about this as they simply passed costs on to the tenant, owner-occupiers were starting to address the issue, he said

Where a building was without air-conditioning, and other devices were used for heating and cooling, it was often difficult to achieve the same comfort level

B/Day 22/1/92

"Alternative temperature devices include reducing the openings in the exterior walls to a minimum, and considering external shading methods like cantilevered slabs and the use of double glazing," he said

Everite's restructure pays off

By Sven Lunsche STAR 5/2/92

(193)

After an extensive rationalisation exercise, which included the retrenchment of 20 percent of the workforce, building supplies group Everite has bounced back with a 90 percent surge in interim earnings

Managing director George Thomas expects the group to continue its earnings growth for the full financial year even if, as expected, there is no pick-up in the economy

Mr Thomas does not disclose details of negotiations involving the sale of the controlling stake in Everite by Swiss-based Nueva Holdings, which was announced last November.

The group's turnover was up by 10 percent to R183,3 million (R166,3 million)

Operating income increased by 33 percent to R26 million (R19,5 million)

Everite's conservative replacement-cost depreciation policy knocked R13,8 million (R12,2 million) off operating income, but higher investment income lifted net income by 91 percent to R7,9 million (R4,1 million).

After additional costs of R1 million relating to the restructuring, attributable earnings rose from R4,1 million to R6,9 million.

Earnings per share were up from 4,7c to 8,9c.

Mr Thomas says that historical cost depreciation would have pushed earnings to 16,2c (10c)

The interim dividend has been raised by 25 percent from 4c to 5c.

The restructuring has also seen a substantial improvement in the balance sheet

Mr Thomas says Everite will enter the upswing with no debt on its book and gearing of less than 10 percent

Furthermore, the group can easily boost output as capacity utilisation at its factories is running at only 50 percent

"On balance, it is unlikely that long-awaited spending on affordable housing and infrastructural development will materialise in the current financial year," he says

Nevertheless, he expects a repeat of first-half results for the full year, adding that a pick-up in the economy would result in a further meaningful improvement in earnings.

Granite rumblings follow talks on Quagga's future

B Day 5/2/92 (193)

WILLIAM GILFILLAN

MORE rumblings are likely in the local granite industry after today's announcement by Quagga Holdings cautioning shareholders that it was currently involved in negotiations which could result in a change of control at the group

Only two months ago SA's major granite producers entered negotiations which analysts predicted would see the establishment of a local granite cartel But nothing further has come from the groups involved They were the Keeley Group, Kudu Granite, unlisted producer Impala Granite and Transkei Pioneer Mining company.

But today's announcement from Quagga will fuel speculation of further rationalisation in the troubled granite industry

Marlin Holdings was initially cited by analysts to be the candidate most likely to take control of Quagga, but this has been strongly denied by Marlin's executive chairman, Peter Gain

Impala Granite, held about 40% by Anglo American, and the Keeley group, in which Genmin has a stake, have been mentioned as other likely candidates

Taking over Quagga would help the Keeley group regain control of the African red granite market.

"As the Keeley group already has extensive reserves of African red, the group's motivation for taking over Quagga would be to increase its influence over the pricing of African red," said analyst Keith Bright of Edey Rogers

Kudu Granite is the only other group which has large reserves of African red

As Impala Granite does not have any large exposure in the African red market, it has also been cited as a likely candidate to take over Quagga

Marlin had been noted as the most likely candidate as it had been quarrying and marketing Quagga's African red operations at Leyden — in Lebowa — on a profit sharing basis since 1990

And analysts believed it was probable Marlin would have entered into an agreement with Quagga, giving Marlin a pre-emptive right if Quagga's controlling shareholders sold out Marlin does not have its own African red reserves

Although Quagga has other granite reserves — including black and green granite — the only successful quarry is the African red operation In his 1991 review, Quagga chairman Rudolph du Bruin said the group had experienced strong demand for African red.

Shares in Quagga, which was listed on the JSE in May 1990 at 75c a share, yesterday closed up 1c at 3c a share

PGSI seals deal for Glass SA takeover

B/Day 5/2/92 (193)

Business Day Reporter

PLATE Glass and Shatterprufe Industries (PGSI) has finally signed the agreement to acquire a 48,4% stake in Glass SA from Pilkington, thus raising PGSI's effective interest in Glass SA to 96,8%

PGSI will finance the R525m acquisition by the issue to Pilkington of 10,9-million automatically convertible preference shares, it announced yesterday

Pilkington has made independent arrangements to renounce the right to the convertible preference shares for a cash settlement of R525m The preference shares will be placed with SAB which, in turn, will place its own securities with major financial institutions to fund the acquisition of the PGSI preference shares

SAB recently announced it would be acquiring 54,6% and that in due course it intended to make a similar offer to shareholders in Placor

The PGSI preference shares will carry an annual dividend of 275c and full voting rights They will automatically convert to ordinary shares when the PGSI ordinary dividend — static at 222c for the past three years and expected to drop this year — reaches 275c The issue of the preference shares is due for approval at a general meeting of ordinary shareholders on February 27 The shares and SAB securities are expected to be issued around March 31

PGSI directors said in a statement yesterday that, had the Glass SA deal been effective throughout the year ended September 30 1991, earnings a share on a fully diluted basis would have increased from 370c to 421c However they maintain the cautious tone of the September 1991 interim statement by stressing the continued weakness in PGSI's markets and that as a result earnings for the second half will be down

Still no buyer as Everite lifts profit

(193)

BDay 5/2/92

JABULANI SIKHAKHANE

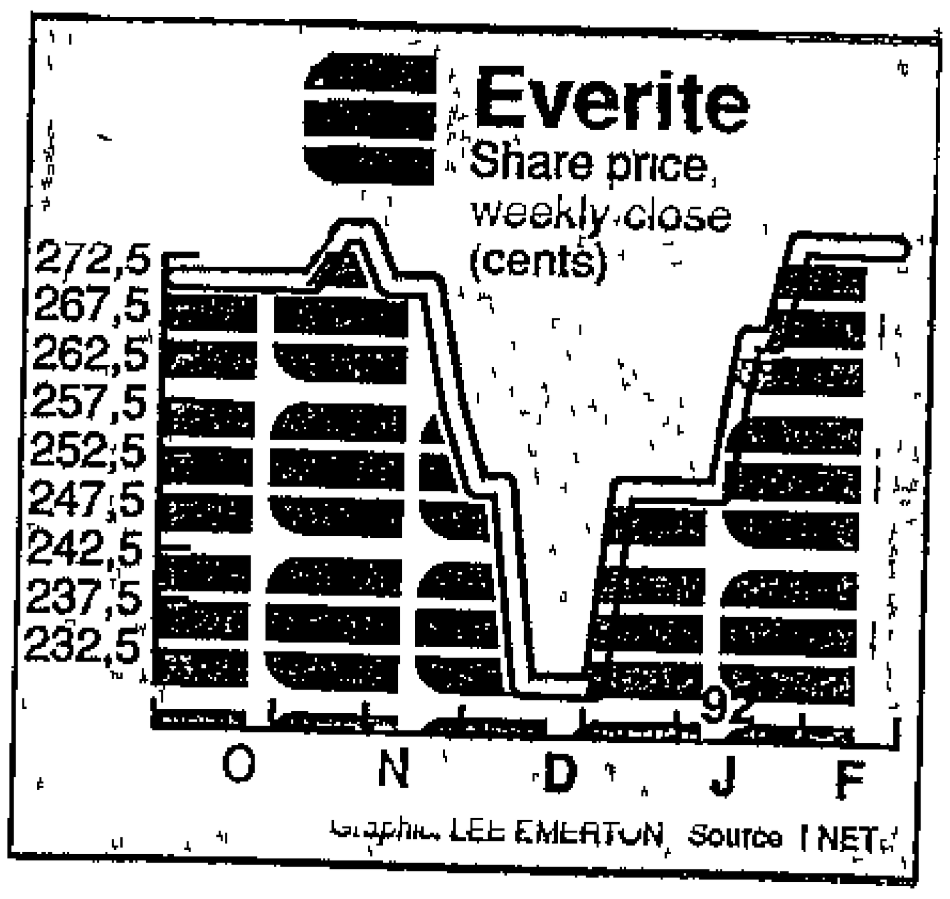
RESTRUCTURING and rationalisation benefits helped building materials group Everite show an increased profit for the six months to December

But there is still no word on who will buy the controlling interest in Everite from ultimate Swiss parent Nueva Holdings MD George Thomas would say only that negotiations were still in progress

However, market sources said yesterday that tenders for Nueva's stake in Everite had closed on Monday. Acceptances Limited was in the process of selecting two companies which would do a due diligence test on Everite until February 20 Nueva was expected to announce the succesful bid around March 6, sources said

During the review period Everite's earnings after additional depreciation increased by 91% to 8,9c (4,7c) and dividends rose 25% to 5c a share

Thomas attributed the performance to a reduction in fixed costs which resulted from the rationalisation and restructuring programme begun in July The full benefits of the programme were still to be felt and would further increase group profits in the second six months to June



The rationalisation programme saw Everite split into building materials and pipe divisions The workforce was reduced by almost 20%

Thomas said the programme was expected to reduce fixed operating costs by R13,5m for the full financial year. Even though the building and construction market was not expected to improve, this reduction in fixed costs would help Everite maintain growth in the second half similar to that in the first.

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Everite

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□ From Page 1

Turnover increased 10% to R183,3m Selling prices increased by 8% and sales volumes rose 2%, indicating that Everite had regained some lost market share

A reduction in fixed costs boosted operating income by 33% to R25,956m and margins improved from 11,7% to 14,2%

After historical and additional depreciation, net operating income rose 68% to R12,21m Investment income was up to R3,5m from R2,8m, largely because of higher payouts from endowment policies

Finance costs rose sharply to R2,2m (R892 000) Thomas said that towards the end of last year, Everite had to pay tax which depleted the group's cash resources.

As a result the group increased short-term borrowings from R20,5m to R32,35m. Since these borrowings were made in the November/December period, finance costs would be significantly higher during the second six months, Thomas added

Everite Holdings, which holds 56% of Everite Group, reported a 94% rise in earnings after additional depreciation to 25,6c and dividends increased by 22% to 14c a share

Anglo Alpha waiting patiently for better times

STAR 6/2/92 (193)

By Derek Tommey

If there is one organisation that would dearly like an improvement in the economy it must be Anglo Alpha, one of SA's largest industrial undertakings, with net assets of R1,6 billion and a workforce of 4 000

Poor conditions led to earnings in historic terms declining again last year from 349,8c to 342,6c — their lowest level since 1987

Earnings based on current costs (that is after being partly adjusted for inflation) fell from 200,1c to 192,9c a share However, this was better than expected.

It is company policy to maintain the dividend in line with inflation

The result is that the final dividend has been lifted from 89c to 106c a share, making a total payout of 152c — 15,2 percent more than the 132c paid last year

Johan Pretorius, group MD, says 1991 was tough and that the company hasn't seen the last of the bad times

Turnover rose 4,4 percent to R728,2 million, but net operating income fell 19,1 percent to R135,7 million

This was partly the result of major maintenance in the cement division and a substantial one-off increase in historic depreciation in the stone division

Income from investments rose 37,4 percent to R13,1 million However, finance charges took R21 million (year ago, R13,6 million)

After taking all these factors into account, net income before tax fell 22 percent from R163,7 million to R127,8 million.

Tax dropped sharply, from R58,6 million to R24,4 million. As a result taxed income dropped R2,2 million to R103,0 million

A current cost adjustment of R45 million (R45 million) reduced net income to R58 million (R60,2 million).

Drop in tax rate aids Anglo Alpha

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B/Day 6/2/92

JABULANI SIKHAKHANE

A SHARP drop in the tax rate helped cement, stone, lime and industrial minerals producer Anglo Alpha limit the decline in earnings to only 3,6% for the year to December B/Day 6/2/92

At interim stage the directors had forecast that earnings for the full year would be down by 5% But the fall in the effective tax rate from 36% to 19% saw earnings after current cost adjustment down to 192,9c from 200,1c Dividends have been increased to 152c (132c) a share

Financial director Trevor Wagner said last night the drop in the tax rate was owing to lower profitability and higher capital expenditure allowances These two factors helped reduce Anglo Alpha's tax charge by R34m.

Wagner added that although capital expenditure would continue in the current financial year, the effective tax rate was expected to rise closer to the 36% level.

During the review period Anglo Alpha increased turnover by 4,4% to R725,226m Sales volumes dropped 10% with the stone division showing the sharpest decline at 13% Volumes in the cement division were down 7,3%, slightly above the industry average

MD Johan Pretorius explained that the reason was the rectification of an anomaly in the cement quotas for 1990 During the period Anglo Alpha had been about 1%

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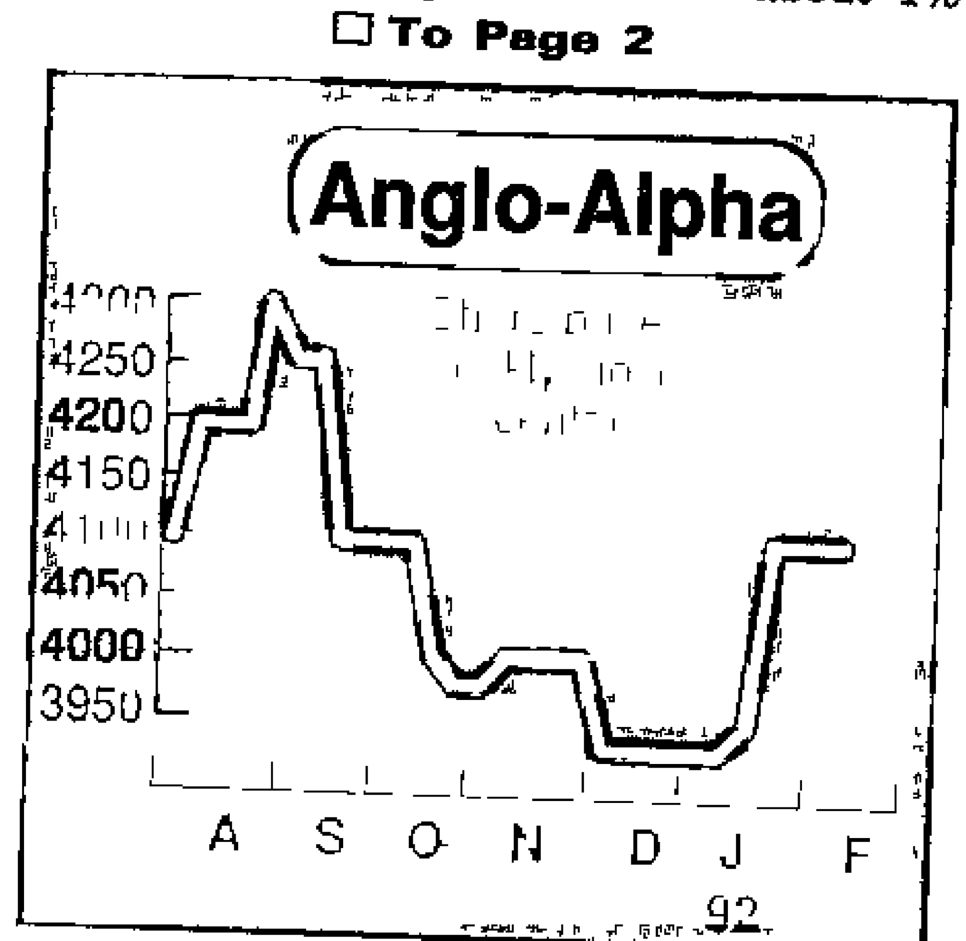

Graphic LEE EMERTON Source I NET

Anglo Alpha

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☐ From Page 1

above its cement quota

Net operating income dropped 19% to R135,65m, the operating margin falling to a new low of 18,6%

Pretorius attributed this to the shutdown of the cement division's Dudfield operation for major maintenance which had pushed up variable costs Another factor was that last year's acquisition of stone quarries resulted in a substantial one-off increase in historical depreciation in the stone division

Cash flow from operations declined 49% to R75,8m because of lower earnings, the payment of R52m tax deferred the previous year and increased working capital. As a result group borrowings rose R84,2m and interest payments soared 54% to R20,98m Wagner said the increase in working capital resulted from the refurbishments in the cement division where stocks had to be built up to meet market demand

Pre-tax net income dropped 22% to R127,751m and the low tax charge reduced the drop in net income before current cost adjustment to 2,1% to R103,04m Current cost adjustment was static at R45,02m (R45,04m) and attributable income down 3,6% from R60,18m to R58,02m

Wagner said the introduction of VAT last year was the major factor for the static current cost adjustment Since VAT inputs on capital equipment could be claimed back, the replacement value of the group's assets had been reduced

Client guarantee fund to protect new pool owners

STAR 7/12/92

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By John Miller
Star Line

The South African Fibreglass Pool Builders Association (SAFPBA) has introduced a client guarantee fund which will protect new pool owners against those members who have been suspended, expelled or declared insolvent.

Newly appointed SAFPBA chairman Hugh Temlett said the association's guarantee fund would cost pool buyers R125, and unlike that of the National Spa and Pool Institute would be payable by the client and not the builder

"The once-off payment which must be made before building starts will cover the client for the period of guarantee The fibreglass lining and any water leakage is guaranteed by all our members for five years and paving, pump, motor, filtration and any other building work is covered for six months"

To make sure that its members adhere to various specifications, the association has also appointed an inspector who will visit sites on a random basis

Similar inspections will also be carried out by the fibreglass manufacturers who also intend future blacklisting of unscrupulous companies

At its meeting last week, the association also agreed to a disciplinary code

"If a complaint is not attended to, the association will send a written warning giving the member seven days to respond and repair any problems

PORTLAND HOLDINGS FM 7|2|92

Capex benefits? (193)

On the face of it, a one-third fall in share price since last January suggests shareholders had a tough year But the bugbear was the rand-Zimbabwe dollar exchange rate In the local currency, the Bulawayo-based cement producer turned in record results

Subsidiary Fort Concrete Holdings (Pty) was at last awarded realistic price increases, which raised group net surplus by 112% from Z$6m to Z$12,7m

In 1990, both Zimbabwe cement producers worked to full capacity, producing in

FM 7|2|92 (193)

Activities: *Makes cement, lime precast and prestressed concrete and has investment and property owning interests*

Control: *Security Nominees 12,4%*

Chairman: *J R Sly, MD J H Stobbs*

Capital structure: *43m ords Market capitalisation R17 2m*

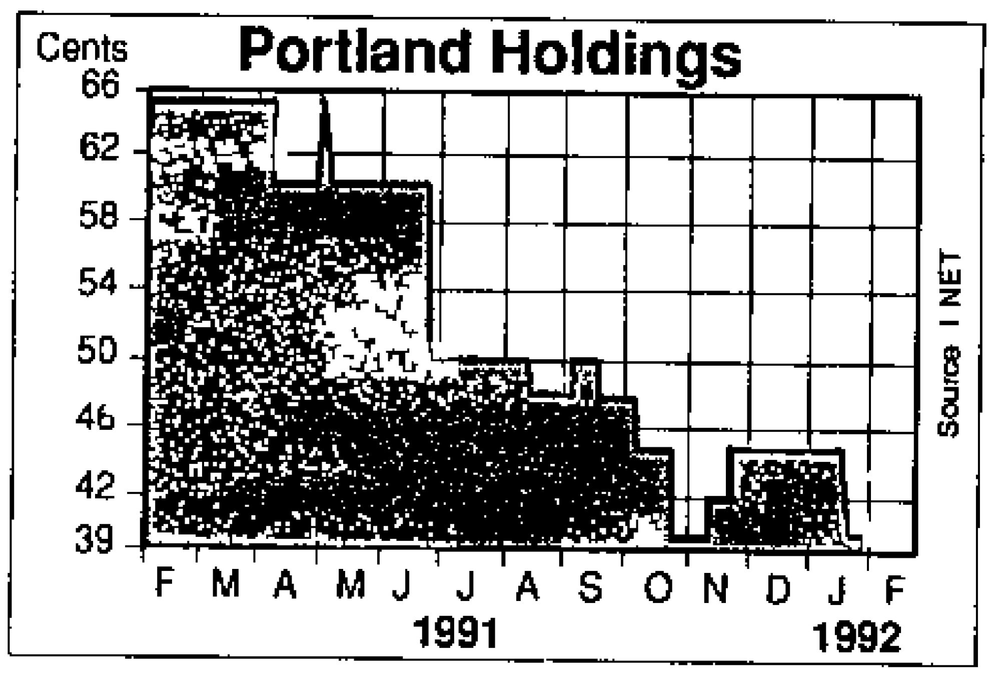
Share market: *Price 40c Yields 10,5% on dividend, 40,7% on earnings p e ratio, 2,5, cover 3,9 12-month high, 65c, low, 40c Trading volume last quarter, 20 000 shares*

Year to July 31	'88	'89	'90	'91
ST debt (Z$m)	3 1	5 5	4 9	12 3
LT debt (Z$m)	—	6 4	3 6	40,4
Debt equity ratio	0 1	0 1	0 2	0 5
Shareholders interest	0 7	0 7	0 6	0 5
Int & leasing cover	—	28 1	44 3	
Return on cap (%)	11 9	11 9	13,3	9 7
Turnover (Z$m)	47 7	63 2	93 9	141,1
Pre-int profit (Z$m)	5 4	6 8	9,3	17,2
Pre-int margin (%)	11 4	10 7	9 9	12 2
Earnings (Zc)	14 6	15 8	19,1	29 2
Dividends (Zc)	6 0	6 0	7 0	7 5
Net worth (Zc)	114	129	143	196

total about 800 000 t, of which Porthold produced about 60% Clinker imports allowed Portland to gain a further 7% of national production, making its total share 67%

Sales were little changed at 630 000 t (1990 622 000 t) Lime production was low, around 1 000 t a month The group still has difficulty in controlling massive input costs Consequently, net profit on cement products was only 10% of the factory cost of sales

A new kiln being installed at Colleen



Bawn plant is well under way to improving output to 1 000 t of clinker per day, equivalent to 750 000 t of cement a year by end-1993 Estimated cost is Z$100m The initial development still requires clinker imports to use spare grinding capacity

Further capex of Z$75m is being reviewed in the light of foreign exchange availability, to raise production to 2 000 t of clinker a day This would increase output to 1,1 Mt a year The eventual output should go a long way towards easing the national cement

FM 9|2|92 (193)

shortage

To meet the heavy capital spending, a one-for-two rights issue was held in November 1990 and a large foreign loan in Deutschemarks was arranged with the capital portion forward-covered five years to establish the capital commitment in advance

Repayment (which starts at the end of this year) will be much higher than expected because interest payments totalling DM14,5m are not covered But chairman Richard Sly is confident that the lifting of price controls in August will allow all commitments to be met He adds that dividends are likely to double on similar earnings

Demand for all group products remains strong and capital development programmes should boost earnings substantially in the medium term Though the yield pattern looks generous, the performance of the share price will depend as much on inflation differentials between Zimbabwe and SA and their impact on the rand-Z$ rate as on actual operating performance

Basil Barber

PGSI FM 7/2/92

SAB marches on

(180)

Another step in SA Breweries (SAB)'s plan to increase its stake in Plate Glass (PGSI) took place this week SAB has bought R525m automatically convertible PGSI preference shares and will place its own instruments with institutions to finance this PGSI needed the finance to buy the 48,4% of Glass SA held by Pilkington Plc.

SAB acquired effective control of PGSI in December when it acquired 54,6% of pyramid Placor from Liberty Life and the Lubner and Brodie families (also financed with convertible prefs) SAB chairman Meyer Kahn, however, said recently (*FM* January 3) that Breweries would prefer to hold its stake directly in PGSI and to dismantle Placor as soon as possible

(193)

The prefs will convert into ordinaries when PGSI's dividend reaches 275c On conversion, they will represent about 35% of the ordinary capital

But that is unlikely to happen until at least March 1993 This year's dividend is expected to be somewhat lower than the 222c for

FM 7/2/92 (180) (193)

the year to March 1991

The pref issue means that PGSI will not need a rights issue specifically to finance the Pilkington deal, but spokesman Brian Gibson says there will be an offer to reduce debt and, if possible, finance the expansion of foreign operations

Stephen Cranston

DIAGONAL STREET
by Julie Walker

Uniserv strike costs a packet

STimes [BUSS] 9/2/92

A BITTER strike at Uniserv's Sun Couriers has probably smacked group profits for the year to February

Uniserv is one of the better new listings from the boom of five years ago Taxed profits of the air courier, shipping, clearing and forwarding group rose fivefold to R13,7-million in the four years to 1991

It came to the JSE when Burlington Freight Group disinvested in 1987

Chairman Tiger Wessels will not comment on the impending results, but is confident the group's troubles are behind it. Other than the strike, he says, the group has done well in spite of the recession

Express parcel services in general have been plagued by increasing theft and low productivity When Sun tried to tackle the problems it was hit with a national strike, violence and damage to property

It dismissed 200 in Johannesburg and there were retrenchments

Mr Wessels says that although the strike arose out of a wage dispute there were other factors One involved the right — and the responsibility — of management to manage the company

"I have always recognised the importance of participation and consultation, but stand by the responsibility of management to make and implement decisions," says Mr Wessels

The stand was costly

Independent auditors appointed by the Transport and General Workers Union reported that Sun Couriers — already a high payer by industry standards — could not afford to meet union demands

Business dropped off in the strike, but Mr Wessels says it has recovered

Nevertheless, the penalty will be felt in the results — likely to be down by three-quarters or more on 1991's earnings

The balance sheet is sound and the share price of 80c is 60c off its 12-month high of 140c reached last July, showing the market has discounted much of the bad news

Italtile founder's shopping trip leads to a JSE listing

(193)

STimes [BUSS] 9/2/92

GIANNI Ravazzotti of Italtile was doubly blessed when he approached the major shareholder of Audiobuild with a view to buying a ceramic tile operation

Not only did it wish to be rid of the tiles, it did not want the Audiobuild listing either Mr Ravazzotti seized the opportunity

"When you are a small concern it is easy to have a vertically integrated manufacturing and retailing business But when you grow big, it becomes too difficult to manage"

The founder and chairman of SA's leading producer of tiles and ceramic bathroomware says he had already planned to split his group's assets into two focused parts Through an arrangement with Audiobuild, those assets will be listed from tomorrow under the original Italtile, holding retailers Italtile Centres and Ceramic Tile Markets (CTM) and under Ceramic Industries — formerly Audiobuild — which houses manufacturing

Before all this, Audiobuild was called Buildcor It was a subsidiary of Interboard, now called Abacus

In a restructure after financial deals were undone by new management at Abacus, it became the pyramid of Audiobuild

Italtile has paid Abacus for its holding in Audiobuild and Abacus itself now owns the non-ceramic interests previously housed in Audiobuild

Italtile planned things so that it would distribute as a dividend to its own members one share in Audiobuild for every Italtile held

The net cost to Italtile, nearly half in cash, is about R7,5-million

Does Mr Ravazzotti consider he has a bargain at that price for what he really wanted, the Studio Ceramics tile plant at Chamdor? It is out of commission until January next year at the earliest

"I'll answer you in three years' time," he says

Mr Ravazzotti retains the chairmanship of both companies, non-executive at Italtile and full time at Ceramic Industries

Italtile shareholders will have about 95% of Ceramics. Each company will be capitalised at about R50-million

John Couzis is the chief executive of the retail operations and Peter Swatton the financial director

"The deal gives both sides of the operation more autonomy," says Mr Ravazzotti They will still deal with each other to a large degree, but it will be at arm's length

NEW-LOOK ITALTILE, Gianni Ravazzotti, Peter Swatton and John Couzis Picture ROB HADLEY

Capacity at Ceramics will be expanded by the Chamdor acquisition and the plant is newer Money will need to be spent, but Mr Ravazzotti is confident that exports can become a major force He says sanitaryware has sold better than have tiles so far

Mr Couzis is fired up by the retailing prospects from franchising Italtile has franchised six CTM operations and there are plans for another six this year

It has 14 stores and two to come There are four distribution warehouses in major centres

As with all business, much depends on the economy But Italtile is not letting the grass grow between the grouting

Italtile's share price has risen from 375c a year ago to 410c after touching 425c Mr Ravazzotti hopes that the separate listings of the two arms will help to unlock some of the intrinsic value in the group

Audiobuild has dropped from 120c last January to 70c and Abacus from 55c to 20c

Group Five buys control of Evhold for R87-m

STAR 10/2/92 193

By Sven Lunsche

Construction company Group Five has acquired a controlling stake in Everite Holdings from its divesting Swiss parent Nueva Holding for R87 million

The acquisition, which was announced over the weekend, will probably result in Evhold taking over Group Five's industrial interests, creating a company with annual turnover in the region of R450 million

According to the announcement, Group Five will pay 985c a share for 8,8 million shares in Evhold, conditional on the offer being extended to Evhold minority shareholders

Evhold is the controlling company of Everite, which manufactures a wide range of goods for the construction industry

The offer price is well above the ruling Evhold share price of 700c, but analysts believe that the recent turnaround in Everite's financial performance justifies the price tag

They add that two or three of Group Five's competitors were also interested in acquiring the group, which had pushed up the asking price

Over the past year Everite has undergone extensive rationalisation, which saw the retrenchment of about 20 percent of the workforce, as well as a strengthened balance sheet

As a result, operating earnings in the six months to end-December bounced back by 33 percent to R26 million on a 10 percent rise in turnover to R183,3 million

The group is running at 50 percent capacity utilisation and is well-placed to take advantage of an upturn

Analysts say that Everite's business will complement the building supplies arm of Group Five, which focuses on formwork, scaffolding and maintenance

It is also reported that French Bank of SA, merchant bankers to the issue, has taken a stake in Everite and will provide Group Five with additional working capital after the takeover

Nueva announced its decision to sell its interest in Evhold in a cautionary note to shareholders in December last year because of a strategic refocusing of its worldwide businesses

In 1987 it had already reduced its direct stake in Everite through the formation of the pyramid company, Everite Holding

Group Five pays R86m for Evhold

(193)

JABULANI SIKHAKHANE

GROUP Five's successful offer of R86,7m for a 51,6% stake in Everite Holdings (Evhold) was R25m higher than the two closest bids, market sources said yesterday Evhold owns 56% of building materials group Everite B Day 10/2/92

The acquisition would reverse Group Five's cash positive situation into gearing of up to 30%, chairman Peter Clogg said.

However, he said that by the end of the financial year to June, Group Five could have returned to a cash-positive position.

It was announced at the weekend that subject to a due diligence exercise to be completed on Wednesday, Group Five would acquire 8,8-million shares in Evhold from Swiss group Nueva Holdings for 985c a share

Group Five will extend a similar offer, underwritten by Fedlife Assurance, to Evhold minorities

In the second leg of the deal, Nueva has sold its 9,9% direct stake in the Everite Group to the French Bank of Southern Africa (FBSA) for an estimated R29m or 328c a share Clogg said that the FBSA deal was conditional on Group Five acquiring the 51,6% stake in Evhold

According to sources, Group Five's tender was 40% higher than the two closest bids of 700c a share by bulk materials handling group Fraser Alexander (Alexander) and Belgian group Eternit The two groups' evaluation of Evehold was similar

Murray & Roberts, which had been widely tipped to take over Evhold, did not bid M & R CE Dave Brink told Business Day last week that M & R was only interested in certain parts of Everite's business

Group Five's offer is also 46% higher that the ruling market price of 675c a share

However, the offer represents a discount

□ To Page 2

Group Five

B Day 10/2/92 (193)

□ From Page 1

of 22% on the stated net asset value of R12,72 as at December 31

Clogg said Group Five had to pay more than others because being an independent group could have prejudiced its chances

Evhold will ultimately house Group Five's industrial operations, creating an industrial group with turnover of about R400m, Clogg said

"Group Five's initial investment was in strategic businesses in the construction services area, such as formwork and scaffolding and reinforcing steel," he said.

"This was expanded into the operation and maintenance of water and sewage treatment plants and floor and wall cladding and more recently into ready-mix concrete"

Group Five's ultimate intention is to increase its holding in Evhold One possibility would be for Group Five to do a deal with Old Mutual, which with 19% is the second largest shareholder in Group Five Old Mutual also owns 16% of Evhold and a direct 25,5% stake in the Everite Group

M&R buys as Blue Circle quits SA

BDay 13/2/92.

193

JABULANI SIKHAKHANE

IN THE third disinvestment move in three months, UK group Blue Circle Industries plc is selling its 42,3% stake in local cement and building materials producer Blue Circle to Murray & Roberts (M & R) for more than R400m

M & R, which has already spent more than R700m on acquisitions in less than six months, already owns 42,3% of Blue Circle through wholly owned subsidiary Darling & Hodgson D & H has the first right of refusal on Blue Circle Industries plc's stake in the local company

The deal leaves Anglo Alpha as the only cement producer still with an overseas principal Swiss group Holderbank Financiere Glaris and its associates own 34,1% of Anglo Alpha. The other cement group, PPC, is controlled by Barlow Rand

A Blue Circle Industries plc spokesman said an announcement would be made shortly

In other recent disinvestments, UK-based Pilkington plc sold its 48,4% interest in Glass SA to Plate Glass & Shatterprufe for R525m, and Swiss group Nueva Holdings sold holdings in Everite Holdings and its subsidiary, Everite Group, for R116m to Group Five and the French Bank of Southern Africa

M & R and Blue Circle published a joint cautionary notice yesterday warning shareholders that negotiations in progress could affect share prices

Market speculation is that M & R would buy out Blue Circle Industries plc, increasing M & R's stake to 84,6% M & R would make an offer to minorities and then delist Blue Circle

Frankel, Max Pollak, Vinderine analyst Mike Howarth said Blue Circle Industries plc had been rationalising operations and selling peripheral businesses in other countries It was a "natural consequence" of the world recession

☐ To Page 2

Blue Circle

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☐ From Page 1

The Blue Circle share price is R34,50 Market sources said the UK company had always asked for a premium, which was the main obstacle to D & H or its former parent Malbak making a bid. At current market prices the 42,3% holding in the local company is worth more than R399m.

"The deal will be based on future earnings rather than the net asset value. And everybody knows that when the economy turns, those cement companies will start running," Howarth said.

He suggested M & R might use equity financing for the deal, issuing new shares to institutions A rights issue was also a possibility as M & R's cash needs might be greater when the economy improved.

The acquisition of control of Blue Circle would make sense for M & R, analysts said

BDay 13/2/92

Blue Circle accounts for a large chunk of D & H's business In financial 1991 Blue Circle contributed 63,5% of D & H's turnover and 58,7% of operating income

The biggest benefit, however, would be in the rationalisation of operations, analysts said Blue Circle has an engineering division which could easily be moved into Genrec or M & R's industrial division

In the building materials division, M & R and Blue Circle already have a joint venture in Ready Mixed Materials, in which Blue Circle holds 60%

In the past six months M & R bought the remaining shares in Unitrans's holding company, United General Investments, from its ultimate parent Sankorp for R131m, acquired control of D & H and 35% of Standard Engineering for about R399m

M & R shares rose 100c to close at R58 yesterday

JOHN CAVILL reports from London that Blue Circle Industries plc has been streamlining its operations and trying to reduce costs for the past 18 months At the same time its net debt has risen sharply

In 1990 (to December 31), sales dropped 5% to £1,2bn while pre-tax profits fell by 16% to £195m. In the first six months of 1991 turnover was down by 19% at £531m while earnings before tax slumped by 38% to £57,5m. Net borrowings climbed by nearly £54m to £316m.

Saficon raises stake in Boumat

STAR 14/2/92

Saficon Investments is increasing its holding in Boumat from 32 percent to 51 percent

It signalled the possibility last June when, in its annual report, chairman Sidney Borsook said:

"In view of the retirement of Irvine Brittan as executive chairman of Boumat on March 31 1992, we believe that we should play a more active role than in the past in the management of this group"

Saficon Industrial Holdings, a wholly owned subsidiary of Saficon, has acquired 1,267 million Boumat shares from Sanlam, representing 27 percent of Sanlam's holding. — Sapa.

VAT was the 'death blow' for Cashbuild

(193)

By Sven Lunsche STAR 14/2/92

The building supply industry, already hard hit by the slump, has been dealt a "death blow" by the introduction of VAT, says Gerald Haumant, chief executive of Cashbuild

Mr Haumant was commenting yesterday on the group's disappointing 4,1 percent increase in attributable earnings to R3,8 million (R3,7 million) in the six months to December

"Most stores performed well until September 1991, with sales rising by 21 percent

"October and November, however, were disastrous months, with existing stores sales' shrinking in real terms for the first time in the history of the company," Mr Haumant says

Group turnover was up 14 percent to R224,2 million (R198,8 million), but operating profit increased only 3,8 percent to R9,1 million (R8,75 million)

Earnings per share increased from 17,2c to 18c, while the interim dividend was maintained at 5c a share.

Curtailed

To protect its earnings and cash flow, Cashbuild has curtailed its store upgrading and computerisation programme, but will continue its expansion drive.

Three new stores were added in the six months and four more are to open in later in the year, Mr Haumant says

While he does not expect a sales upturn in the remainder of the financial year, conditions should not deteriorate further and earnings should be maintained for the year as a whole.

COMPANIES

Saficon to increase stake in Boumat

BDay 14/2/92

SEAN VAN ZYL

MOTOR retail group Saficon Investments plans to increase its stake in building material supplier and manufacturer Boumat to 51% from its existing holding of 32%, chairman Sidney Borsook said last night.

In an announcement to shareholders, Saficon said it had acquired 1,3-million Boumat shares from Sanlam in exchange for 12 new ordinary Saficon shares and 6 new Saker's Finance and Investment Corporation (Saker's) shares for every 27 Boumat shares. Saker's forms the investment holding company for the Saficon group.

The 5% stake in Boumat acquired from Sanlam is equivalent to 27% of the assurer's total holding in the building supplier. As a result, Borsook said a similar offer would be extended to Boumat's minority shareholders for 27% of their holdings.

Although Saficon has extended its offer, on a tender basis, to minorities for holdings above the 27% level, Borsook noted the group would not be obliged to accept shares above the agreed terms. The proposed deal has been approved by the JSE and the Security Regulations Panel.

The proposed offer requires that Saficon increases its stake by no more than 51% or a minimum of 47%. (193)

Borsook said Saficon planned to adopt a more active role in the day-to-day management of Boumat, "which holds a lot of potential". Borsook replaces Irvine Brittan, who has indicated his intention to retire, as Boumat chairman at end-March.

Saficon also has reached agreement with Sanlam to purchase its remaining holding of 3,4-million shares in Boumat, based on the same purchase terms. Sanlam holds a 15% stake in Boumat.

The deal would require the issuing of 4,7-million new Saficon shares, boosting the company's share base by 16% to 34-million shares in issue. The dilution would not materially affect Saficon's control structure. Saker's would issue about 1,3-million new ordinary shares, Borsook said.

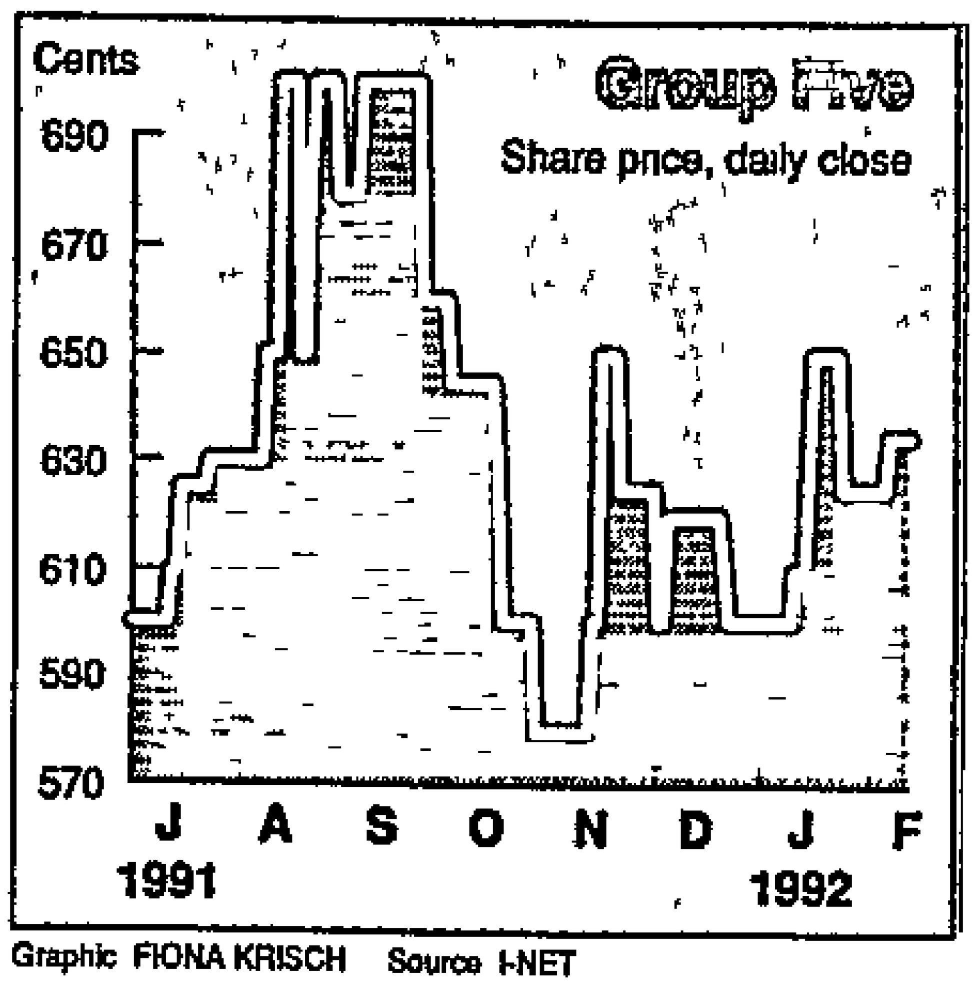
Building business will decline — Group Five

BDay 14/2/92

THE low level of business activity in the building and construction sector was getting worse and was expected to remain so for at least another 18 months, said Group Five MD Peter Clogg, commenting on the release of the company's results for the six months to December 1991.

A 21% drop in turnover to R533m and increased tax bill saw the group declare an 11% drop in earnings to 90c a share compared to the corresponding period last year.

Clogg expects results for the remainder of the year to be similar to the first six months due to the long-term nature of construction contracts.



Graphic FIONA KRISCH Source I-NET

Gross profit margins increased from 2,96% to 3,6% in spite of the drop in turnover. As a result, pre-tax profits were only 2,9% down at R19,3m. However, a 28% increase in tax to R4,4m further reduced the company's earnings. Taxed profits fell 9,3% to R14,9m while dividends remained unchanged at 27c a share. Cash on hand amounted to R47,9m.

Clogg said about 20% of turnover was derived from cross-border operations in southern Africa. These operations include housing, civil engineering and road building contracts in Botswana, Namibia, Malawi, Lesotho and Zimbabwe. The company is also investigating opportunities in eastern Europe and what weas the former Soviet Union.

He said construction and civil engineering activity in SA was quiet and there was less and less activity in the low-cost housing sector. Group Five would benefit particularly from new initiatives in the low-cost housing sector following its acquisition of Everite for R86,7m.

Group Five Holdings, which derives all its income from a 53,8% stake in Group Five Limited, declared unchanged dividends of 26c a share. Earnings a share fell 11% to 88c.

SM Goldstein declared unchanged dividends of 10c a share. SM Goldstein derives its income from a 45% interest in Group Five Holdings.

GROUP FIVE FM 14/2/92 (193)

Eating up Everite

Group Five's diversification into industry started modestly In the year to June industry represented barely 1% of pre-tax profit but these interests have been given a major boost by the acquisition of control of Everite

Group Five was the highest bidder but an outsider compared with the more favoured Murray & Roberts and Fraser Alexander Financial director Theunis Kotzee says Group Five intends to keep Everite's listing All industrial interests will be sold to Everite, which may well change its name

Everite's disinvesting Swiss parent Nueva Holdings got a good price for its 51,6% controlling interest in Everite's pyramid Evhold 985c a share, a hefty 46% premium on a pre-deal quote of 675c Yet Evhold trades on a discount to the R9 underlying value of its investment in Everite

Kotzee says the difference of 85c is a fair premium for control Maybe, but a premium of 46% is likely to prove irresistible to Evhold minorities, who will be made a similar offer

The price looks more realistic after last week's Everite results EPS increased by 62% and Everite reversed its declining market share, lifting sales volumes by 2% in a declining market

Group Five is not concerned that Everite's core product, asbestos, is not growing because of perceived environmental hazards Chairman Peter Clogg is satisfied that Everite's occupational health and safety practices meet world standards

Everite is ungeared, with net cash of about

continue →

FOX FM 14/2/92 (193)

R7m. It has been through a rationalisation in which staff numbers were cut by a fifth

Kotzee believes Everite's financial ratios are next to be rationalised He argues that Group Five is more hard-nosed about returns and will drop Everite's policy of providing additional depreciation on the revaluation of assets for "something comprehensible "

There are no major plans to change Everite's structure, but Kotzee does want to rationalise its property portfolio, which has a book value of about R125m Group Five will keep the fibre-cement and Vaal Potteries businesses, but reassess the more peripheral Santar, which makes pitch-fibre pipes, and Paxit (glass reinforced sheeting)

In June, Group Five had no borrowings and R84m in the bank Kotzee expects both companies to be in cash again by year-end He says the purchase, a straight cash buy involving R87m before the offer to minorities, will boost Group Five's NAV and EPS

Group Five's EPS have grown consistently over five years, yet it has a modest rating At 635c it sits on a p e of 3,3 and dividend yield of 10,1% In contrast Everite has a p e of 9,6 and 3% dividend yield The deal is a significant step in Group Five's diversification.

Stephen Cranston

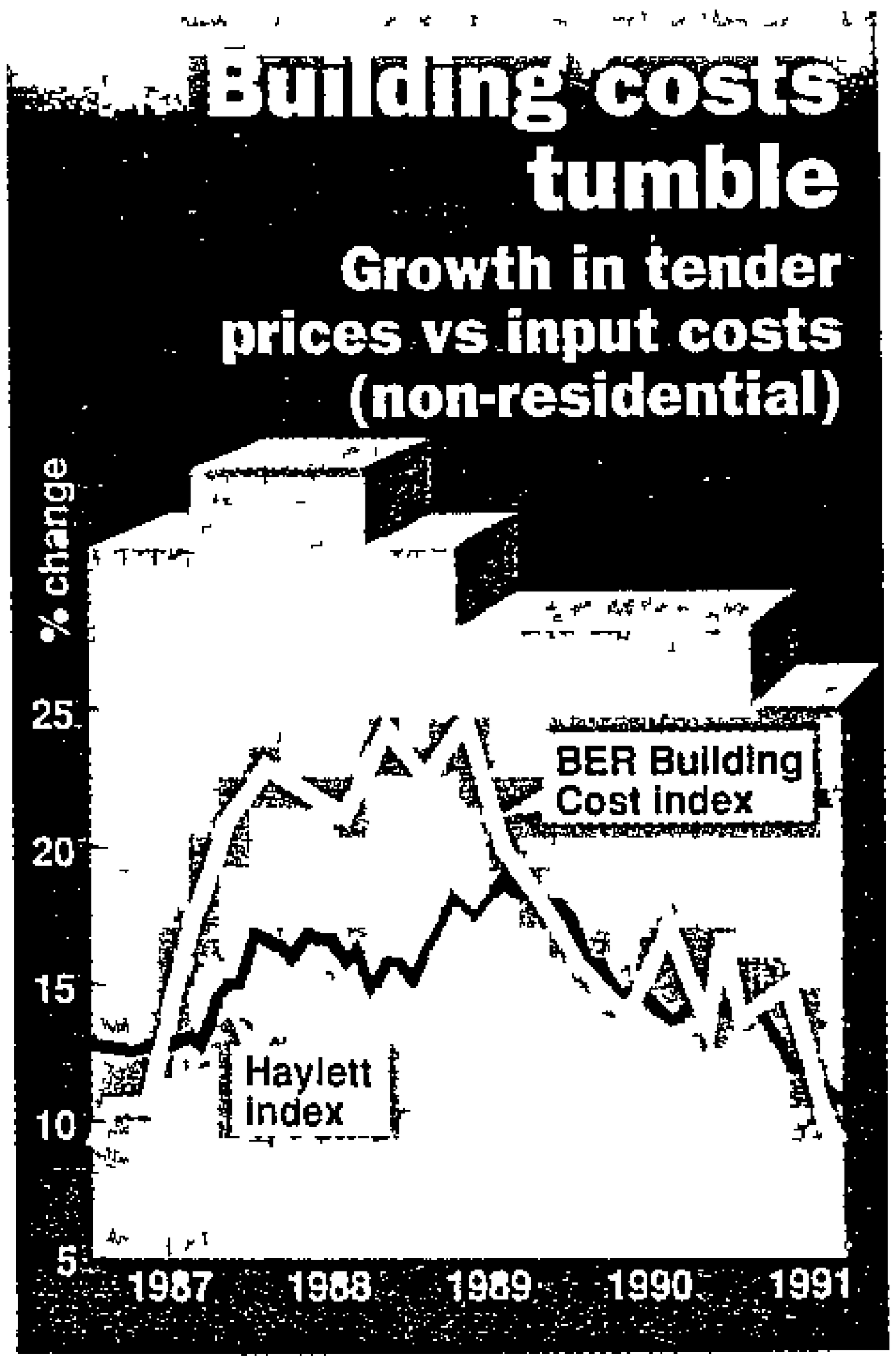
NON-RESIDENTIAL BUILDING COSTS

Sudden death plunge

FM 14/2/92 (193)

The removal of 13% GST on building materials in the fourth quarter of 1991 and a dearth of new work have caused a sharp, once-off fall in non-residential building costs

A relative but precipitous fall was recorded in building starts in this sector of the market in September last year Erwin Rode, research director of Real Estate Surveys, says "Whereas one month's data cannot be regarded as a trend, it might just herald the beginning of a lower road for the non-residential building industry. Considering the overbuilt state of the property market, that is long overdue"



Rode Report

Rode admits that, at this stage, his anticipation of a reduction in work available is based on anecdotal testimony. Firmer evidence exists to support a fall in costs A strong downward trend in the rate of growth in building costs has been recorded by both the BER Building Cost Index (non-residential tender prices) and the Hayett Index (input costs)

Says Rode "The decline in input costs, by which I mean materials and labour and, to a lesser extent, plant and machinery, is good news, considering the oligopolies and monopolies in the building materials industry"

The sharp fall in costs began with the removal of the 13% GST on building materials which typically make up 40% of the cost of a building contract Removing the 13% cut total cost by 5%-6%, to the benefit of the developer

Introducing VAT on total contract costs has had a neutral effect on building costs because VAT is recoverable by a vendor

Rode estimates non-residential building costs grew 7% between the fourth quarters of 1990 and 1991. If VAT had not replaced GST, the growth would have been about 13% Growth in 1992 is forecast at between 9% and 13%.

In contrast, home building costs are expected to rise by 16% this year, after an estimated 11% increase in 1991. The reason is primarily the anticipated 2% drop in mortgage bond rates, which will enable contractors to expand margins as more people can afford to build homes. ■

CAPE TOWN FM 14/2/92

Search for a haven

The perception of Cape Town as a haven, in an increasingly crime-ridden and politically unstable SA, is sustaining investment in commercial and residential property in the city despite the recession

So says city council development co-ordinator Philip Theron He adds "Major developments worth R704m were under construction at the end of last year compared to R591m for the corresponding period in 1990 Buildings valued at R440m were completed during 1991"

He says the medium-term outlook is also good "Some very big developments are being discussed by council and it's encouraging that a number of them are in the CBD, which has lagged in new development" Details of the developments are still confidential

Theron attributes the interest in commercial property investment to a reassessment of Cape Town's potential to accommodate corporate headquarters The high quality of life and relative security compared to some other metropolitan areas is attracting not only an increasing number of businesses, but individuals as well — as reflected in the stability of the medium- and upper-priced residential markets.

Theron says since March 1986, 191 major commercial, industrial and residential projects valued at just over R2bn have been completed in Cape Town Major developments under construction include

- ☐ The UCT business school complex at the V&A waterfront (R40m);
- ☐ Murray & Roberts' Pier Place office development on the foreshore (R35m),
- ☐ Equikor's Belmont office village in Rondebosch (R52m),
- ☐ The V&A company's Victoria Wharf

PGSI initiates rights offer

B/D ay 19/2/97

MARCIA KLEIN

PLATE Glass and Shatterprufe Industries (PGSI) is to raise R354m in a rights offer.

An announcement issued today said the funds raised would be used to increase the equity base of PGSI's offshore operations and to refinance certain local borrowings

About R210m would be used to recapitalise PGSI's internal operations and to facilitate internal growth, while the balance would be used to reduce local borrowings

PGSI's ordinary shareholders would be offered new ordinary shares at R43 a share

Today SA Breweries (SAB), PGSI, Placor and Afcol announced details of various transactions, which included SAB's acquisition of 54,6% of Placor

Placor, which has as its only investment its 49,7% interest in PGSI, would be acquired from a consortium comprising the Lubner and Brodie families and Liberty Life. The consortium would receive 6-million automatically convertible SAB preference shares.

Placor would become a wholly owned SAB subsidiary and SAB would have an effective 67% holding in PGSI (193)

Conclusion of the transactions would also see the SAB group's interest in PG Bison, presently held through furniture subsidiary Afcol, being consolidated within PGSI

This would be achieved by Afcol's disposal of its 50% shareholding in Spankor — whose principle asset is its 47,8% shareholding in PG Bison — to PGSI in return for nearly 2-million PGSI convertible preference shares.

PGSI would increase its shareholding in PG Bison from 47,8% to 71,7%

The companies said PG Bison was a non-managed equity accounted interest of Afcol, and its disposal would significantly improve Afcol's financial structure, increase its ability to enhance its core business when opportunities arose, and facilitate future growth

They said there would be no material effect on SAB's earnings and net asset value.

Cement sales in 1992 set to keep dropping

(193) B/Day 20/2/92

EDWARD WEST

LOW LEVELS of activity and the absence of major new projects in the civil engineering and building industries saw domestic cement sales in 1991 fall 6,7% to 7,343-million tons from 7,843-million tons in 1990, said Cement Producers Association (CPA) director Vincent Bray yesterday.

Commenting on recently released cement sales and production statistics from the CPA, Bray said no major civil engineering or building projects would come on stream this year other than the start of construction of the Katse Dam for the Lesotho Highlands Water Project Consequently he forecast a 1% to 1,5% decline in sales in 1992 compared with 1991 sales

Pretoria Portland Cement director John Swart said an R8m depot was being constructed in Ficksburg by the CPA to supply cement, fly-ash and slagment for the Katse Dam The depot, due for completion in August, would be supplied by Anglo Alpha's Ulko plant in the northern Cape

Swart said that this year the CPA would begin supplying 400 000 tons of cement and 180 000 tons of fly-ash over a period of four years for the construction of the dam wall This would not have a significant affect on overall annual sales, as it represented a small proportion of total production.

He quashed speculation that cement for the project would be suppplied by foreign producers.

In 1991, 7,296-million tons of cement was produced by the cement cartel, 6,6% down from the 7,811-million tons produced in 1990 Bray said the cartel's activities were under investigation by the Competition Board, and the results would be known later this year

The three-member cartel is made up of Anglo Alpha, Blue Circle and Pretoria Portland Cement Competition Board chairman Simon Brooke said yesterday the investigation was the first of a series of periodic re-evaluations of the exemption given to form the cartel in 1988

Bray said two-thirds of available production capacity was in use during 1991 as opposed to 72% in 1990 Pretoria Portland Cement's Dwaalboom plant, Blue Circle's cement plant in Lichtenberg, and four small wet process plants at Anglo Alpha's Ulko plant were in mothballs.

Cement and clinker exports — mainly to Zimbabwe, Mozambique and the Indian Ocean islands — amounted to 373 000 tons in 1991, 8,7% more than the 343 000 tons exported in 1990 Bray said he expected cement exports to grow again this year Transport costs, particularly from the western Transvaal to Cape Town harbour, sometimes accounted for about 40% of the delivered cost of exported cement

Spoornet cement, explosives and military products manager John O'Neill said Spoornet had concluded agreements with the cement industry to promote exports by transporting cement at below cost to Spoornet to help make the product more competitive

SAB/PLATE GLASS 193

More equity

FM 21/2/92

It was made plain by SA Breweries (SAB) that the acquisition of control of Placor was just the first step in the takeover of Plate Glass & Shatterprufe Industries (PGSI) It's now clear why a group the size of SAB was brought into the deal — PGSI needed about R900m of additional equity

As expected, SAB plans to buy out minorities in pyramid Placor and has announced a rights issue for PGSI In a somewhat unexpected development, however, SAB has announced its subsidiary Afcol will sell its effective 24% shareholding in board manufacturer PG Bison to PGSI. Market speculation was that Afcol would buy PGSI's half of PG Bison, allowing it to focus on glass

SAB argues that PG Bison is a non-managed, equity accounted investment for Afcol and the sale of the stake, which will realise R95m, will enable it to strengthen its managed furniture manufacturing business.

Placor no longer serves any purpose as it was simply a mechanism which allowed the Lubner and Brodie families to maintain joint control of PGSI with Liberty Life. Under a

continue →

FOX FM 21/2/92

scheme of arrangement, SAB will offer one convertible preference share for every two Placor shares held by minorities SAB's announcement points out the shares are being swapped at almost identical market value but the convertibles would have offered 45% more dividend income than two Placor ordinaries

As announced two weeks ago, SAB is also issuing convertible shares worth R525m to finance the takeover of Pilkington Plc's 48,4% interest in Glass SA When the exercise is completed, about 20m SAB convertibles, which will be traded on the JSE, will be issued with an expected market value of about R1bn

It does not stop there In a rights offer, PGSI plans to raise R354m. Of this, R210m has been earmarked for overseas operations; the rest is to repay debt PGSI is issuing new shares at R43 apiece, a 20% discount on the market price of R54,50 SAB will follow its rights, adding a further R200m to its bill for the exercise. It will then hold an effective 67% of PGSI

PGSI is issuing its own convertibles to Afcol for its share of PG Bison Standard Merchant Bank has placed these with institutions. PGSI will then have a 72% interest in PG Bison, Mondi still holds 24%

The deals would have increased PGSI's EPS in the 12 months to September 1991 by 10,5% to 409c a share and Afcol's by 5,1% to 124c They would have increased PGSI's NAV just 2,2% to R18,72 but Afcol's by 22,2% to R12,59 Shareholders are assured the transactions will have "beneficial financial effects" on SAB But PGSI's results for the year to March are expected to be well down It will take more than SAB's financial muscle to put them back on a growth path

Stephen Cranston

PGSI announces details of its R354m rights offer

B Day 2/12/92 (193)

MARCIA KLEIN

PLATE Glass and Shatterprufe Industries (PGSI) today announced details of its rights offer to raise R354m to increase the equity base of its offshore operations and refinance local borrowings

In terms of the offer, PGSI will issue 8,2-million shares at R43 a share in the ratio of 50 ordinary shares for every 100 shares held

About R210m will be used to recapitalise PGSI's international operations and enable it to take advantage of international growth opportunities

The balance will be used to reduce local borrowings in the short term

According to the announcement, rights of 4,1-million ordinary shares would accrue to PGSI's holding company Placor and its wholly owned subsidiary in terms of the offer SAB would take up Placor's entitlements, and the subsidiary would be subscribed for

The balance of the offer would be underwritten by UAL

SAB had sub-underwritten 50% of the underwriting commitment

Analysts said it was likely the offer would be fully subscribed, as it was at an attractive discount — the share closed at R53,50 yesterday

They believed SAB's commitment in terms of the offer would be financed either by loans or by the issue of convertible preference shares

SAB's investment in PGSI and Pilkington plc was currently R1,2bn

However, analysts said this was mostly financed through convertible preference shares, using highly priced paper This meant there would be no dilution to SAB's earnings initially, and SAB would only have to pay the interest on the preference shares

Analysts said the Afcol deal, in which it sold its interest in P G Bison to PGSI for R95m, would benefit Afcol in the short term

They said P G Bison was better suited to the PGSI business, and believed that Afcol would use the money to reduce its debt

PGSI rights to clear up American mess

S/Times (Buss) 23/2/92. (193)

PLATE Glass lost some of its short-term polish on the announcement this week that it is to raise R354-million in a rights issue.

PGSI will offer members 50 shares for every 100 held at a price of R43 — a tempting 20% below the market price before the announcement

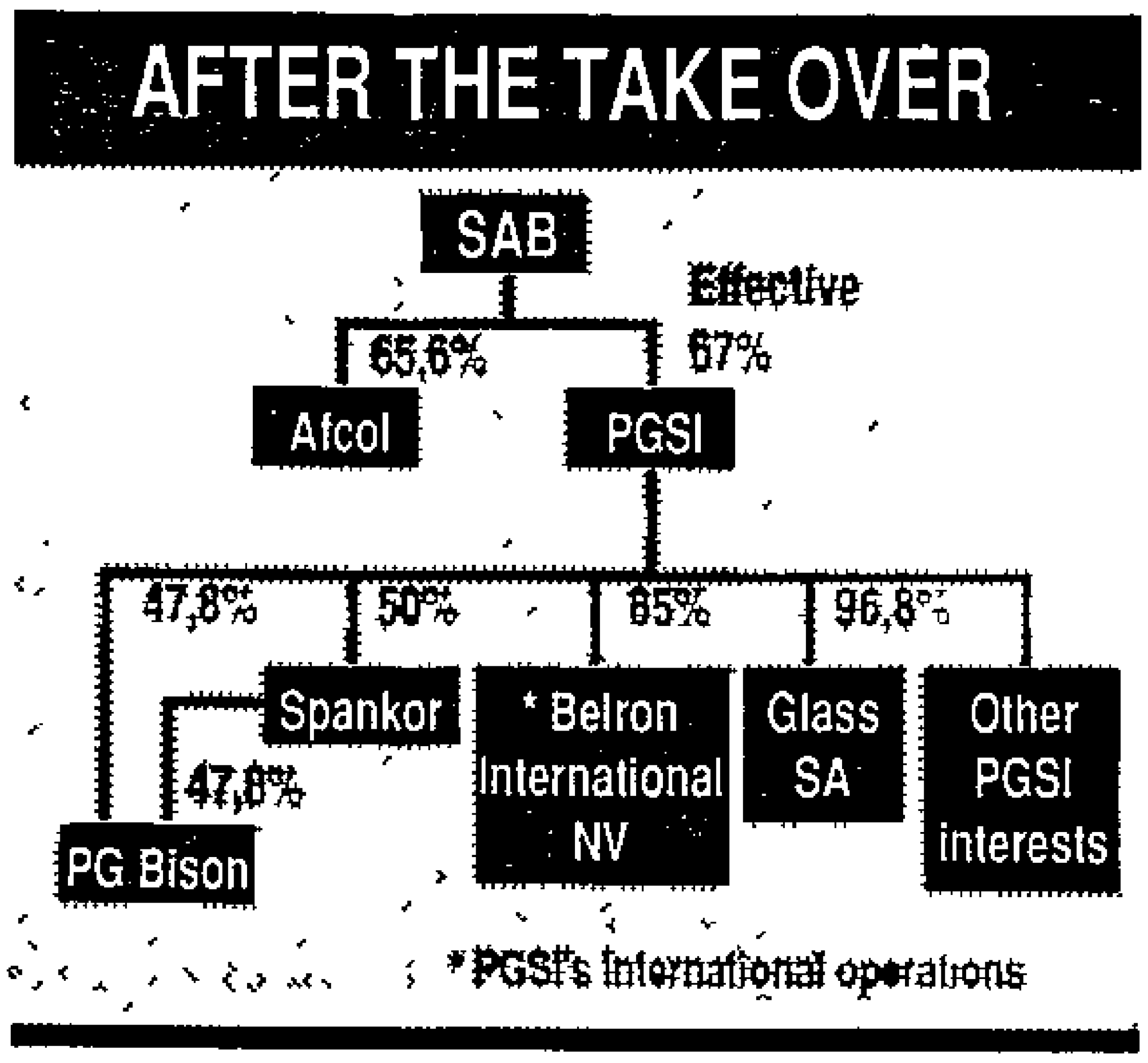
Chief executive Ronnie Lubner defends the group which has been under pressure for several years largely because of the development of business outside South Africa in glass and wood

All the foreign wood businesses have been sold. The foreign glass operations have been concentrated on the automobile market

PGSI has met with mixed success The business in England is a winner, making about £17-million before tax this year Benelux is doing reasonably well and Germany should break even next year France, Italy and Portugal are still fledglings

But there are doubts about how long the group can continue to support its American losers

They were started from scratch and early losses were expected But in the first half of the current year to March, the American arm lost $3-million and is expected to lose even more in the second half



Mr Lubner says "We have been in America for fewer than four years The main problem is the recession We went the grass-roots path because it was too expensive to buy out every mom-and-pop-type store

"Our business is in replacement glass for vehicles and we are trying to tie in with insurers We offer a centralised nationwide service in America with our network of 130 branches and 1 100 agents

"This is an efficient service and it cuts out the potential for fraudulent claims, but it incorporates high fixed overheads

"Because of the recession, people are deferring the replacement of windshields They are reluctant to pay the first $100 excess Consequently, sales have not been high enough to cover the operating costs"

The rights issue will enable PGSI to increase the equity base of its foreign operations by R210-million as well as to refinance certain domestic borrowings America will get a fair whack.

SA Breweries recently bought 12,1-million ordinary shares in Placor, the pyramid holding company of PGSI The seller was a consortium of the Lubner and Brodie families and Liberty Life

SA Brews issued one convertible preference share paying 255c dividend a year for every two Placor shares The deal was worth more than R350-million In control of 54,6% of Placor, SA Brews now seeks to take out the minority on the same terms

Simultaneously with the change of control, PGSI bought 48,4% of Glass SA, effective from March 31, to add to its own similar holding The seller was Pilkington plc in a deal valued at R525-million. PGSI aims to buy the outstanding 3% of Glass SA from Old Mutual

A matchbox calculation shows that SA Brews valued the whole of PGSI at R1,2-billion compared with the market capitalisation of R900-million If the 48% of Glass SA it held then was valued at R525-million and half of Bison at R200-million, SA Brews valued PGSI's 80% of Belron and its other African interests at more than R500-million.

PGSI is also buying Afcol's 24% stake in PG Bison, held under the name Spankor Afcol gets R95-million cash and PGSI will own 72% of PG Bison.

Wednesday's announcement says PGSI's markets continue to be severely affected both here and abroad and the earnings for the second half to March 31 are expected to be well down on the interims

The earnings record has been less than brilliant — in 1987 PGSI made 305c a share, rising to 483c in 1989, but retreating to 409c in 1991 with worse to come this year The dividend has been held at 222c for three years

Mr Lubner says "With Pilkington as a major shareholder in Glass SA there wer two parties both with neg tive control Now we w have full control

RONNIE LUBNER. Sure, made some mistakes

"This gives us flexibili over approach, dividend po cy, products and marke Before, we could not sell o glass to our UK operatio because of sanctions and t territorial prerogative of o British partner Now we w be able to compete mu harder in exports

Mr Lubner says PGSI not in a fashion busine When SA gets around building the houses, schoo and hospitals it needs, t group's products will enj high demand

He says SA Brews unde took an exacting due-dil gence exercise before buyin Placor

Investors are quick t point fingers when co panies come short abroa PGSI has succeeded in En land and is meeting wi various degrees of succe elsewhere

"Anyone who says he ha never made a mistake shoul be fired," says Mr Lubne 'Sure we made mistakes America, but we are learnin from them The trick is not t make the same mistak again"

SA a bridge too far for foreign investors

S/Times (Buss) • 23/2/92 • (193)

By ROBIN PEGLER

THE underlying factors in the withdrawal from South Africa by two foreign companies, and possibly a third, are business and not political considerations.

UK glass manufacturer Pilkington has sold its SA interests to Plate Glass, its partner in Glass SA.

The controlling shareholders of Everite in SA have put their stake in the company up for tender. The highest bidder is Group Five

Blue Circle and Murray & Roberts have issued a joint announcement. It is believed that discussions are taking place about Blue Circle's UK parent selling its 42,3% stake to M&R, which has 42,3% and first refusal to buy

Patrick Furlong, managing director of Pilkington SA, says the UK parent is pressed for cash in a worldwide context and needs to reduce its debt.

It has to decide where to concentrate its main efforts The geographical areas it wishes to concentrate on are Europe, North and South America and the Pacific Rim.

SA is isolated geographically and does not feature in Blue Circle UK's main activities Because results of the subsidiary have been good, it is able to command a favourable price

Cash

There is regret at having to sell because Pilkington started to export to SA more than 100 years ago It has been manufacturing here since shortly before the Second World War

Pilkington's manufacturing and the Plate Glass trading interests were merged in 1983

An analyst for a London broker gives a somewhat different picture for Blue Circle's UK parent. He says debt is is not a problem, standing at a comfortable 34% of equity However, the SA company is not a subsidiary but a joint venture with M&R The UK parent prefers to be in a position where it can control cash flow rather than merely receive dividends

Political considerations do not weigh heavily with Blue Circle UK because its operations have survived in countries which were far worse politically than SA. It is possible to live with such uncertainty if the domestic management is good

SA is not a core area for Blue Circle in terms of worldwide group strategy All in all, there is a case for the UK parent to sell its SA interests — even if it is not so strong as it is for Pilkington.

Nueva, holding company of Everite, is in a different position, according to Everite managing director George Thomas

Nueva is controlled by the Swiss Schmidheiny family, which established large cement and asbestos cement factories in many countries

In the past few years the empire has been divided between two brothers

Stefan Schmidheiny inherited Nueva, but he decided that any ecologically doubtful investment was more suitable for a corporation than for an individual who might be vulnerable to criticism by ecologists

Asbestos' bad reputation as a health hazard is not entirely deserved. About 30 years ago the dangers were not appreciated It takes many years before illnesses manifest themselves They became apparent only in the late 1960s, resulting in huge claims for compensation

Now that its potential dangers are recognised, asbestos has been made safe both for workers and users, provided that the guidelines are strictly followed.

Stigma

Nevertheless, it is likely to be many years before asbestos loses its stigma

SA's geographical position is likely to detract to some extent from any appeal which this country might otherwise have for maltinationals.

This factor will probably deter investment in SA unless the foreign company concerned is looking for a springboard into Africa

...E freezes price

(189)

...nes (ADE) will freeze the price of all its ... of this year.

...says that since July 1990, prices ... 32 percentage points be-

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COMPANIES

Gypsum hit by closure of mine

EDWARD WEST

GYPSUM Industries increased sales in the six months to December 1991 but was affected by the start-up costs of a factory in Brakpan, interest charges and the closure of its Kimberley mine (193)(82)

As a result, the first half's earnings before extraordinary items slipped to R6,9m from R7,7m in the same period in 1990

Turnover increased from R89m to R100,7m while operating income climbed from R15,4m to R16,6m (200)

Interest paid shot up from R410 000 to R3,3m because of capital invested in the Brakpan factory In the same period last year an extraordinary item of R1m was written off BDay 27/2/92

The directors reported yesterday that sales increased even though the company's principal market — the house building sector — remained in a mild decline Operations had also been affected by the declining quality of raw materials from the Kimberley mine which was later closed

The company's financial year end is to change to March 31 this year and, in the final three months of the present financial period, the board expects earnings to fall

The directors could not be contacted for further comment yesterday

The first half's earnings dropped to 83c a share from 94c and the interim dividend has been maintained unchanged at 20c

1,5-m bricks for Bop

Sowetan 27/2/92

(193)

ABOUT 1,5-million Corobrick Transvaal clay bricks are being used for the new R75-million parliament building in Mmabatho, capital of Bophuthatswana.

The project, designed by the architects Britz, Scholes, Abromowitz, Du Toit and Hoffee, comprise a 8 963sq m parliament building, a 7 800sq m supreme court, a 960sq m building for the department of justice and health and a 4 880sq m building for the department of population development.

Architect in charge of supervision Mr David McIver said "Corobrick bricks are being used for all of the buildings except for the department of population to set it apart from the rest of the complex and to give unity to the civic spine of the parliament

Blue Circle feels the pinch

Finance Staff (193)

Cement group Blue Circle managed a slight increase in earnings in financial 1991 despite the depressed market for its product STAR 28/2/92

Turnover fell by 3,1 percent to R752 million (R776 million) during the year and a squeeze on profit margins left operating income lower at R111,6 million (R118,9 million)

Finance charges, which improved to an interest inflow of R466 000 from the 1990 payment of R6,92 million, lifted net income for the year by 2,2 percent to R80,3 million (R78,57 million) — equivalent to earnings per share of 291,5c (285,2c)

An unchanged final dividend of 70c a share boosted the total dividend for the year to 125c (115c)

Murray and Roberts is currently negotiating to double its existing 42,3 percent stake in Blue Circle through an offer to the group's UK parent company Blue Circle Plc

FM 28/2/92 (193)

PGSI (193) FM 28/2/92

SAB's biggest-ever bite

Acquisition of control of Plate Glass & Shatterprufe Industries (PGSI) is SA Breweries' largest diversification Even in real terms, the R1,4bn price matches what it paid for Edgars 10 years ago SAB has acquired a group that will report earnings for the year to March well below the 1989 peak, on an earnings multiple of about 14.

SAB will pay R60m a year in pref dividends to service the convertibles it has issued for the purchase Initially, the premium on the ordinary dividend will cost about R30m, but it will decline as the pref dividend is fixed at 255c

Notionally, the enlarged PGSI would have made R150m in the year to September 1991. SAB will pay its first dividend for the six months to September 1992, and expects this to be more than covered by pref and ordinary dividends from PGSI.

Of course, SAB is buying future, not past, earnings Says PGSI chairman Ronnie Lubner "They didn't buy control just because they think I'm a nice guy. We presented a business plan which showed that we can achieve real growth in the glass and chipboard markets in the region, and the automotive glass market abroad."

SAB strategic planning director Malcolm Wyman says PGSI's recent track record has not been great but has four underlying businesses which have performed well· Glass SA, PG Bison, PG Industries in Zimbabwe and the automotive glass repair networks in Europe. Foreign wood interests, which made substantial losses, have been sold.

SAB says it will not tamper with the management team or company culture. As it happens, Lubner says he feels comfortable and compatible with SAB chairman Meyer Kahn's management style. SAB will take four places on the board but otherwise let Lubner run the show as before.

Wyman says SAB is satisfied with PGSI's strategic plan to make foreign lossmakers profitable. Networks in France, Germany and Italy are still making operating losses but moving out of the developmental stage. The more established UK and Benelux networks are profitable and Lubner is confident that the formula can be repeated

Unfortunately, he has been unable to offset profits from Autoglass UK, that pays full tax, against losses on the Continent. PGSI's overseas operations have been recapitalised by R210m, that will largely go into strengthening the European networks.

Australia's O'Brien Glass is battling with the worst recession there since the Thirties but has contained losses since it swapped its commercial building glass for Pilkington Australia's replacement windscreen and consumer building glass operations.

Lubner admits that the US operation, Windshields America, needs further corrective action. It lost US$8,1m in the past financial year and insurance companies have increased the excess on windscreens.

Lubner is guarded on Windshields America's fate but his main options must be to dispose of it or merge with a competitor

Local operations already have dominant market shares, so most of their growth will be organic. Wyman says SAB had targeted businesses that will benefit from the growth in spending power of the mass (mainly black) market Glass and chipboard feeds into the building industry, which is expected to take off, thanks to urbanisation

Wyman says PGSI will be the main pillar of the diversified manufacturing division, that includes Da Gama, Lion Match and furniture maker Afcol

Stephen Cranston

SAFICON FM 28/2/92 (193)

Building up Boumat

News that Saficon Investments intends to acquire control of building supplies group Boumat comes as little surprise The motor vehicle distributor already holds 32% of Boumat and has been closely associated with it

FOX FM 28/2/92 (193)

since it was created in 1969

Last June, Saficon chairman Sidney Borsook revealed in the annual report that Saficon intended becoming more active in managing Boumat after chairman and founder Irvine Brittan retires. Borsook, now deputy chairman, will succeed Brittan in April

Boumat shareholders will probably welcome the move as a sign of Saficon's long-term confidence. The weak state of the building industry has slashed Boumat's EPS from 110c three years ago to 7,4c last year. Though it has shown some recovery in the first half of this year, Saficon may well at times have harboured doubts about the wisdom of its investment.

Terms of the transaction, which involves issuing 4,7m new Saficon shares and 1,3m in Saficon parent Saker's Finance & Investment, appear reasonable

Saficon's wholly-owned Saficon Industrial Holdings (SIH) has acquired from Sanlam 5% of Boumat's equity (1,3m shares) — 27% of Sanlam's holding Sanlam will receive 12 Saficon shares and six Saker's for every 27 Boumat and SIH is offering other shareholders the opportunity to part with 27% of their holdings on the same terms

At the time of the announcement last week, when Boumat was around 440c, the offer was a slight premium to the market.

To secure Saficon a controlling interest, SIH will invite Boumat shareholders to tender all or part of their remaining shares on the same terms Additional shares will be accepted pro rata Sanlam has already agreed, if necessary, to part with all its remaining Boumat shares.

Depending on minorities' response the transaction will give Saficon between 47%-51% of Boumat's equity Management is confident the additional shares will not dilute EPS at Saficon or Saker's

As Saficon and Boumat operate in very dissimilar markets, potential benefits will, initially at least, be at corporate level Borsook says the two have already been working together to define short-term strategies for Boumat and this will stretch to longer-term planning He adds that there are no plans to provide Boumat with additional funding.

Consolidating Boumat (previously equity-accounted) will have little effect on Saficon's net worth However, borrowings will climb as a result of Boumat's high non-interest-bearing debt Borsook expects this to be brought back in line within three years

Simon Cashmore

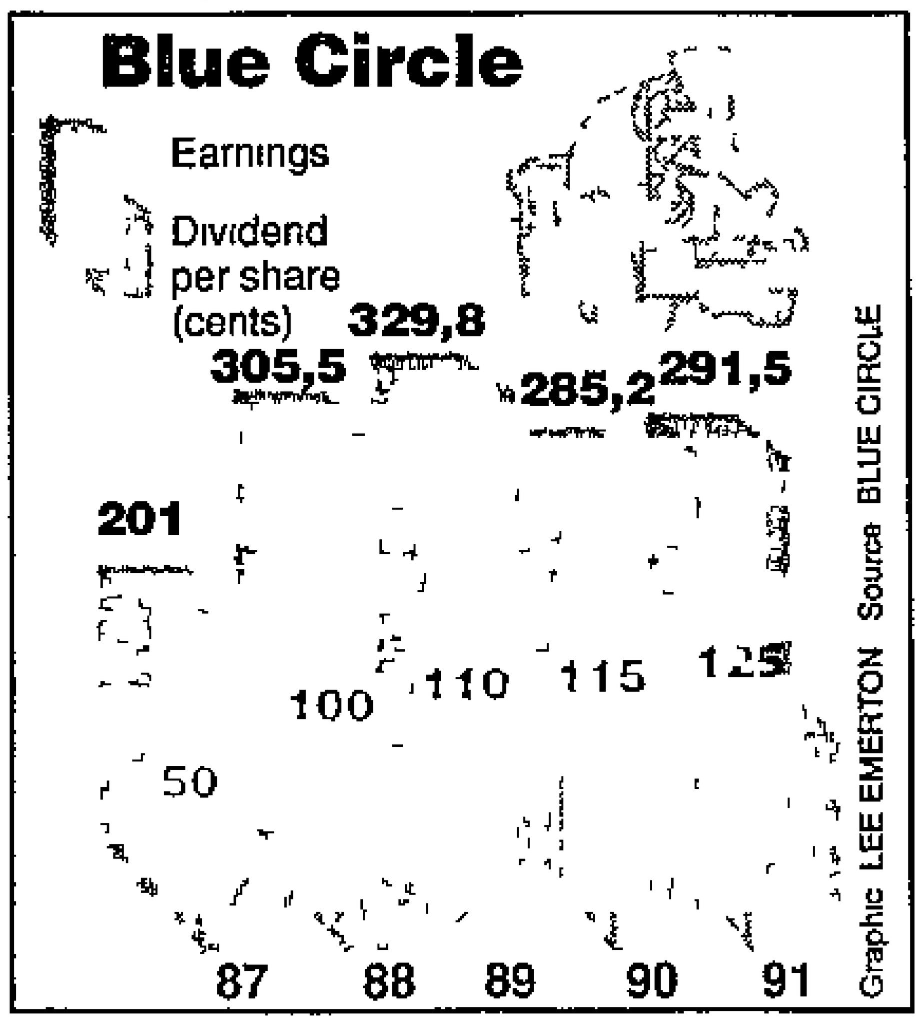
Blue Circle holds ground

193 B/Day 28/2/92.

EDWARD WEST

CEMENT and building materials group Blue Circle improved earnings slightly and declared higher dividends in spite of depressed trading conditions which saw sales fall during the year to December 1991

Although turnover slipped from R776m to R752m when compared with the same period last year, pre-tax income was unchanged at R112m Finance charges came to R446 000 compared with interest received of R7m in 1990 Taxation increased from R32,23m to R35,4m Income attributable to outside shareholders' interests fell from R11,7m to R7m while income from associate companies improved marginally from R10,4m to R10,7m



Extraordinary losses of R1,6m were declared against an extraordinary income of R2,5m last year Blue Circle director Peter Kett attributed the losses to numerous items of which losses on the sale of properties was the biggest

Kett said finance charges of R446 000 were paid because Blue Circle had run up borrowings after resuming its capital expenditure programme Borrowings increased from R23,3m to R26,9m

Kett said the resumed capital expenditure programme was an indication of the

☐ To Page 2

Blue Circle

B/Day 28/2/92 (193)

☐ From Page 1

company's confidence in the country's future Blue Circle established a R55m depot at Kaalfontein near Kempton Park during the year It was also establishing a new clinker processing facility at its Lichtenberg plant, said Kett.

In 1991 total cement demand fell 6,75% against the previous year which Kett described as the continuation of falling demand since 1989 The cement market had declined by a fifth after peaking in mid-1989 However, Kett said he was confident of an economic upturn

Earlier this week an announcement confirmed reports about negotiations between UK-based Blue Circle plc and Murray & Roberts (M & R) for the acquisition of a 42,3% stake in Blue Circle SA by M & R

Blue Circle's earnings rose slightly from 285,2c in 1990 to 291,5c a share in 1991 An unchanged final dividend of 70c a share was declared which together with the interim dividend of 55c resulted in the total distribution for the year of 125c to be higher than 1990's 115c a share

COMPANIES

Kudu merger talks near conclusion

WILLIAM GILFILLAN

MERGER negotiations taking place between Kudu Granite and Impala Granite should be concluded one way or another in the near future, Kudu MD Peet du Toit said yesterday when presenting the company's interim results BDay 28/2/92

Helped by strong growth in the export market, trading profit surged to R4,5m from R691 000 on the back of a rise in turnover to R27,3m from R15,2m (193)

Kudu reported attributable income of R2,6m in the six months to December — a sharp turnaround from the loss of R758 000 made in the previous year.

An interim dividend of 4c a share, the first since 1990, has been declared on earnings a share of 13,1c A loss of 3,9c was made in the comparable period in 1990

Du Toit said higher volumes had accounted for the rise in turnover despite the closure of its Belfast quarries

About 98% of Kudu's output is exported to the Far East and Europe

Referring to the merger, Du Toit said talks with Impala Granite had been amicable "For both parties it makes a lot of sense to get together Impala is strong in the Belfast Black market whereas Kudu's strengths lie in its Rustenburg grey quarries and its substantial reserves of the African red type"

Anglovaal seals cement deal

B/Day (193)

MEREDITH JENSEN

ANGLOVAAL Group, through its listed industrial company Anglovaal Industries (AVI), had increased its investment in cement company Anglo-Alpha to 19,5%, AVI executive director Richard Savage confirmed yesterday

The announcement coincides with the release of the group's interim results to end-December which reflect a 6% rise in attributable profit to R143m

In terms of the cement deal, AVI is acquiring 35,6% of Holderbank Financiere Glaris's (HFG's) unlisted subsidiary Altur Investments, which will hold 54,8% of Anglo-Alpha once all the transactions have been completed At present, Altur has 12,4% of Anglo-Alpha Altur's interest will be lifted by acquiring the Anglo-Alpha shares held by Anglovaal and HFG

The deal, valued at R320m, will see no cash changing hands

Savage said AVI had paid HFG R145m by issuing AVI shares to obtain an 11,4% interest in Anglo-Alpha AVI will issue 799 937 of its own shares (worth about R103m) to parent Anglovaal in exchange for Anglovaal's 2,45-million shares in Anglo-Alpha

The Anglo-Alpha shares and Holderbank's direct holding in the cement company will be injected into Altur As a result, Altur's stake in Anglo-Alpha will rise to 54,8% A further leg of the transaction involves AVI's offer to acquire Altur's minorities in a share swap worth about R70m If that is agreed, AVI will end up owning 45,6% of Altur and HVI the majority 53,4% shareholding

In a secondary deal, Anglovaal is to transfer its holdings of 1 961 000 Consol shares to AVI in exchange for about 508 000

□ To Page 2

Anglovaal

BDay 6/3/92 (193)

□ From Page 1

AVI shares This will allow the parent to retain a 60% interest in its industrial arm "It is not often you can pick up an investment like that with no cash changing hands," Savage said

Savage said AVI was expanding into the "high growth" cement business in anticipation of changes in government spending patterns "We believe that government will have to build more schools, hospitals and houses We foresee a shift in the infrastructure "

He added that expansion could extend throughout southern Africa "AVI has a contracting company in Zimbabwe, so we are aware of the cement shortages there " He sa[illegible] cement companies in SA were underuti[illegible]

See Page 14

MURRAY & ROBERTS FM 6/3/92

Quite a mouthful

(193)

The new-look M&R may seem sated — but the acquisitions were inevitable

Businesses in the construction and engineering world have been salivating at the rich pickings which Sankorp has offered to Murray & Roberts over the past six months or so

Along with Malbak, M&R has been the principal beneficiary of the streamlining of Sankorp's assets after the dismemberment of its troublesome subsidiary Federale Volksbeleggings.

Sankorp proclaims great faith in the ability of M&R CE Dave Brink to "add value" to its businesses M&R has been positioned as a holding company specialising in businesses linked to the fixed investment cycle, primarily in construction and engineering

M&R's acquisition spree from Sankorp began when it bought a large chunk of Unitrans, the Sankorp stable's road transport business, in April It picked up the pace in the spring with the acquisition of Darling & Hodgson (D&H) and 38% of Standard Engineering

The Malbak deals led to a 43% increase in M&R's issued shares and market capitalisation grew by R900m, but it is not the end of the process M&R is now finalising the purchase of the rest of Blue Circle from Blue Circle Plc and minorities and the acquisition of Firestone from Fedvolks

Sankorp believes D&H and Firestone fit more logically into an engineering-orientated group such as M&R than into Malbak, which is developing a consumer orientation, or than Fedvolks, which now concentrates on services They will be part of a powerful, well-rated group

For M&R to take control of Blue Circle, one of SA's three major cement producers, looks logical But it is also acquiring a variety of engineering businesses and becoming a major force in trucks and tyres

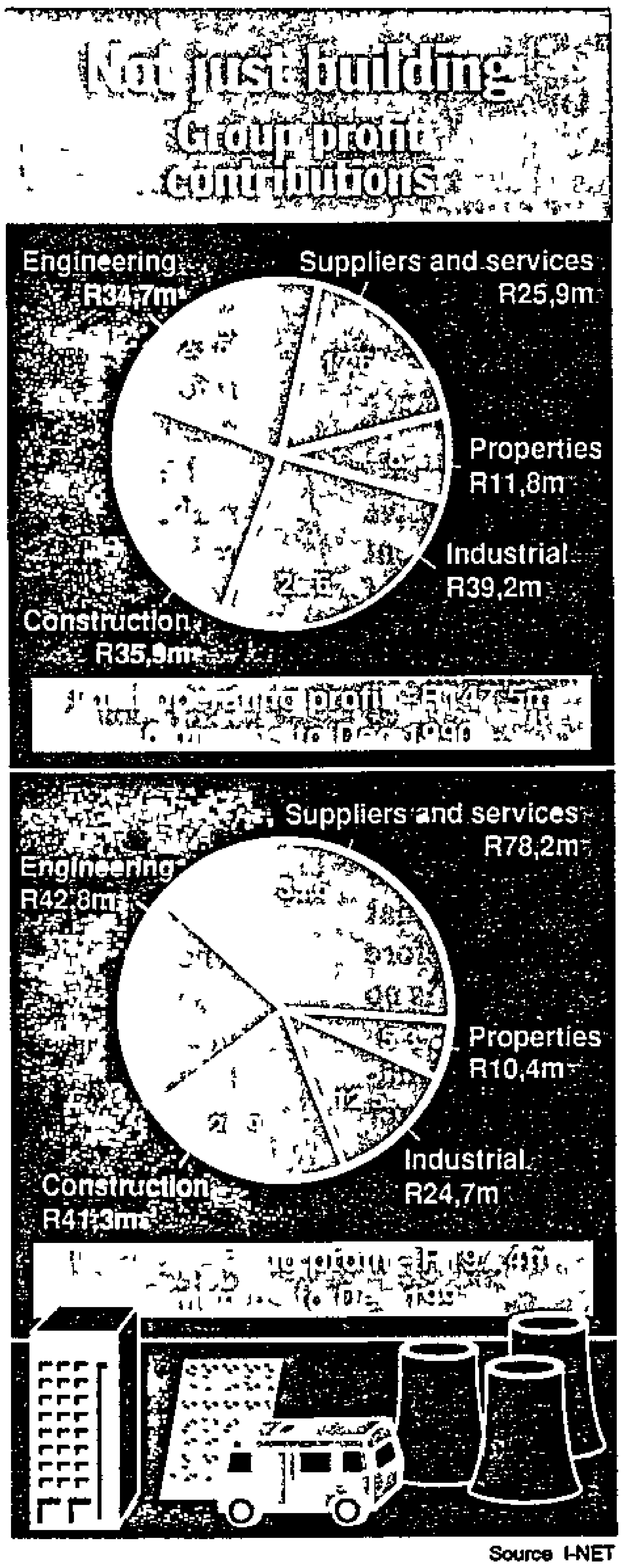
M&R's investment policy, as described in the annual report, is to "acquire or establish businesses which have related technology or markets and which add value to M&R's activities"

This is broad enough to justify a wide range of acquisitions Technology used to make chocolate bars, or to can peaches, might also be similar to that used elsewhere in M&R's 100-odd operating businesses But so far, M&R has avoided sectors in which technology is secondary to marketing and distribution — such as food, beverages and retailing

But commercial director Jeremy Ractliffe says M&R's management skills *are* relevant to tyres and road transport M&R is strong in original equipment motor components with its automotive foundries, but it is not strongly represented in the replacement market, which is more of a consumer marketing business

M&R does not pretend to be able to offer consumer marketing skills But Ractliffe argues that Firestone is essentially an applied engineering business, which has technology related to M&R Sankorp CE Marinus Daling agrees that Firestone is engineering-intensive and much of its effort is still focused on the original equipment market, in which M&R is already strong

Little information is available about the motor components companies In Federale's last annual report as a listed company, for the year to March 1990, the division turned over R527m and had an attributable income of R14,5m But the division's profitability was then being dragged down by the loss-making tractor division, Fedmech



Source I-NET

Fedvolks MD Peet van der Walt says Firestone, Gabriel and Trichamp are all profitable and that the replacement market tends to be more lucrative than the original equipment market

The price of the deal has not been revealed, but M&R refused to buy the division when Sankorp offered it in November Says Brink "We've had a good relationship with Sankorp, which stood by us in the bad times, but we would not expect them to foist underperforming assets on to us, any more than they would give businesses away to us"

The deal adds uncertainty to M&R's profitability, whatever the price tag turns out to be M&R will be buying Firestone at a time when the tyre industry is increasingly threatened by imports and needs to adapt to a less protected environment Import quotas have been reintroduced for the year — but only as a temporary measure

Says Brink "SA cannot, in the long term, support four tyre manufacturers, each carrying a vast product range We realise the industry needs to become more competitive and efficient It needs state-of-the-art quality and technology, which we'll be able to help them with from our wide experience of engineering" M&R might have to brace itself for a bitter price war if over-capacity remains

A less risky, though still unusual investment, has been the foray into road transport During the past year, M&R acquired an effective 80% holding in Unitrans, the largest road transport company in SA Ractliffe argues that this fits well into the land, sea and air services division, which hires out helicopters and cranes He says that M & R itself already has a bigger fleet of cars and light commercial vehicles than Avis

Brink says M&R knows and understands the transport business Also, Unitrans was carrying many of the group's own products M&R's two existing transport operations, Much and Tankfreight, were sold to Unitrans

These acquisitions beg the question of whether management has overreached itself Though Brink takes final responsibility for all operations, he does not try to second-guess operating management M&R does not provide financial guarantees for its operating companies, which are self-sufficient

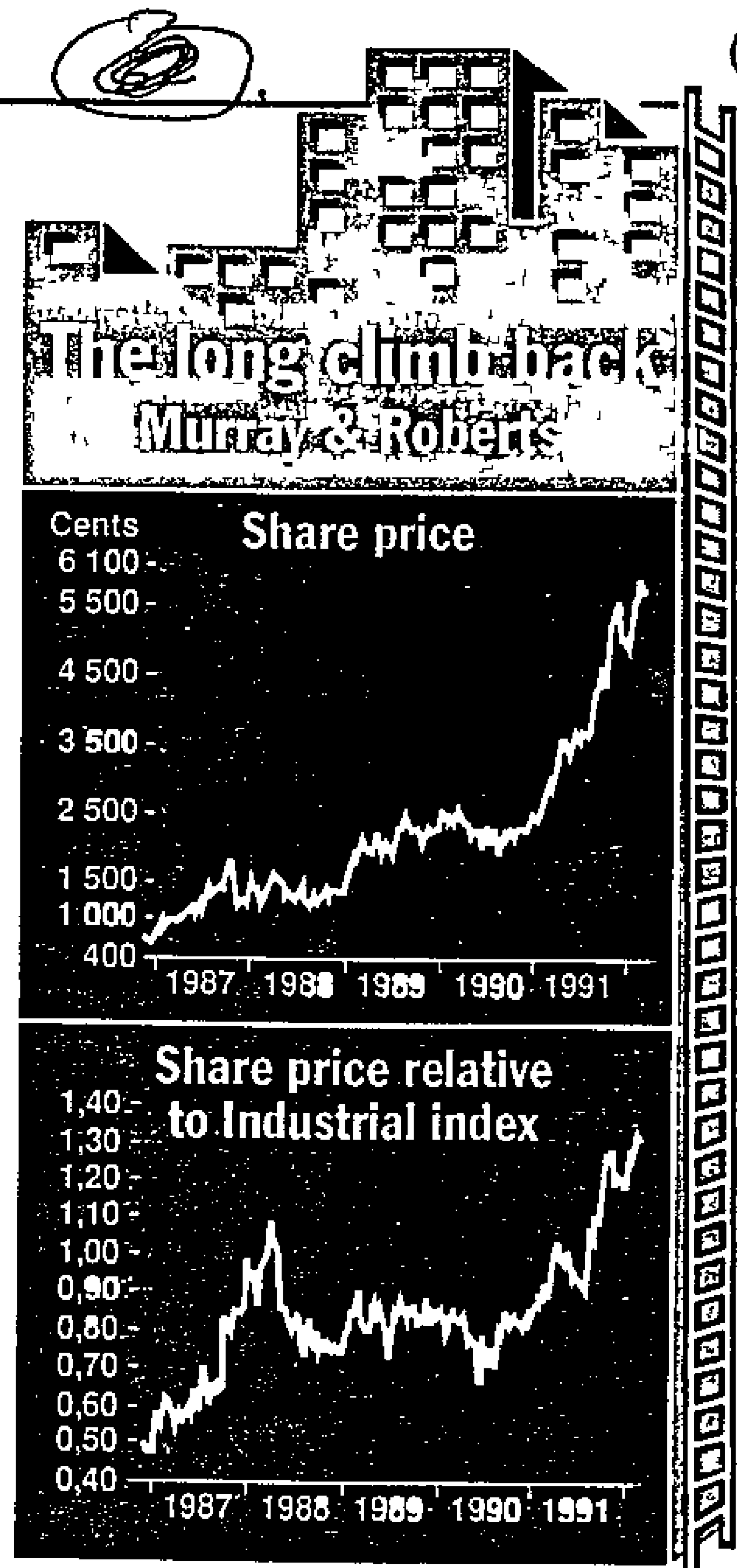
M&R's investment in GBS, which distributed Wang personal computers, was not a success, so the company was liquidated Only this week, after the sale of Crown to Bidvest was announced, "major irregularities" were discovered Was M&R too busy to monitor these or was it simply misinformed by Crown management?

Wang and Crown are isolated examples against the numerous successes which Brink has brought to M&R But these problems can arise when a group moves into a business which it does not understand

So far, the market has not taken much note of these setbacks It likes what M&R has achieved to date and has re-rated it accordingly Brink says M&R would not have considered issuing shares to fund the recent purchases if its market rating had remained at 1990 levels

M&R would have been reluctant to absorb all of these companies at once if it meant paying cash and pushing its gearing to 100% and beyond For some time M&R was treated as a second-line share, despite strong improvements in earnings from 1987 onwards Earnings have risen each year and gross domestic fixed investment has contracted

The market has re-rated M&R in the depth of a recession, when companies operating in the same engineering and construction markets are reporting earnings down by as much as 50% M&R's EPS for the six months to end-December fell by 2% According to Ractliffe, on a comparable basis, earnings from existing operations were also static — implying the quality of earnings in the acquisitions is similar



Source I-NET

At the end of 1990, M&R's share stood on an earnings multiple of about four and a dividend yield of 6% The transition to first-line status has been made with conviction Since late 1990, M&R's market capitalisation has quadrupled, rising from R700m to about R3bn The earnings multiple has improved to about 12, the dividend yield fell to 2,7% and the share price is nudging R60

M&R still has R662m of spare funding capacity and the forthcoming acquisitions are likely to involve a mixture of cash and shares Gearing has fallen from 22% to 14% — when R405m goodwill is taken out of the last balance sheet Daling says M&R might look undergeared, but the lean balance sheet gives flexibility and protection from a downturn It has not harmed M&R's rating in the market, which is highly suspicious of high gearing — as seen in the collapse of the FSI share price

Brink says the Blue Circle and Standard Engineering acquisitions have made M&R more capital-intensive Fixed assets and investments have increased from R705m to R1,271bn This will put pressure on M&R's returns on capital and equity In the last financial year, M&R's return on capital employed was 32,3%, compared with 17,6% for D&H and 23,8% for Standard Engineering — both of which were subjected to asset sweating in the Malbak sauna There was, however, less disparity in returns on equity

continue →

M&R's 22,5% was almost identical to Standard Engineering's 22,6% but ahead of Blue Circle's 19%

The Blue Circle deal has reduced M&R's risk profile. The cement producer is almost ungeared and generates strong cash flows The cement industry provides somewhat predictable returns The three local producers operate a cartel which controls market share Turnover has been falling in the recession — volumes are down a fifth since 1989 — but each producer has suffered a comparable decline.

One advantage of the cartel — to shareholders, not customers — is that there is no price war So cement has not suffered from the wild swings in profitability which bedevil other industries linked to the fixed investment cycle.

Blue Circle's core cement business was undoubtedly the first prize in the deal. The various engineering interests of D&H and Blue Circle will increase M&R market share of automotive components, mining equipment and building supplies, though some rationalisation looks inevitable.

Ultimately, Standard Engineering should form part of the division It includes one of the most significant truck component companies in the country, Astas, and it is a major exporter of rolling stock (Union Carriage) and pipes But 38% was all that was on offer and, unusually, M&R is prepared to live with joint control with Malbak

M&R accepts that some of its businesses offer little synergy with its main operations To address this, it has disbanded its industrial group, which acted as the miscellaneous businesses group for operations which did not fit into construction, engineering, suppliers and services or property.

Most of the industrial group businesses will be transferred to engineering, which is in danger of looking broad and unfocused. Businesses which have an uncertain future in the group will come under direct control of corporate head office.

M&R Plastics, for example, though profitable, has invested outside M&R's expertise into packaging products These would fit better into a specialised packaging operation, such as Malbak subsidiary Holdains M&R has already held preliminary discussions with Holdains CE Ian Willis

Armco, which makes waste disposal units, might fall under engineering, or suppliers and services or be sold

The deal which M&R recently signed with the Zambian government adds some interesting opportunities but another kind of risk. M&R will offer a wide range of contractual services such as building roads and schools and recommissioning the country's only cement plant.

Brink says a satisfactory financial structure has been put in place and M&R, as a contractor, will not accumulate large amounts of fixed assets Yet to some extent, it is hostage to the whims of the Zambian government The present Zambian administration might be more pragmatic and sympathetic to SA than Kenneth Kaunda's, but that work could dry up if the political situation deteriorates in either country

But the successful, growing businesses are likely to outweigh the laggards in future M&R used to derive the lion's share of its income from flagship capital projects and infrastructural spending such as new roads. It is well-placed to benefit from a revival of fixed investment, but has widened its portfolio into more steady income generators such as shopping centre development, tank containers, ship repair services and, most recently, cement Exports have become a cornerstone of the business, notably in tanks, motor components and valves

The new M&R looks a riskier investment than the group which existed a year ago But it would have been impossible to maintain growth by improving asset management and expanding existing operations M&R has, until now, managed to avoid an earnings collapse in bad times and it is likely that its markets are close to the bottom But the risk of a fall is largely discounted in the price

M&R could have achieved a lot better than a p e of 12 but that remains well below the average multiple of 17 for the industrial holding sector Provided an investor is aware of the potential risk, the share still offers value

Stephen Cranston

BLUE CIRCLE FM 6/3/92

Heavy going

(193)

FM 6/3/92 (193)

Deputy MD Angus Morrison is happy with Blue Circle results for the year to end-December, even though turnover fell 3%, to R752m, and net operating income declined 6% He reckons the pleasing aspect is that management was able to contain fixed costs and limit a profit decline in what could have been a much worse scenario

Trading conditions during the year were extremely depressed, Morrison says Because construction materials form the largest portion of turnover, it was expected the recession would limit sales growth in this division It came as no surprise that in the cement division volumes were hampered, as government cut back infrastructure development and the private sector reduced spending on fixed investment projects

Last week's announcement confirming negotiations between Murray & Roberts (M&R) and Blue Circle Industries Plc (BCI) for the acquisition of BCI's 42,3% holding in the local subsidiary is a final development in a relationship between the two that began in 1989 At that time, the M&R quarry operations merged with Blue Circle's materials division, to form Ready Mix Materials Blue Circle holds 60% of this company As M&R already controls 40% of Blue Circle through Darling & Hodgson, it was a natural development for it to seek control

Pre-tax profit, at R112m, was unchanged on the previous year because of a R7,4m swing in interest costs This, with a R4,6m reduction in outside shareholders' interest, enabled Blue Circle to end the year with attributable earnings 2% up, at R80,3m

The share price has climbed from R16 a year ago, to R36 now It yields 3,5% on dividend and the earnings multiple is 12,5 It is difficult to justify this rating, given that EPS growth has been unimpressive over the past few years and immediate recovery prospects are not good It is also notable that NAV is only R16,50, though Morrison points out the assets have not been revalued for many years.

The current share price may seem somewhat steep, but the market presumably expects control will change at a price close to, or above this level.

Gerald Hirshon

TOUGH SET

Year to Dec 31	1990	1991
Turnover (Rm)	776	752
Operating income (Rm)	112	119
Pre-tax income (Rm)	112	112
After-tax income (Rm)	79,8	76,7
Attributable (Rm)	78,6	80,3
Earnings (c)	282,5	291,5
Dividends (c)	115	125

continue →

Granite trade body formed

193

MATTHEW CURTIN

SA's major granite producers have set up a regional trade association in a bid to improve export sales and co-ordinate local production and overseas marketing

An industry source said yesterday Keeley, Kudu, Marlin and unlisted producer Impala Granite had formed the Southern African Granite Association (Saga) on Monday, to promote SA granite worldwide and encourage price stability

The move comes after months of speculation that the producers would merge or consolidate their marketing operations The industry has been rocked since 1990 by fierce price competition among local producers, and was then hit by the Gulf war's disruption to the granite trade, exacerbated by the worldwide recession

Shares in granite companies have tumbled in the past year as financial results have not matched market expectations.

Saga spokesman and Genmin senior manager Tom Dale said last night it was premature to say the association had been established, but talks aimed at doing so were at an advanced stage Saga was so far made up of SA's four main producers, but smaller producers had been invited to join, and it would remain open to new members

Saga's brief was to improve the competitiveness of SA exports of raw dimension stone

B/Day 12/3/92

Dale said Saga's priority would be to co-ordinate export efforts, of which the establishment of "orderly marketing to bring about price stability is only one part"

In the short term, the co-ordination of the transport of granite from quarries to the coast and its shipment abroad would bring immediate cost savings

Dale said that, later on, Saga would also address the issues of local and interational mining, exploration, and the issue of downstream processing of granite Manufacturing ventures could add value to raw stone

□ To Page 2

Granite

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□ From Page 1

by as high a factor as five times

Genmin has a 28,15% a stake in Keeley — and the option to take over management in five years time on the retirement of chairman Fred Keeley — while Anglo American has an interest in German company Desday, of which Impala is a wholly owned subsidiary Dale said the question of the development of granite beneficiation could be more effectively addressed by co-operation with the mining houses

Talks begun late last year aimed at a merger of Keeley, Kudu, Impala, and Genmin's Transkei Pioneer Mining fell through, but it is understood Kudu and Impala are on the verge of merging

The industry source said Saga's four members had already introduced interim minimum prices

Msauli halves dividend

STAR 13/3/92

(193)

Finance Staff

Msauli increased sales of chrysolite asbestos during the 1991 financial year, but smaller profit margins reduced earnings per share by 20 percent to 121,9c (153c).

However, with sales of amosite and crocidolite asbestos still declining, and its Annandale colliery operating at a loss, sister company Gefco's earnings were under greater pressure and dropped by 66 percent to 8,2c (24,4c) per share.

Msauli's total dividend for the year was halved to 25c (50c), while Gefco passed its final dividend

Chairman Pat Hart forecasts improved earnings for Msauli in 1992, but said Gefco would probably do little more than break even

Msauli's turnover of R78 million was 11 percent up on the previous year's R70,2 million, largely due to a four percent increase in sales volumes and a 7,5 percent effetive improvement in rand income per ton.

With cost increases outstripping unit incomes, however, operating income was down to R8,5 million from R12 million

Lower net income and a rise in capital expenditure to R6 million reduced the tax bill to R569 000 (R2,1 million)

The market for Msauli's chrysotile fibre remains firm, and the company expects to sell its full production potential at slightly firmer prices in 1992

Gefco's asbestos turnover was substantially lower at R88 million (R107,5 million) because sales of both its fibre types declined.

Rationalisation programmes implemented at the Kuruman and Penge mines resulted in industrial action and further productivity losses

ANGLO-ALPHA (193)

Tax squeeze FM 13/3/92

Activities: *Makes and distributes cement, other building materials, industrial minerals, paper sacks and ready mixed concrete*
Control: *Holderbank Financiere Glaris of Switzerland 36,6%*
Chairman: *P Byland, MD J G Pretorius*
Capital structure: *30,1m ords Market capitalisation R1,23bn*
Share market: *Price R41 Yields 3,7% on dividend, 8,4% on earnings, p e ratio, 12, cover, 2,3 12-month high, R43, low, 2 450c Trading volume last quarter, 54 275 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	50,3	42,6	15,2	45,6
LT debt (Rm)	80,8	104,6	82,2	137,2
Debt equity ratio	0,23	0,11	0,14	0,24
Shareholders interest	0,68	0,82	0,7	0,7
Int & leasing cover	8,3	10,4	10,9	5,6
Return on cap (%)	20,9	10,7	19,0	14,8
Turnover (Rm)	522	625	697	728
Pre-int profit (Rm)	155	180	177	149
Pre-int margin (%)	28,1	27,4	24,4	19,1
Earnings (c)	324,6	367,3	349,8	342,6
Dividends (c)	95	115	132	152
Net worth (c)	1 893	2 069	2 155	2 289

Anglo-Alpha's cash-flow statement tells the story Sandwiched between the economic downturn and a declining building and construction industry, it became increasingly difficult last year for the group to maintain profitability

Volumes, especially of cement, dipped That affected the cash available from operations, which was down by R40,3m, while the tax payment jumped by R25,7m As a result, cash available from operations was almost halved to R75,8m

Performance elsewhere did not deteriorate to the same degree Turnover in the cement division rose by 7% It accounted for 51% of group sales, the same as the year before. Turnover in the industrial interests improved 8,6% to account for 30% of group sales

Turnover in the stone division dropped from R135m to R126m Even so, this division's 16% contribution to group sales was down only two percentage points from 1990

In terms of divisional contributions to net income after tax, the swing of R7,5m in the stone division, from a 1990 profit to a loss of R1m, helped to pull down attributable earnings At group level, net operating income declined 19% This was worsened by the cost of higher borrowings Net finance charges rose by R7,4m (54%)

In 1990, the tax rate was 36% Had the 1991 year's tax rate not fallen to 19%, attributable earnings would have been much worse As it was, EPS declined by just 2%, leaving the impression that the final result, though not good, was not bad in the circumstances

But, taking a short-term view, there is little to recommend acquisition of the share Manufacture of cement is, or has been, perceived as a strategic industry which merits protection of one sort or another For this reason, in 1988 the government, through the Competition Board, granted SA cement companies the right to operate as a cartel Prices are fixed not through market competition but rather to give shareholders an adequate return

With the downturn more severe and protracted than expected, it is understandable that demand for cement products shrunk as government spending on infrastructure has been cut back and growth in private fixed investment in the building and construction sector also declined

Cement producers are unlikely to respond to falling demand by lowering prices So they are in a dilemma If they maintain prices in this poor economy, volumes will shrink and so will the bottom line If they reduce prices, volumes might increase but are unlikely to rise enough to boost operating income sufficiently to generate real growth in earnings until the economy is well into a revival

To fund capital expenditure, Anglo-Alpha had to increase total borrowings by 88% to R183m Capex for 1991 was R107,5m, against R87,7m in 1990 For the period 1992 to 1996, it is estimated at R716m in current money If attributable earnings do not grow considerably faster between now and 1996 than in the past two years, how will the capex be funded?

Anglo-Alpha's Pretorius
more cash from operations

Chairman Peter Byland suggests the cash drain will be offset in financial 1992 by substantially lower tax payments and that debt equity will increase only marginally MD Johan Pretorius adds that cash available from operations is expected to rise meaningfully from 1992 onwards The double tax payment last year for the 1990 and 1991 years will not be repeated in 1992 This explains his optimism

Still, unless cash flow is strong enough to finance capex and reduce borrowings, with net interest-bearing debt now at R160m, finance costs will squeeze pre-tax profit

The share does not rate a buy on fundamentals at present Until the economy is well into its recovery, which might take several years, it is unlikely that profitability will return to former levels Technical analysis tends to confirm this A positive aspect is that the balance sheet is likely to remain strong, provided the cartel continues to exist and the economy does not get worse

Anglovaal is clearly optimistic about long-term prospects Anglovaal Industries (see *Fox*) is to increase its stake in Anglo-Alpha from less than 8% to 19,5%

Gerald Hirshon

AVI/ANGLO-ALPHA FM 13/3/92 (193)

Partnership extended

It was always somewhat anomalous that Anglovaal's interest in Anglo-Alpha was held directly rather than through Anglovaal Industries (AVI) One advantage was that it enabled investors to see AVI primarily as a consumer sector share, as it earns the bulk of its income from food and packaging, with a limited exposure to engineering and construction sectors

MD Jan Robbertze says AVI has always held interests in the building industry through its sizeable construction subsidiary, Grinaker Construction, and it has engineering concerns such as steel distributor Trident and ball bearing distributor Bearing Man Robbertze has been on the Anglo-Alpha board for more than a decade

AVI will be more exposed to construction now it has acquired 19,5% of Anglo-Alpha — comprising Anglovaal's 8,1% holding and 11,4% from the Swiss controlling shareholder, Holderbank Financiere Glaris "The original Anglovaal holding would not have been a major contributor to AVI," says Robbertze, "but we have welcomed the more meaningful strategic holding "

FOX FM 13/3/92 (193)

AVI does not normally like to invest in companies it does not control, unless it thinks it can acquire control later But Anglovaal has been a partner of Holderbank since 1947, when they merged their cement interests. Robbertze says the increased shareholding should not be interpreted as the first step towards a change of control "It is merely an extension of the partnership," he says

AVI's shares and the 29,8% which Holderbank retains will be injected into unlisted Altur, which becomes a pyramid

The deal will not make a dent in the AVI cash pool that accumulated after the rights issue. AVI is paying R42,50 for each Anglo-Alpha share. To fund the purchase, it will issue just under 2m AVI ordinary shares to Anglovaal and Holderbank, valued at R249m The shares will be placed with institutions AVI will make an offer to Altur minorities, who hold 5,5% of Anglo-Alpha, at the same price.

Since there is no change of control in Anglo-Alpha, there is no offer to Anglo-Alpha minorities AVI will hold an effective 25% of Anglo-Alpha if all Altur minorities accept the offer

Anglo-Alpha is an asset-intensive business, and it would have increased AVI's December interim NAV by almost a tenth, to R56,82, though it will have had no material affect on AVI earnings in the short term AVI expects Anglo-Alpha's contribution to be significant in the medium term

Demand for cement products is soft If there is a protracted building boom the industry will eventually have to consider increasing capacity, which would involve sizeable expenditure Robbertze, however, says he does not expect Anglo-Alpha will need to invest large sums in additional capacity for at least the next five years

Grey year for asbestos firms

B/Day 13/3/92 (193)

WILLIAM GILFILLAN

ASBESTOS producers Gefco and Msauli reported sharp declines in earnings for the year to December

A drop in asbestos sales at Gefco led to a substantial build-up of unsold stocks which required funding while lower earnings at Msauli resulted from narrower profit margins, chairman Pat Hart said yesterday

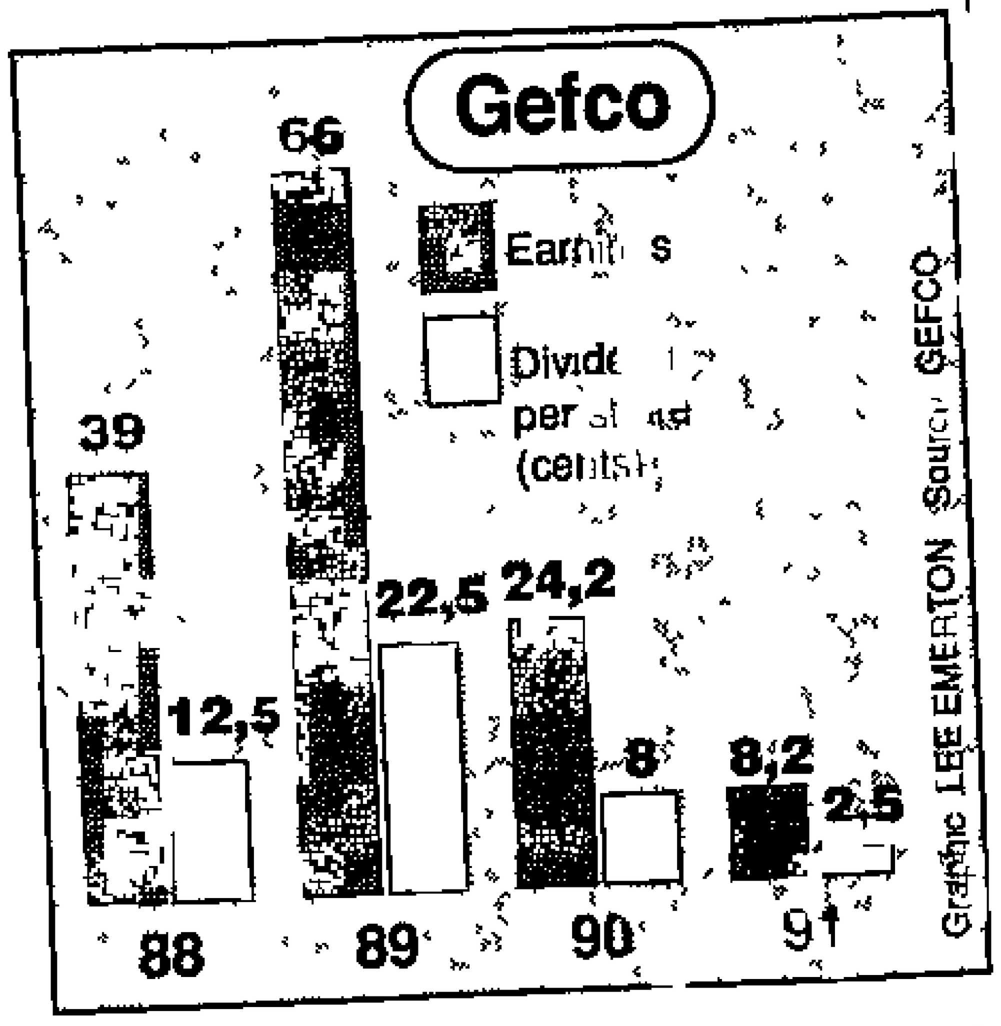
Gefco's attributable income plummeted to R2,9m from R8,7m, converting into a drop in earnings a share to 8,2c from 24,4c Gefco passed its final dividend, giving a total for the year of 2,5c (8c) a share

Attributable income at Msauli dropped to R7,8m from R9,8m which converted into earnings of 121,9c (1990 153c) a share A final dividend of 15c a share was declared giving a total of 25c (50c) a share.

At Gefco, asbestos turnover dropped to R88m from R107,5m as a result of lower export volumes of blue and amosite fibre

Rationalisation at the Kuruman and Penge mines resulted in a "negative labour relations" climate which contributed to low productivity and even tighter margins

Hart said there was "little or no chance" of profits being made by its asbestos operations in 1992



Gefco's results include a provision of R3,8m for losses at its Annandale Colliery

Hart's outlook for coal was more bullish as he said improvements in plant efficiency and sales volumes may result in the operation making a small profit.

Gefco also holds 33% of Msauli

As a result of 4% growth in volumes and a 7% improvement in the rand income per ton, Msauli's turnover rose 11% to R78m

But sharply higher production costs saw operating income decline to R8,5m (R12m)

Tile makers want greater protection from dumping

B|Day 18/3/92 (193)

Reports by
PETER GALLI

LOCAL tile manufacturers have called for greater legislative protection as dumping of large quantities of inferior but cheaper material by foreign companies places the industry under more pressure.

"The local industry is battling with reduced demand and limited growth potential and is not always able to compete on a price basis," Pilkington Tiles MD Peter Sneddon says

Large-scale dumping from overseas countries has exacerbated unemployment in the industry as demand for locally produced material has dropped

The industry has reduced staff levels by about 35%

While there was a time when the local market could not cater for demand, it has grown, adapted and is now more than able to do so Local producers are limited to one way trade and vast amounts of capital are leaving the country to pay for exports, he says

Foreign producers have low inflation levels, a variety of rebates and tax and other incentives to make them more profitable, particularly in the SA market.

"When the 27,5% duty on imported material was granted, dumping requirements were lifted The higher duty has had little effect on imports, which continue to negatively affect our market," Sneddon says

Countries such as Italy, with a stockpile of about 240-million m², could well afford to dump stock, he adds While imports are necessary, they need to be balanced and anti-dumping legislation is essential

Local market demand varies between 14- and 16-million m² of tiling a year, of which 5- to 8-million m² is imported The local market needs export incentives to be more competitive with other markets

"The Italians and Spanish are in the African markets and are dumping material there as well However, we have a long-standing relationship with them and many want to do business with us," he says

Local capacity is underutilised by about 30% There is a stockpile of about two to three months demand, with price increases over the past three years below inflation

Recent consumer research showed that the average local consumer was not influenced by the name of the product but rather by its quality

In many cases the local product was as good as, if not better than, the imported material

"However, our industry is labour intensive and costly to run, which pushes prices up Foreign producers replace their equipment every three years, but we are unable to afford to do this, thereby further detracting from our productivity," he says

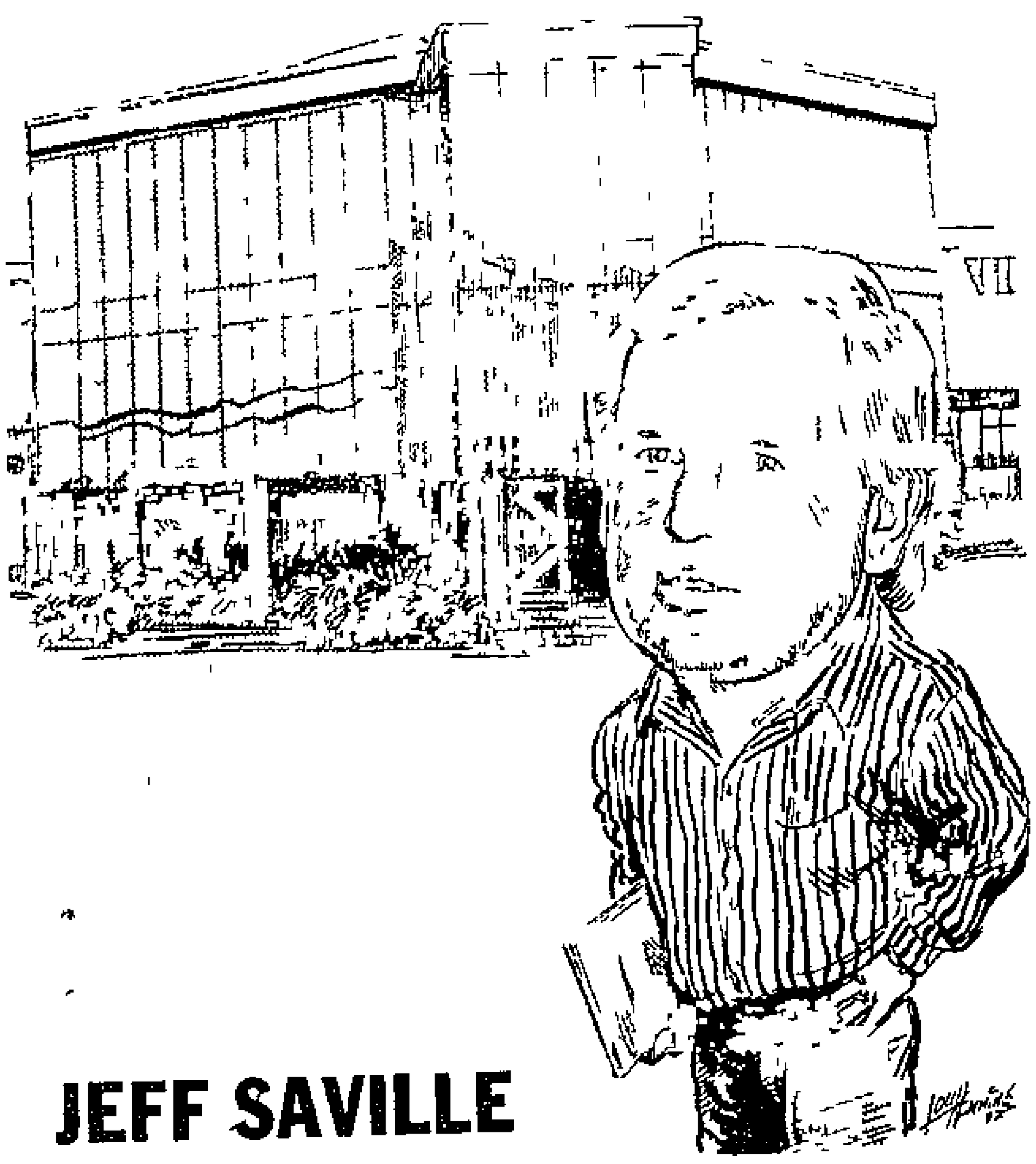
The local consumer tends to be naive when buying tiles and needs to take more than just price into consideration

Many tile ranges are often not replaceable after a period of time and future service and availability are important and need to be taken into account, Sneddon says

AFRICA GLASS

Up front with glass

STAR 18/3/92 (19)



JEFF SAVILLE

In just 11 years the Africa Glass group (AG) has become South Africa's second largest flat glass company

Founded by Alex Barrell as a glazier and glass trader, Africa Glass now has 12 local factories These include CIP laminated safety and security glass and high quality mirrors

Africa Glass also sells float glass produced by PG Glass, the country's only producer, and imported specials

With about 1 000 employees, Africa Glass cuts and processes a variety of glass products from its Transvaal, Cape and Natal branches It also cuts and processes the glass

Twenty percent of the company's turnover comes from export to more than 30 countries.

AG is not in competition with glazing firms, fenestration fabrication and contracting companies

Says Transvaal MD Jeff Saville "Our objective is rather to expand our basic manufacturing activities into added value products that will be fabricated and sold to end-users by shopfitters, glass merchants, automotive and furniture manufacturers

"There is still vast potential for the use of mirrors in interior design, particularly to create the illusion of space and to add light This will become more important as building costs increase and rooms become smaller."

And, according to marketing director John Featherstone, in keeping with overseas trends, architects are designing more flush glazed buildings These need little maintenance and are aesthetically pleasing as they mirror their surrounding to create eye-catching effects

Outstanding examples of this style are Diagonal Street, JCI headquarters and 365 West Street

Says Featherstone "This type of construction is made possible because of the close association between the glass industry and architectural aluminium manufacturers"

AG is an active member of the Association of Architectural Manufacturers of South Africa (AAMSA) which sets and maintains standards to ensure the steady growth of glass and aluminium in the building industry

The company has begun to manufacture security glass that can withstand assault weapons such as the 9mm and the AK-47 In tandem, the company is developing products for the building, furniture and auto glass industries

Says Saville. "We intend to remain in the forefront of these developments and to maintain a leading market position Our flexible private company status allows us to adapt to changing needs quickly — often a difficult job for large public companies"

Marlin falls on stony ground

STAR 18/3/92

Granite producer Marlin yesterday reported a 14,6 percent decline in turnover for the six months to December 1991 to R50,639 million, despite a 25 percent increase in sales

The company attributes the decline in turnover to a sharp drop in sales by its UK subsidiary, which specialises in cladding and granite installations, because of the recession

Consolidated operating income was 60 percent lower at R3,055 million, compared with last year's R9,697 million

After taking finance charges at R3,345 million (R783 000) and tax into account, the company turned in a loss of R290 000 for the half-year.

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An extraordinary write-down of assets at discontinued operations amounting to R3,234 million and a preference dividend payment of R302 000 pushed the loss attributable to ordinary shareholders up to R4,911 million, compared with a profit of R4,547 million made in 1990

Earnings per share amounted to a loss of 3,6c a share

No dividend has been declared

Marlin pyramid company, Marlin Holdings, as a result of the loss made by the operating company, earned no revenue in the six months under review — Sapa

Production problems put Marlin in the red

BDay 18/3/92 (193)

WILLIAM GILFILLAN

PRODUCTION difficulties at its Belfast quarries and depression in the European and North American construction industries plunged Marlin Corporation into the red in the six months to December, finance director Ian MacMillan said yesterday

The granite group recorded an attributable loss of R1,3m before accounting for an extraordinary charge of R3,2m incurred in the closure of a number of quarries Attributable income of R7,7m was recorded during the previous comparable period No dividend was declared as a result of the loss of 3,6c a share

Despite a 25% increase in granite block sales, turnover dropped to R50,6m from R58,3m MacMillan attributed this to "virtually zero" turnover at its UK subsidiary, which specialised in cladding and granite installation activities Marlin's beneficiation division reported a loss of R980 000 because of this The division made a R2,5m profit a year earlier.

"As a large part of the costs at the UK operation were accounted for by labour, we have been able to cut costs there substantially. But it is unlikely we will dispose of the operation as it is an integral part of the beneficiation operation," he said

Marlin's Boschpoort Belfast Black quarry would be scaled down because of a stockpile sourced from it Although the granite was high-quality, "we have encountered difficulties in achieving prices commensurate with the cost of extraction".

Growth in the Far East's construction industry largely accounted for the increase in granite block — mainly Rustenburg Grey — sales

The extraordinary charge related to the closure of one of two Parys Pink granite quarries and the Bitterfontein Green quarry.

Marlin is SA's leading producer of Belfast Black granite, contributing about half of total local production

The price of Belfast Black has been under pressure recently because of increased competition from Zimbabwean producers.

The Gulf war resulted in a sharp slowdown in the Middle East's construction industry, resulting in a build up of stocks of Rustenburg Grey leading to a savage price war.

However, MD Graham Treagus said prices were getting back to levels of two years ago, when the industry was enjoying a boom

A local granite trade body, made up of SA's four main producers, was formed last week in a bid to increase co-operation and avoid price wars Although previous attempts to unite the industry had failed, the presence major mining groups Anglo American and Genmin had given the body greater credibility

Blue Circle forecasts greater demand in 1992

BiDay 19/3/92 (193)

MICK ELLINGHAM

BLUE Circle chairman Trevor Coulson forecasts increased demand for the group's cement and materials products in 1992

"Our engineering division is also projecting improved turnover as a result of slightly higher exports, new products and market share gains," says Coulson.

Despite depressed trading conditions and falling sales during the year to December 1991, Blue Circle has improved earnings slightly and declared higher dividends

Earnings a share were up 2,3% for the year to 291,5c (1990 285,2c), while dividends increased 8,7% to 125c (115c)

These results were achieved after restructuring and rationalistion costs of R14,8m in the materials division were written off

Capex of R94,8m included a new depot and blending plant at Kaalfontein, which was commissioned below budgeted cost.

Work began on a clinker processing plant, budgeted to cost R43m

It will be commissioned by the end of 1992

Cement volumes declined a further 6,2 % during the year and selling price increases were below the inflation rate

Turnover slipped from R776m to R752m when compared with the same period last year

Pre-tax income was unchanged at R112m

Blue Circle MD Graham Hardy said "The cement division will continue to concentrate its capital expenditure on improving storage and distribution facilities, increasing cement milling capacity and improving product flexibility"

The materials division suffered a 16,7% decline in volumes during the year, bringing the cumulative reduction in volumes during the past three years to 38,6%. Excluding the non-recurring cost of restructuring and rationalising, the materials division achieved a 16,4% improvement in operating income

"Activities in the material division have been concentrated in areas and markets where it has leading positions and significant growth potential exists," said Hardy

Turnover in the engineering division showed a 5,5% drop, while Yucon Coil and Paramount traded at a loss Overall income for the division was 20,3% lower than in 1990

Hardy said the need for high levels of capex in the engineering division was unlikely as the division should continue to maintain its market position

Marlin trades at a discount

WILLIAM GILFILLAN

TROUBLED granite group Marlin is currently trading at an 80% discount to net asset value after this week's sharp fall in its share price to 55c

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The share plunged 8% after Marlin posted bottom-line losses of R4,9m in the six months ended December 1991

Marlin's net asset value stood at 297c a share on shareholders funds of R139m on December 31

B/Day 19/3/92

Finance director Ian Macmillan said yesterday "This discount can happen in the mining business However, by the same token, recovery in the industry often results in the share price reflecting a large premium over net asset value"

In its 1989 heyday Marlin traded at a large premium, he added

Although its balance sheet at end-December reflected gearing of about 6%, interest cover for the half year to December was negative

The sharp drop in trading income, lower cash holdings, and the increase of about R13m in short-term interest-incurring debt — included under current liabilities — contributed to the lack of interest cover

Net finance charges rose to R3,3m from R783 000 for the comparable period the previous year because of the higher short-term liabilities and smaller cash balances

The R13m increase in short-term debt resulted from the compulsory redemption of preference shares in September

About R30m of the R59m of current liabilities was interest-incurring debt.

When R30m short-term interest-incurring debt is included, gearing rises to 28%

Macmillan said mining and quarry rights made up R57m of the R155m of fixed assets and investments

Gold mines find ways to live with low prices

B/Day 19/3/92

MATTHEW CURTIN

SA GOLD producers have accepted that they have to live with low gold prices in the short term But the latest plunge in prices will not be grave cause for concern for any but the most marginal mines, say market sources

The rand/gold price is around R31 400 a kilogram — its lowest level since December

Simpson McKie analyst Rodney Yaldwyn said yesterday "gold producers have come to terms with the low gold price"

Yaldwyn said only the most marginal mines, particularly those which did not sell gold forward to protect themselves from low prices, would be under pressure in the current quarter or the coming June quarter

He said Gold Fields' marginal operations — Doornfontein, Libanon and Venterspost — were in the toughest position because of the mining house's aversion to forward selling Also under pressure would be Gengold's West Rand Consolidated and Anglovaal's Loraine

He said the larger gold mines enjoyed greater flexibility in being able to continue their cost cutting drives

Yaldwyn believed that the rand/gold price would soon return R1 000 an ounce and higher

Of the myriad of factors blamed for the fall in gold prices this week, he said an important one was the start of new hedging programmes by North American gold producers Once their contracts were in place, prices could recover

E W Balderson analyst Nick Goodwin said the gold mining sector, now "in tune with low gold prices", would experience a March quarter similar to that of the previous period, in which the industry improved its working profit for the fourth quarter running

He noted that the average rand gold price this quarter, before forward sales, of R32 200/kg compared favourably with the December quarter's R32,400/kg Forward sales then boosted average revenue to R33 500/kg

Goodwin said mines were finding new ways to cut costs both underground and on surface, with the installation of more efficient operating systems, careful use of equipment, pruning the workforce and reducing capital spending devoted to the maintenance of production

He noted that the billions of rands of new capital spending on shaft development at Gengold's Oryx mine, and by Anglo American, was going ahead as planned

Lower general capital spending meant that if gold prices picked up, many mines would have developed inadequate ore reserves Dividend payments would then probably suffer as the mines strove to make up for earlier cutbacks

STAR 20/3/92

M & R doubles Blue Circle stake

Finance Staff (193)

Murray and Roberts (M&R) has doubled its stake in cement producer Blue Circle by buying the 42,3 percent stake held in Blue Circle by its UK parent group Blue Circle Industries Plc (BCI) for R630 million

In terms of the deal M&R has acquired 11,66 million Blue Circle shares from BCI for a purchase consideration, which excludes the rights to an extraordinary Blue Circle dividend of R24,80 per share.

BCI will be paid through the renouncable issue of M&R ordinaries at R54 each Analysts said yesterday BCI was likely to renounce the shares and they could be placed with local institutions.

The offer will be extended to the minority shareholders Minorities can opt to receive one M&R share for every Blue Circle share held or R54 in cash for each share.

FM 20|3|92 (193)

GEFCO/MSAULI FM 20|3|92

Seeking insulation (193)

With the outlook for asbestos not looking good, particularly as the international environmental lobby continues to keep the pressure on traditional markets, Griqualand Exploration & Finance (Gefco) is maintaining its effort to diversify towards more profitable mining activities

Gefco's results to December 31 show it has not escaped the reduced demand for asbestos, with turnover down 18%, to R87,9m Income from operations dropped two-thirds, to around R4m, with EPS down a similar amount, to 8,2c

Chairman Pat Hart says the drop in amosite sales was expected, but particularly disappointing was a fall-off in demand for blue fibre towards the end of 1991, with some major customers not taking up indicated annual tonnages The result has been a substantial build-up in unsold blue fibre stocks Hart says these will result in further cutbacks at the Kuruman and Penge mines. Debt has nearly trebled to R3,7m

This obviously puts cash flow under considerable pressure The final dividend has been passed, following a half-year dividend of 2,5c

Gefco's Hart *further cutbacks at the mines*

Sister company Msauli, on the other hand, with demand for chrysotile fibre remaining firm, has not been as severely affected Turnover advanced 11% to R78m, though operating income dropped a third, to R8,5m, mainly because unit cost increases outstripped revenues

EPS of 121,9c (1990. 153c) saw the total dividend halved to 25c, though the directors say additional production and the promise of slightly firmer world prices should enable a better dividend distribution this year

Hart says Gefco's main diversification thrust is towards coal, whose sales increased more than sixfold in financial 1991, to R4,2m. While still a relatively small part of Gefco's business, Hart says that with the uncertain outlook for asbestos, coal will become a major new venture. The group is evaluating additional coal activities and has acquired new coal mining rights in the eastern Transvaal

Despite the sharp, but all too short, increase in the share price in October on news that the US Appeal Court had overturned the ban on the manufacture of asbestos-based products — something Hart says will lead to longer-term stability in the market — share prices of both companies have shown a steady downward trend

At 41c, Gefco's price is near its 12-month low and until better results from diversification start coming through, it probably won't attract many buyers Msauli's price has climbed sharply on thin volumes this month, to reach R2, but is still way off July's high of 360c If the world price for asbestos improves it could warrant a look, but the counter will remain risky

Shaun Harris

Blue Circle expects slight growth in the year ahead

(193)

B/Day 23/3/92

EDWARD WEST

BLUE Circle is expecting a marginal improvement in earnings in 1992, based on improved turnover in its engineering division, improved operating efficiencies, its strong cash generating ability and a strong balance sheet.

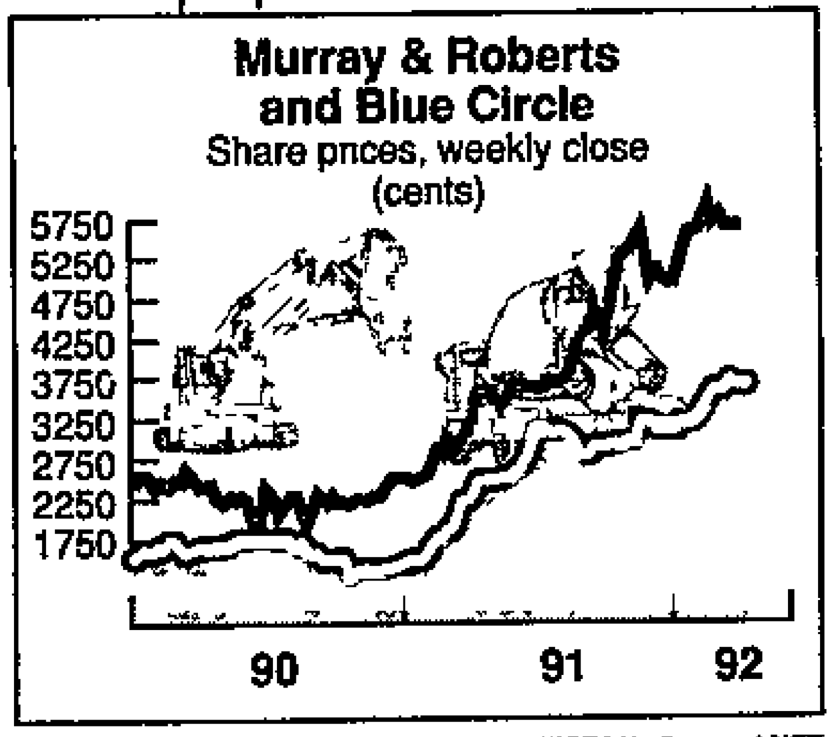
This was the forecast of Blue Circle chairman Trevor Coulson in his 1991 chairman's review released last week ahead of the change of control to Murray & Roberts.

Coulson did not foresee a marked revival in public and private sector investment spending this year, but he did expect improved turnover in the engineering division due to slightly higher exports, new products and market share gains

Operating efficiencies were at a high level and expenses well managed while the cost of rationalisation in 1991 would not recur in 1992, he said Coulson described the balance sheet as strong and the group as a good cash generator

Analysts confirmed that SA's three cement companies were good cash generators because the industry's excess production capacity limited scope for large capital expenditure projects Industry production capacity utilisation dropped from 72% in 1990 to 66% in 1991

The propensity to generate large amounts of cash was described by analysts as a reason why two of the three producers recently declared special dividends Dividends are also tax free.



Graphic LEE EMERTON Source I-NET

Pretoria Portland Cement declared a special dividend worth R32m in total last year while Blue Circle declared a special dividend/capitalisation on Friday along with the announcement of details of the change of control

M & R commercial director Jeremy Ratcliffe said Blue Circle's ability to generate cash would have a positive impact on M & R's already good cash flow

Blue Circle's special dividend/capitalisation issue — R11 a share or the allotment of 44,35 capitalisation shares for every 100 held — was the reason M & R's offer to minorities was based on an ex-dividend price of only R24,80 a Blue Circle share in exchange for the issue of M & R ordinary shares at R54 each

On Friday a Dow-Jones report quoted Blue Circle as saying it had sold its 42,3% stake to M & R for the equivalent of $70m Next month the company would also receive its share of the special dividend which, excluding commercial and finrand exchange control considerations and a 15% non-residents' shareholders tax, would amount to about R128m

Blue Circle MD Carl Grim said in the annual review even though cement volumes fell about 8,7% to 1,4-million tons last year as a result of depressed trading conditions and reduced exports to Mozambique, the industry had reached the bottom of the building materials demand cycle.

Pent-up demand for housing and services would begin to flow through to the cement industry over the next few years Analysts said Blue Circle would also benefit from synergies with M & R such as the industrial group's infrastructural development plans in Zambia

On Friday Blue Circle traded 65c lower at R35,85 The share peaked on March 12 at R37 after its R20 record low recorded a year earlier

Blue Circle increased earnings by 2,2% from 285,2c a share to 291,5c a share in the 1991 financial year in spite of forecasts that earnings would remain the same

Workers are fired over VAT march

Sowetan 27/3/92

(193)

ABOUT 400 workers at Sabrix brick manufacturing company in Sandfontein, Pretoria, have been dismissed for taking part in last week's march to protest against the Budget and Value Added Tax

The workers, all members of the Construction and Allied Workers' Union, an affiliate of Cosatu, were fired on Wednesday

A spokesman for the workers said the entire workforce took part in the march from Brown Street to the Union Buildings in Pretoria last Tuesday to protest against the Budget

"We asked permission from the managing director a day before the march He did not have time to discuss the issue with us Instead he told us he was a businessman selling bricks and had nothing to do with the march," a spokesman said

The company's managing director, Mr J Robertse, could not be reached for comment yesterday His office said several times that he was at a meeting

The workers' spokesman said they received notices in their pay slips last Friday warning them that they had acted illegally

"The company's lawyer informed the entire workforce after a meeting between management and union shop stewards on Wednesday that their services would be terminated from noon that day

"He also told us to come and fetch our salaries today "

The spokesman said they intended holding another meeting with management today to have the workers reinstated He said several recruits from Mozambique had already been employed since Monday - *Sowetan Reporter*

RECYCLING BUILDING MATERIALS

FM 27/3/92

Waste not, want not

193

The idea of using discarded building materials — usually stuck away in city dumps and landfills — for informal-settlement construction is gaining support There are few other ways low- or non-income-earning blacks can obtain building materials The property and low-cost housing industries believe the concept (mooted by the *FM*) has merit

Most people in areas set aside by provincial administrations for informal settlement — some serviced, others not — use plastic and cardboard to build shacks

The Transvaal Provincial Administration's Physical Planning & Development Department says it would be keen to redeploy second-hand building materials It is prepared to set aside delivery areas from which these could be distributed

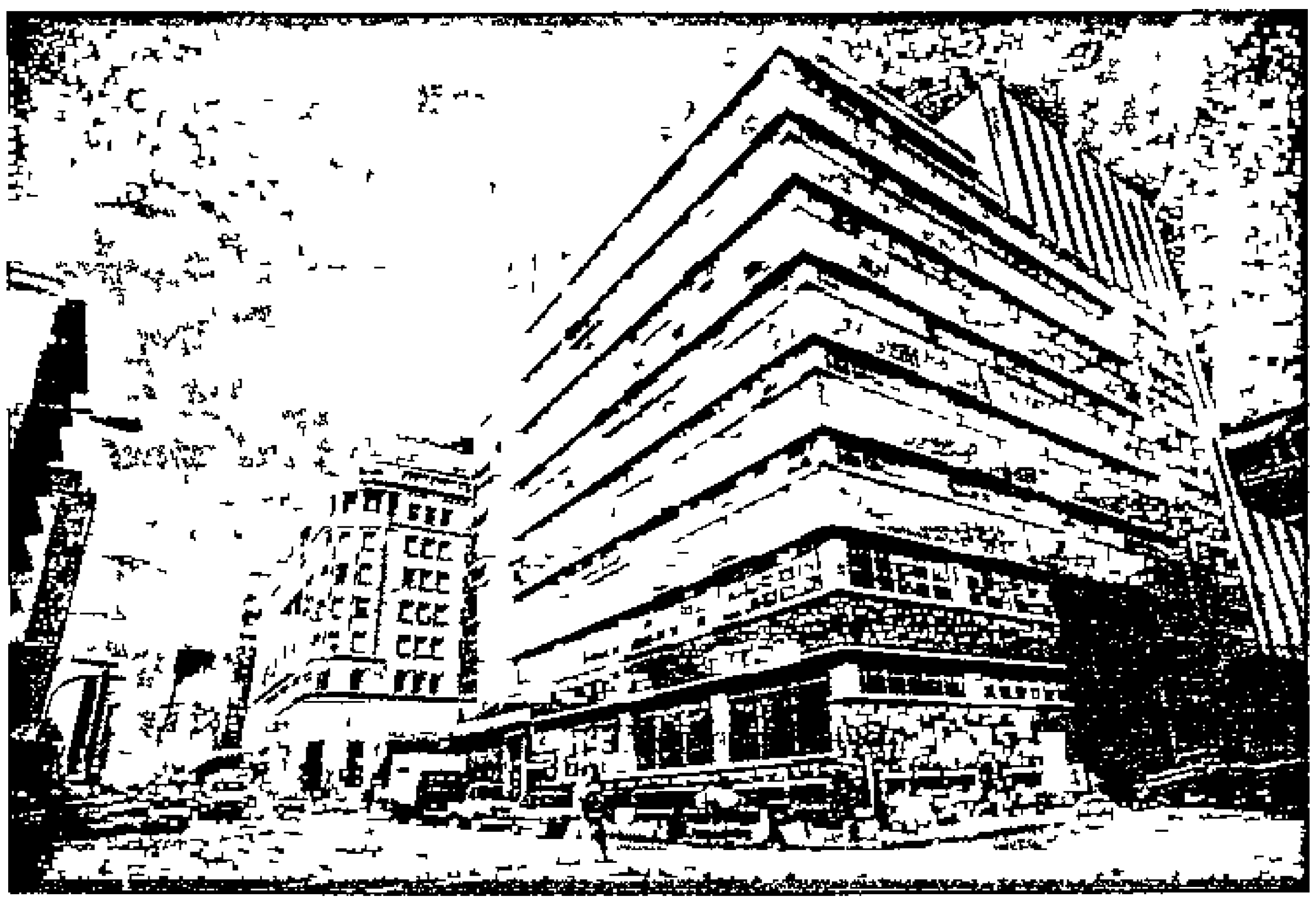
Understandably, TPA director Jan Breytenbach has no qualms about accepting donations from the private sector for urbanisation His 1991-1992 budget of R180m is intended to provide only rudimentary services like water and sewerage or lavatories to the 36 informal communities on the Witwatersrand He estimates there are an additional 360 000 families — with 6,2 people per family — waiting for such serviced sites in his area

The department's technical inspector, André Venter, has volunteered to allocate the delivery sites

Some related problems arise out of the suggestion One is the cost of transport and another the time limits imposed on demolishers Concrete has to be removed from the bricks to make them fit for re-use The cost of transporting rubble could be as high as R1,4m from one major site alone, according to leading demolisher, Wreckers, which is about to implode a Johannesburg city block to make room for BankCity Auto House on the corner of Fraser and Jeppe streets, which takes up half a block, will be levelled on Sunday It will be followed by Aitkin House on April 25

Wreckers MD Mike Perkin suggests that for such jobs — far from informal settlements — unused mine land within 5km of the CBD could be set aside for further dispersal points "Bricks and other materials could then be cleaned up by the end-users without the imposition of time limits," he points out

Murphy Demolishers' Dave Murphy says a clean-up process is often not necessary — as when taking up brick driveways All demolishers canvassed — including Express, which is about to take down the Hyperama sheds in Edenvale — confirm that millions of bricks and other re-usable materials are thrown away in the course of their work While doors and windows have a ready second-hand market and are sold on demolition sites, or to discount building traders, bricks are dumped into landfills, at golf courses or municipal tips



Auto House *out of implosion, bricks and work*

Rand Mine Properties, which owns large areas of land adjacent to townships and central Johannesburg, says it is prepared to discuss the idea of using suitable areas as clean-up sites One obvious concern is the disposal of large chunks of rubble resulting from implosion and the need to ensure that only materials suitable for re-use are delivered to designated sites

The clean-up process could be completed earlier than delivery to dispersal sites. The only person involved in brick recycling is Thomas Masingi who has run Rixile Demolishers, of Newtown, Johannesburg, for 22 years Rixile's demolition work is usually on small sites — his clients include RMP — where enough time is available to clean bricks These he gets free before processing and selling them He employs eight women who can process up to 1 000 bricks a day

Masingi comments "Ninety per cent of my customers are rich whites Blacks are only now starting to realise that second-hand bricks, and even halfbricks, can be used, particularly on the inside of houses where they are plastered over Face bricks can be used on the outside As far as I'm concerned, if the bricks are used by the squatters, it won't deprive me of business"

PPC group MD Ted Hodgkiss says he may consider donating cement to selected projects as part of the company's social responsibility programme.

Bricks make up one-third of the price of a house Low-cost housing agencies such as the SA Housing Trust, the Urban Foundation and the Independent Development Trust, could find that the money saved on the cost of bricks, along with materials donated by developers, could be used to provide employment for shack dwellers to build homes This is the principle behind using on-the-spot labour at Rietfontein where a water main is being constructed under the direction of consulting engineer BKS ■

CLIFTON BUNGALOWS

Testing the price

The sale of what are widely regarded as the most sought-after residential properties in SA — the Clifton bungalow sites in Cape Town — is headed for a long legal battle

Leaseholders are trying to make the city council sell the properties at prices set six years ago FM 27/3/92

The 170 sites on the beach at Clifton are leased from the council at nominal rentals but long-term leases, including the modest bungalows on the sites, now sell for much more than they would have in 1986 when the council decided in principle to sell the sites

Prices were set at around R200 000 They were regarded as steep then but not unreasonable

Technicalities delayed the sales Earlier this year, the council decided to test the market by selling three vacant sites and one which had a bungalow They fetched a total of R2,6m

The plots ranged in size from 371 m² to 520 m² and the prices from R550 000 to R750 000 at an auction attended by about 350 people

The prices were regarded as exceptional in view of the strict conditions of sale you must build within two years of transfer, resale before building is restricted, as is size and height of buildings and vehicular access from the road

The auction was seen as an indicator of how the council could peg prices when it eventually sells the other plots But bungalow owners say legal opinion is that the council cannot raise the prices from the 1986 level.

After the auction, the council decided to let its executive committee determine the prices It is understood that the committee is

continue →

BLUE CIRCLE

Bearing the cost

FM 27/3/92 (193)

Activities: *Manufactures and supplies building and construction materials as well as engineering products*
Control: *Murray & Roberts (84,7%)*
Chairman: *Trevor Coulson* **MD,** *Graham Hardy*
Capital structure: *27,6m ords Market capitalisation R1bn*
Share market: *Price 3 630c Yields 3,4% on dividend, 8,0% on earnings, p e ratio, 12,5, cover, 2,3 12-month high, 3 700c, low, 2 000c Trading volume last quarter, 30 464 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	43,3	48,8	3,7	22,9
LT debt (Rm)	41 2	9,1	42,3	71,6
Debt equity ratio	0,14	0,09	0,05	0,05
Shareholders interest	0,58	0,68	0,72	0,69
Int & leasing cover	1,8	16,9	17,2	n/a
Return on cap (%)	35,4	18,7	17,0	14,2
Turnover (Rm)	527	741	776	752
Pre-int profit (Rm)	203	127	119	112
Pre-int margin (%)	38,5	17,1	15,3	14,8
Earnings (c)	305,5	329,8	285,2	291,5
Dividends (c)	100	110	115	125
Net worth (c)	1 109	1 315	1 472	1 653

Blue Circle's Coulson ...
satisfactory performance

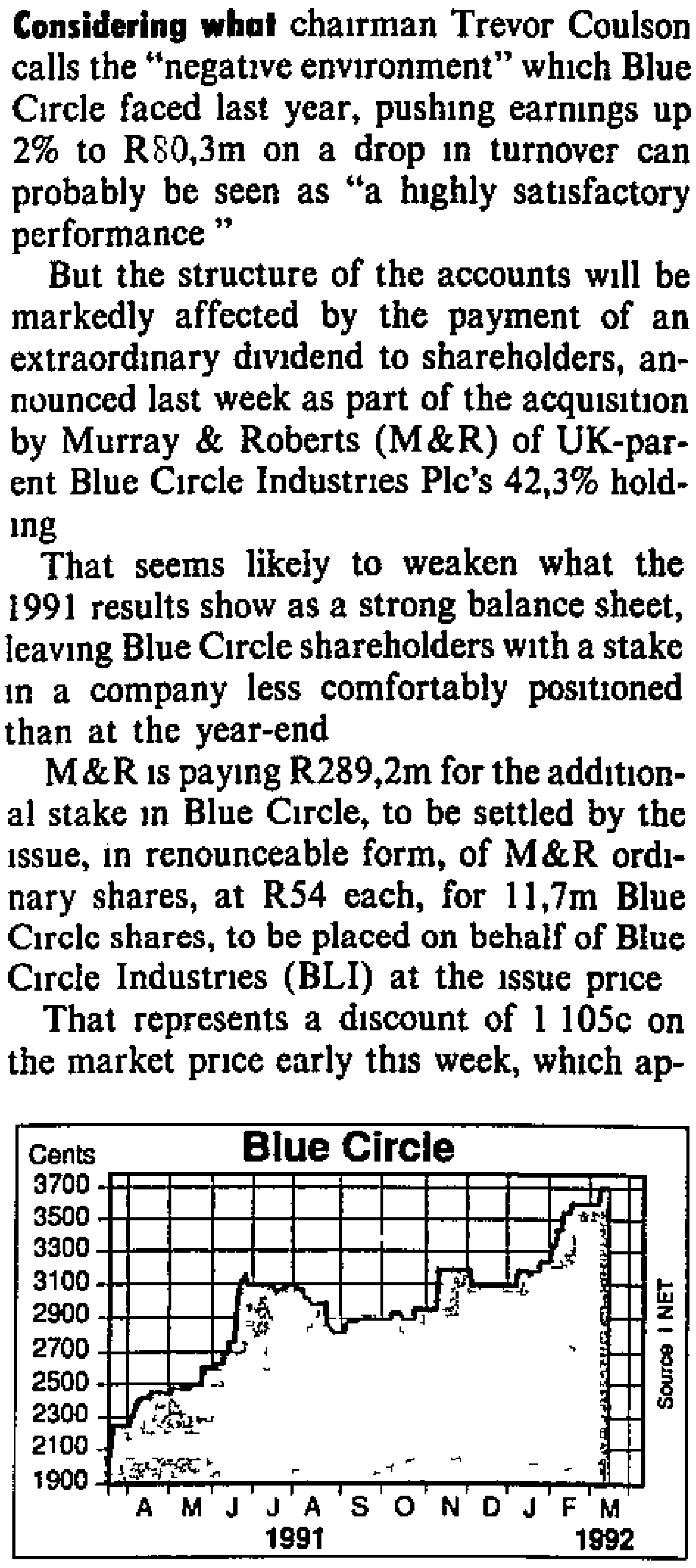
Considering what chairman Trevor Coulson calls the "negative environment" which Blue Circle faced last year, pushing earnings up 2% to R80,3m on a drop in turnover can probably be seen as "a highly satisfactory performance"

But the structure of the accounts will be markedly affected by the payment of an extraordinary dividend to shareholders, announced last week as part of the acquisition by Murray & Roberts (M&R) of UK-parent Blue Circle Industries Plc's 42,3% holding

That seems likely to weaken what the 1991 results show as a strong balance sheet, leaving Blue Circle shareholders with a stake in a company less comfortably positioned than at the year-end

M&R is paying R289,2m for the additional stake in Blue Circle, to be settled by the issue, in renounceable form, of M&R ordinary shares, at R54 each, for 11,7m Blue Circle shares, to be placed on behalf of Blue Circle Industries (BLI) at the issue price

That represents a discount of 1 105c on the market price early this week, which appears to be a good buy for M&R. But, in terms of the extraordinary dividend of R11 a share to be paid by Blue Circle to shareholders as part of the deal, BCI will receive an additional R128m. The UK Group has elected to receive this in cash and, in terms of the deal, will get 78% of the payout at the commercial rand exchange rate. In effect, the discount enjoyed by M&R is being made up by Blue Circle out of its own resources.



Should minority shareholders, representing the remaining 15% interest in Blue Circle, choose to receive the extraordinary dividend in cash, it will cost Blue Circle about R175m to finance the dividend

Naturally, this will strain Blue Circle's currently healthy liquidity While profit margins were squeezed at year-end, the group had R67,5m in cash — more than three times as much as in financial 1990 When the R94m debt is matched against the cash, net borrowings, at R26,9m, were not significantly higher than in the previous year With a negative interest charge due to capitalising interest, during construction, to the cost of capital projects, Blue Circle had a sound balance sheet.

The extraordinary dividend, of which BCI is the major beneficiary, will absorb the cash and leave Blue Circle to find more than R100m to finance the payout It will boost debt and leave a significant interest bill for this year

That leaves minority shareholders, who, in terms of the offer, can elect to receive capitalisation shares at about 44,4 shares for every 100 ordinary shares held, with an interest in a diminished company

Of course, they can, in terms of M&R's offer to minorities, exchange Blue Circle shares, including shares issued in terms of the capitalisation offer, for M&R shares This is based on the ex-dividend price of 2 480c per Blue Circle share for M&R shares at R54 per share, an offer M&R commercial director Jeremy Ractliffe believes most minorities will accept

"With both shares trading on a similar p e ratio, the market seems to think minority shareholders will go for M&R shares," he says If that happens, M&R should get the control it needs to delist Blue Circle just as it delisted Darling & Hodgson after buying the company and getting its first 42,3% stake in Blue Circle

Deputy MD Angus Morrison says interest will have a significant effect on Blue Circle but cash flow is strong The group has shown itself to be a good cash generator — but should shareholders be happy with Blue Circle footing a large part of the bill for its own acquisition?

They might be better off taking the capitalisation offer and sticking with Blue Circle, despite the negative effect that share dilution and financing costs will have on earnings, which some analysts believe will drop to about 230c per share

Besides the obvious synergies between M&R and Blue Circle, the acquisition is strategic in that, with building materials usually picking up early in the building and construction business cycle, potential earnings recovery should be quicker for Blue Circle

Though not as spectacular an earner as M&R, Blue Circle has shown solid performance in the past couple of difficult years And, with M&R possibly consolidating after its buying spree, it should start to recover earlier than its parent

The price, near its high of R37, will probably drop in the short term as minorities react to M&R's offer It has enjoyed the rerating common to other cement manufacturers, with a surge of nearly R6 since talk of the acquisition began early in the year

EPS are slightly higher in the latest results but have been in a downward trend since the 1988 level of 305,5c The share, at more than double its net worth, looks expensive A downward correction seems likely *Shaun Harris*

BTR DUNLOP FM 27/3/92

Flattened by imports

BTR Dunlop's sales and profits were particularly hit by an 8% drop in new sales and the deferment of major capital projects in the mining industry The key tyre replacement market was devastated by the ending of import control on tyres This led to a surge of imported new and retreaded tyres of varying quality

Continue →

Klein is set for Boumat hot seat

S/Times (BUSS) 29/3/92

193

By ZILLA EFRAT

STUDENT and labour leader Adam Klein has joined the ranks of the bosses

He is the new chief executive officer "in waiting" of Boumat, the listed building merchant and manufacturing group with annual sales of more than R1-billion

After 16 years in the US working as a lecturer and management consultant, Mr Klein, 40, has just returned to South Africa with a strong American accent

He left in 1976 on a three-month American Leadership grant to study at Harvard University

At the time, he was general secretary of the Garment Worker's Union of SA and deputy vice-president of the Trade Union Council of SA

While in the US, he heard that 27 trade union leaders had been banned and understood the same would happen to him if he returned

He decided to stay on and complete an MBA at Harvard Business School and then complete his doctorate in business administration

He later specialised in the management of change in corporations, trade unions and government agencies

He spent the next 10 years lecturing at Harvard Business School to MBA students and chief executives, a job that kept him on his toes because his students were often "incredibly demanding"

Because Harvard encouraged its lecturers to get into "the real world" through consulting, Mr Klein joined the Boston Consulting Group as a strategy consultant in 1978

Two years later he became a senior associate with the MAC Group, which does work for some of the major corporations and trade unions in the US, UK and France

He was also a periodic visiting professor at Wits and Cape Town business schools, as well as to the Jerusalem Institute of Management

In 1987, he started his own company, Klein & Co, concentrating on designing and implementing strategic and organisational change for corporations and trade unions

His work took him to countries like the US, Canada, Sweden, Russia, Romania, SA and Brazil

For a number of years, however, he had been thinking about returning to SA, the country of his birth and where his family still lived

He says he knew it was time to get out of consulting when his secretary told him he had logged up "one million and forty" frequent flyer hours

At the same time Boumat was looking for a new CEO, Mr Klein was looking for a way to become involved in SA because of the enormous opportunities the country had to offer

He says "There is definitely a sense that the individual has the ability to contribute in SA In the US, you are just one person out of 250-million"

Mr Klein, who already had a personal association with Boumat's out-going CEO, David Gevisser, and its new chairman, Sidney Borsook, had to go through a series of rigorous interviews before he was offered the job

He accepted because of the job's many challenges

One is keeping Boumat, which is being restructured after a couple of tough years, in the front line of the competitive construction and building industry

Another is taking advantage of the host of opportunities opening up to the company, including the export market and increased social spending to meet SA's development needs

Last week he was busy settling in at Boumat's Sandton head office, but his appointment only becomes effective in July

Meanwhile, he is learning the ropes from Mr Gevisser and touring Boumat divisions around the country

ADAM KLEIN
Accepted the challenge

While he will be able to draw on skills as a consultant, his new job is a change

"It is a different challenge being in the driver's seat and being emotionally in the centre of a company, as opposed to being in the passenger seat telling people what to do," he says

Benefit

Mr Klein, who was president of Wits University's Student Representative Council in 1971 and 1972, says his student and trade union days were a powerful period of his life

Today he believes trade unions, management and shareholders all have an important role to play with mutual benefit

"They are not in conflict, but create a community of interests"

Masonite shows how it's done

STAR 30/3/92

(193)

Diagonal Street

LYNNE PEACH

Hats off to Masonite's management team for steering company profits along a high growth path in difficult times

Despite foreign and local markets being badly affected by the recession, Masonite's attributable profit climbed more than 50 percent in 1991 and continued growth, albeit at a slower rate, is projected

In the annual report, chairman and MD Alan Wilson attributes the performance to a number of factors, including the wide product range, quality and service, and efforts to contain costs

Although certain markets are likely to decline further in the medium term, Mr Wilson views the future with optimism.

Mr Wilson is confident in the future of loss-making subsidiary Ezebilt Products, which is adapting its product range and marketing strategies to meet market conditions.

In the year to December, group turnover climbed 12 percent from R113,1 million to R126,4 million, while operating profit shot up 62 percent from R12,1 million to R19,6 million.

Mr Wilson attributes the improvement in margins to good cost management, cost savings arising from investments, productivity improvements and an excellent production performance

After a nine percent increase in net interest expense from R2 million to R2,2 million, pretax profit was R17,4 million — 73 percent higher than the previous year's R10,1 million

An increase in the effective tax rate from 26,6 percent to 34,4 percent resulted in attributable profit rising a lower 54 percent from R7,4 million to R11,4 million

Earnings per share rose from 108c to 167c and the dividend from 43c a share to 60c

The balance sheet reveals a significant decrease in borrowings, resulting in gearing falling from 33 percent to 15 percent

Mr Wilson says the decline in interest-bearing debt from R15,9 million to R8,9 million was facilitated by a sharp cutback in capital expenditure

Masonite, priced at R13, is trading on a P/E ratio of 7,8 and provides a dividend yield of 4,6 percent

The share offers fair value at the current price level and accumulation, particularly on price weakness, is recommended

COMMENT: In 1989 and 1990 Masonite's price fell steadily from a record high of R16,50 to a low of 675c

Recovery got under way early in 1991 and recent price gains have been strong

Although the price may consolidate or correct in the short term, the primary trend is favourable will only be threatened if it falls below R11,25

Masonite on high growth path

By Lynn Peach (193) (182) STAR 2/4/92

Hats off to Masonite's management team for steering company profits along a high growth path in difficult times

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Although certain markets are likely to decline further in the medium term, Mr Wilson views the future with optimism.

Plans include investment in processes and facilities to produce quality products at competitive prices.

Mr Wilson is confident in the future of loss-making subsidiary Ezebilt Products, which is adapting its product range and marketing strategies to meet market conditions.

The business of Masonite includes the manufacture of hardboard, insulation board, cryogenic mineral wood, wood and mineral fibre ceiling panels and decorative wall panelling

Modular housing and shelter units are manufactured by wholly owned company Ezebilt Products.

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Workers arrested for trespassing

Sowetan 9/4/92

193

By MONK NKOMO

ABOUT 200 workers at a brick manufacturing company in Pretoria have been arrested after refusing to vacate the premises since their dismissal last week.

The workers, who are members of the Construction and Allied Workers' Union, alleged they were fired for having taken part in a march to the Union Buildings to protest against the Budget and Value Added Tax.

The march was organised by the Congress of SA Trade Unions and the African National Congress

Northern Transvaal police spokesman Colonel Willie Vlotman said yesterday that 189 workers were arrested for refusing to vacate the premises at South African Bricks in Boekenhoutkloof near Hercules

Vlotman said the former employees, most of whom stayed on the premises, were asked to leave after the company had obtained an interdict in the Pretoria Supreme court on Tuesday restraining them from being in the area

He said the 189 refused to leave in spite of the court order Police were called and they were arrested

They were due to appear in the Pretoria Magistrate's Court today on charges of contempt of court and trespassing

A spokesman for the company declined to comment on the matter and said the issue was "very sensitive at the moment"

A spokesman for the workers accused management of ignoring their grievances and of refusing to discuss job-related issues with them.

He also said he viewed the dismissals as an unfair labour practice.

Brick deal

S/Times (Bus) 12/4/92

COROBRIK will export 8-million bricks to Singapore. This is the first large export order for bricks from SA and is worth about R6-million. (193)

The building industry is booming in Singapore The bricks were ordered by the Housing Development Board for houses and flats

COMPANIES

Quagga receives takeover offer

WILLIAM GILFILLAN

193

GRANITE operation Quagga could be saved from extinction following a takeover offer for the company. In an announcement today, Quagga's controlling shareholders said they had received a takeover offer

This follows the announcement in February that the controlling shareholders in Quagga were involved in discussions which could result in a sale of their interest in the company. Analysts speculated the candidates to take over the group were either the Keeley Group or Impala Granite

This was after the Marlin group, initially thought to be the most likely party to take over Quagga, had denied it was involved in negotiations Marlin had been quarrying and marketing Quagga's African red operation in Lebowa on a profit-sharing basis since 1990

As the Keeley group already has extensive reserves of African red, the group's motivation for taking over Quagga would be to increase its stranglehold in the African red market, which was a lucrative part of Keeley's business However, there is no matching cautionary announcement from Keeley.

BDay 14/4/92

Observers believe unlisted Impala Granite, owned by a German-based holding company Desdag in which Anglo American has a 50% interest, to be the more likely takeover party

Kudu Granite, the other African red quarrier in the country, is currently conducting merger talks with Impala

Asbestos producers expecting another profitable year

STAR 20/4/92

193

By Derek Tommey

South Africa's two quoted asbestos producers — Msauli and Gefco — are still in business, making profits and expecting to do better this year, in spite of the wide-spread campaign against the use of asbestos

Demand for Msauli (chrysotile) fibre remains firm and with a slight shift emerging in the supply/demand situation in favour of producers, it is expected that the total production will again be sold This firmer demand should lead to increased US dollar prices, reports Mr HP Hart who is chairman of both companies

Output should be helped by the new tailings recovery plant which should lead to a 10 percent increase in production This will be partly derived from a low cost ore resource and should help to contain the high cost of deeper mining

New depot

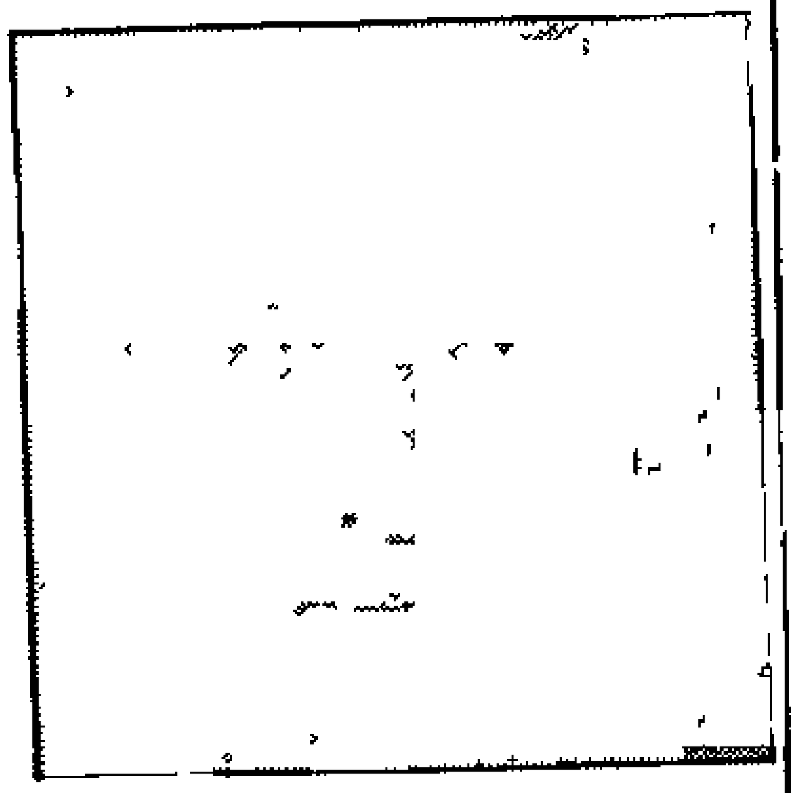
This year Msauli plans to spend some R2 million in assuring continuity of supply at depth and R2 million for a new container depot which should result in a reduction in offmine selling expenses Altogether capital expenditure this year is expected to be about R6 million

Overall, Mr Hart is fairly optimistic about Msauli's prospects

"Given no major change in the demand from traditional markets, Msauli shareholders can look forward to a satisfactory year with some potential to improve on dividend payments," he says

Msauli had a turnover of R78,0 million (R70,2 million) in the year ended December Taxed income was R7,9 million (R9,9 million) equal to 121,9c (153,0c) and dividends took 25c (50c)

The outlook for Gefcor, which produces blue asbestos, is not so bright as that for Msauli The market for blue fibre is static with sales to a constant number of traditional customers only, says Mr Hart



HP Hart developing additional business ventures

Environment

Demand for the group's fibres remain under pressure from environmental groups and government authorities in many of the major market areas

However, a US court recently rejected a call for a ban on blue asbestos

But while this is positive for the remaining asbestos industries, it is not expected to bring back customers lost to substitute products

However, a major unknown in the future of blue asbestos is the availability of chrysotile asbestos which is replacing it in the asbestos pipe industry Recently there has been a steady decline in the availability of premium grade chrysotile fibres which could lead to an increased demand for blue fibres

However, the group accepts that its abestos business is declining and is continuing to develop additional business ventures

Mr Hart says the effort is being directed at coal and two projects are being investigated in detail One of the projects involves mining some 27 million tons of B grade bituminous coal The total cost of freehold and coal rights is R2,8 million and market-related royalties will have to be paid

Disappointment

The other project involves an operating mine where a joint venture or participatory interest have been agreed in principle

The performance of the group's Annadale colliery was a "bitter disappointment", says Mr Hart Although it was projected to be fully commissioned by last August, neither the sized coal nor the fines sections were in full production by year-end However, the mine is now showing signs of improvement Indications are that the domestic market will absorb the total output of sized coal at acceptable prices

Gefco's turnover from asbestos dropped from R107,6 million in 1990 to R87,9 million last year Turnover from coal grew from R573 000 to R4 205 000

Taxed income was R3,0 million (R8,7 million) The company paid an interim dividend of 2,5c in 1991 which absorbed R898 000 No final dividend was paid

Gefco's Penge asbestos mine may close

B/Day 21/4/92

WILLIAM GILFILLAN

GEFCO's Penge asbestos mine may close this year with the loss of 700 jobs, a victim of increasing asbestos substitution world-wide as demand grows for safer alternative materials

Chairman Pat Hart said at the weekend the northeastern Transvaal mine's future would be in doubt from the end of the year, while output would be cut at Gefco's two mines in the Kuruman area The loss of the major market for amosite asbestos, used in asbestos-cement manufacture, in the Far East because of substitution had been a severe blow to the Penge mine

"The mine operation has been reduced to one shift (in the latter part of last year) and planning is in place for closure during 1992 should the market shrink to below economic levels" He added good volumes were more important than prices for the mines to break even. About 700 jobs would be lost through the mine's closure, Hart said

Penge accounted for a third of Gefco's turnover and attributable income ~~in~~ the 1991 year, analysts estimated

Hart said the rejection of the ban on asbestos in the US was positive for the future of the remaining asbestos industries But it was not expected to bring back customers lost to substitute products

Plate Glass offer goes well

STAR 21/4/92 (193)

The offer by Plate Glass of 8,2 million shares at R43 a share was 96,6 percent subscribed, reports UAL Merchant Bank which, with stockbrokers Davis Borkum and Hare, organised and sponsored the offer

The offer will raise R354 million of which R210 million will be used to recapitalise PG's offshore operation and the balance will be used to finance local debt

Offerees and their renoucees subscribed for 7,9 million shares equal to 95,7 percent and there were applications for a further 71 874 shares

All applications were allotted in full.

Certificates will be posted to applicants today

COROBRIK'S UNUSUAL EXPORT ORDER

FM 24/4/92

193

Bricks are seldom thought of as an export commodity, but the combination of a building boom in the Far East and the demise of sanctions has contributed towards Durban-based Corobrik winning a R6m order to ship 8,5m face-bricks to Singapore over six months

Singapore is well into a R3,4bn annual building programme that is expected to continue for at least the next two years, according to Corobrik business development director Ray Andrews, who engineered the deal Singapore's brick-making capacity is woefully inadequate and it is unlikely to be expanded because that would swallow up valuable land

Andrews says negotiations began while Singapore was still applying sanctions against SA This meant that some "fairly roundabout things" had to be done and made the job of landing the order a lot more difficult, he adds

"Had an agreement been possible before the trade embargo was lifted last month, the difficulties created would undoubtedly have affected price and quantity Then came the referendum I believe the 'yes' vote clarified the situation and helped to seal the contract near the end "

The Corobrik order was won despite competition from Australia, which has a sophisticated brick industry, and Malaysia, Andrews says

"Prices were keen and there is no doubt that had the rand not been as soft as it is, we would have been disadvantaged The fact that SA is in a building recession and that Corobrik has some brick-making capacity also helped Nevertheless, we didn't go into this deal on a marginal basis The margins are thin, but it's not a loss leader It is a large contract and we would probably have gone into a domestic contract on the same margins "

Saficon on line for a bigger stake in Boumat

B/Day 30/4/92

MARCIA KLEIN (193)

SAFICON's offer to increase its stake in building supplies company Boumat has forged ahead with shareholders passing resolutions yesterday which make the offer unconditional

Saficon announced that shareholders had approved the creation of an additional 4,7-million ordinary shares

Saficon had previously made an offer to Boumat shareholders — other than Sanlam — for 27% of their shareholding

Saficon also said it would accept on a pro rata basis other Boumat shares tendered to take its shareholding to 51%

in the property market had been particularly difficult, BoE's trust business had shown strong growth with assets under administration rising by R500m to R4,3bn About R350m of 60% due to the disposals But attributable profit benefited from a significantly lower tax rate and the reduction in interest paid to loan stockholders, prompted by the con- on maintaining the quality of the business He added BoE was looking at acquisition possibilities both inside SA and abroad in related areas of activity

Turnover falls 70% at Bolton

BDay 30/4/92

JONO WATERS

BOLTON Properties, which has been shedding its assets during the past few years, declared a final dividend of 5c a share for the year ending February 29

Turnover sank from R1,2m in 1991 to R369 000 — a drop of nearly 70% Turnover in 1990 was R5,39m

The company, which has sold off a large part of its nonrevenue-producing property and other assets during the past few years, raised a further R31 000 on the sale of land and buildings. 30/4/92

Earnings for the year were 5,3c a share, slightly ahead of the predicted 4,5c a share.

The directors forecast a dividend for the coming year of 3c a share, which would be distributed fully in the form of a single dividend after the year-end

Double results from Italtile

BDay 30/4/92

MARCIA KLEIN

RECENTLY restructured ceramic tile and sanitaryware group Italtile significantly increased earnings — on a pro forma basis and off a low base — during the year to end-February.

The group, which separated the listing of its retail and manufacturing operations, has issued actual and pro forma results for the year.

Chairman Gianni Ravazzotti says the pro forma figures reflect trading results for the group's combined manufacturing and retailing operations as if it had it not restructured in order to allow comparison with the previous year's results

Pro forma earnings grew 31,4% from 76,1c to 100c a share while actual earnings were 65,9c A final dividend of 6c a share was declared.

This, with the 8c a share interim dividend and the 7c a share declared by manufacturing operation Ceramic Industries, brought the full year's dividends up 17% to 21c a share

Ravazzotti said growth of both the retail and manufacturing operations had been inhibited until mid-1991 as Italtile was a vertically integrated group. The group's operations were split into two separately listed companies so that each could focus on their core businesses of retail and manufacturing respectively, he said (193)

Earlier this year, after the acquisition of Abacus's ceramics factory and its Audiobuild listing, the manufacturing operations were renamed Ceramic Industries and housed in the Audiobuild listing

Ravazzotti said this move had enabled the group to separate its divisions and allowed the manufacturing operations to sell products to alternative retailers

☐ Turnover figures are not given, but turnwas 11,9% higher than during the previous year against 10,2% turnover growth in the year to end-February 1991

Operating profit rose 8,8% to R23,5m Actual operating profit of R16,3m reflected six months of the manufacturing division's trading and a year of the retail division's trading Ravazzotti said growth in turnover and operating profit was achieved despite adverse trading conditions and increasing price competition

The group had budgeted for no real growth in turnover and increased pressure on margins in financial 1993 Earnings for the year would be maintained "at the annualised achievement" of the second six months of financial 1992

Park for Oxbel shareholders

Toncoro cutting back

(193)

By Tom Hood STAR 1/5/92

The country's biggest brickmaker, Toncoro, is negotiating a deal to sell its three Corobrik factories employing hundreds of workers in the Western Cape to its main competitor, Crammix Bricks, based in Brackenfell

This follows three years of plunging profits by Toncoro — part of the Tongaat-Hulett empire — and sales countrywide areestimated to have fallen below what they were at the worst of the 1985-86 depression

A takeover would more than double Crammix's production capacity and make it the country's largest independent brickmaking company

A joint announcement from the two companies is expected soon

Toncoro managing director Cedric Savage declined to comment on reports of a takeover or merger

But he said 28 different companies in the group ranging from aluminium to sugar had been put under the spotlight by American management consultants and significant changes could be made

Huge stockpiles of unsold bricks have prevented companies from raising prices to meet increased costs

Gefco's Penge asbestos mine to close

B Day 6/5/92.

MATTHEW CURTIN (193)

GEFCO's Penge asbestos mine would close on June 26 because of shrinking demand for amosite absestos, chairman Pat Hart told shareholders at the company's annual meeting yesterday

About 700 jobs would be axed at the northeastern Transvaal mine, the world's only amosite asbestos producer

The move would knock Gefco's future results, as Penge was a significant contributor to earnings despite its declining fortunes in recent years

Amosite asbestos is one of the three principal varieties of the material used mainly in the manufacture of asbestos cement Amosite is a high-quality, long-fibre asbestos which imparts high resistance to acids, sea water and heat to the products in which it is used

However, absestos fibres are a health hazard, and amosite has come under particular pressure from enviromental lobbies in the US and Japan, where its use is being phased out

Hart said the mine had enough stocks to meet its few outstanding contracts

The NUM had accepted that the mine was no longer viable, and severence packages were being negotiated, he added

Johnson Tiles confident about the economy

B/Day 7/5/92

Business Day Reporter

JOHNSON Tiles had completed the first phase of an R8,4m two-phase capital investment programme at its Olifantsfontein factory, it said yesterday (193)

Recently-appointed MD Ray Forster said the investment expressed the company's confidence in the SA economy

He said the programme was launched after an investigation of the SA ceramic tile market's prospects and client research Modernisation and automation of production would result in significant efficiency improvements, higher production, reduced product damage, improved cost competitiveness and enhanced quality

A wholly owned subsidiary of Norcros Plc of the UK, Johnson SA is one of six companies in the worldwide Johnson Tiles group It holds about 20% of the local floor tile market and 30% of the wall tile market The SA ceramic tile market accounts for sales of 6,2-million m² wall tiles and 5-million m² of floor tiles annually

Firm gets R1,3m boost

Sowetan 7/5/92.

(193)

SUPATRUSS of Edenvale, a member of the Reef Group of Companies, has established an office in Botswana after being awarded a R1,3 million contract to supply roof trusses for 300 apartments in Gaborone

The contract stipulated the supply and erection of roof trusses, sundry and chromadek roof sheeting for the 300 two and three bedroom units

The sheeting will be supplied by Tangent Sheeting, another member of the group

The managing director of Supatrusss, Mr Paul Baron, said "This contract has given us the opportunity to increase the scope of our services to Southern Africa and, by involving a member of the Reef Group, it provides us with the opportunity to provide the client with a more complete service "

Many opportunities in Africa existed for South African companies, Baron said, adding "the competition for African business will escalate in future and the best time to enter this market is at present

Supatruss, established in 1984, has grown from a half-a-million rand company, employing 11 staff members to a company with annual turnover of R5-million and employing 36 workers

PPC presses on despite bad times

(193)

By Derek Tommey STAR 5/5/92

Pretoria Portland Cement (PPC) is a company waiting for the economy to recover.

Nonetheless, it managed to steam at "slow ahead" in the six months to March, and its shareholders are to receive an 11 percent increase in the interim dividend from 45c to 50c a share

Turnover rose 15 percent to R434,6 million and operating profit rose the same percentage to R91,4 million

But investment income dropped sharply from R6,1 million last year to R2,6 million, which limited the increase in pretax profit to R94,0 million from R85,8 million a year ago

A rise in the tax rate further trimmed the profit increase, with taxed profit rising only three percent to R54,0 million from R52,3 million

After providing for outside interests, attributable profit rose from R50,6 million to R52,3 million

Earnings a share improved three percent from 125,7c to 129,4c a share.

The directors say that cement sales rose one percent in volume, but margins improved from 22,6 percent to 24 percent as a result of strict cost control and enhanced production efficiency.

The lime division lifted operating profit seven percent on a rise in turnover of five percent, indicating an improvement in margins

The directors expect no improvement in trading conditions in the financial year to September, but predict a small improvement in earnings

PPC turnover outpaces cement sales

EDWARD WEST (193)

PRETORIA Portland Cement (PPC) has increased turnover by 15% to R434,6m (1991 R377m) in the six months to March 1992 in spite of only a 1% rise in local cement sales over the period

Operating profits for the Barlows-controlled cement and lime producer rose 15% to R91,4m from R79,7m However, a sharp drop in investment income to R2,6m from R6,1m resulted in pre-tax profits rising 10% to R94m from R85,8m

A higher tax rate saw the Receiver take R40m compared with R33,5m in the previous period As a result, attributable profits were only 3% higher at R52,3m Deferred taxation amounted to R166,2m

Earnings increased 3% to 129,4c from 125,7c a share The interim dividend climbed 11% to 50c from 45c a share, reducing dividend cover to 2,6 from 2,8 times

PPC said cement division profit margins improved to 24% from 22,6% which, together with cost control measures, enhanced production efficiencies and the 1% increase in local sales volumes, resulted in increased contributions to income

The lime division also reported slightly improved profit margins on a turnover of R77,3m PPC, the largest of the three producers in the cement cartel, claims about 45% of the local market

PPC financial director Chris Wrogeman said capital expenditure during the six months at R22,6m was significantly lower than R69,7m spent during the same period last year and future capital commitments were also substantially lower

The low capital expenditure and a strong cash flow enabled PPC to reduce dividend cover over the past few years, he said

BDay 8/5/92

PPC's directors forecast no improvement in trading conditions during the current financial year, but they nevertheles predict a small improvement in earnings

PPC's share price was untraded at R48 yesterday compared with a net asset value of R15,22 a share

FOCUS: *Buying bricks isn't a simple matter*

Just another brick in the wall

W Mail 8/5 - 14/5/92. (193)

CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy and what to avoid

MANY consumers have found the experience of dealing with builders and suppliers to be exasperating and the situation is no different with regard to bricks

Unless you have been referred to one of a myriad of small independent brick producers, the name "Corobrick" will come to mind If you are older than 30, Brickor will be a faint memory, now part of the Corobrick empire — which is in turn part of Anglo American

Corobrick is a national company and claims it is the largest in the world, but as it is negotiating to sell its Cape division it may lose this distinction

Be prepared for a run-around from Corobrick It denies it is a monopoly, but it behaves like one; its attitude is nobody else will take your money for bricks, as this Critical Consumer found while seeking out pricing information this week

However, let's get back to bricks — clay as opposed to the concrete ones Clay bricks, like other ceramics, are made from clay dug from the earth, mixed with water, cut by a variety of processes — from the primitive to the sophisticated — into the 220mm by 106mm by 73mm shape so well known They are then baked at high temperatures in kilns — again of differing sophistication — so that they become strong and hard A variety of techniques of burning are used so that combined with the natural properties of the clay in a particular area, the brick will take on a particular hue

This method of making building materials has been used since time immemorial and persists because the final product has some outstanding qualities as a building material The main one is its insulating qualities which make a dwelling neither too hot in summer nor too cold in winter

It is also virtually maintenance free when used as an outside cladding, needing no regular paint jobs or replastering

But for this there is a price to be paid

A plaster brick (the type covered eventually by plaster or another cladding) can cost R300 for 1 000 bricks at Corobrick If you shop around at other brick yards, you will pay less However, if you are buying more than 10 000 bricks from Corobrick, you will get them at a discount so that each lot of 1 000 clay bricks will cost around R197 There is a terrifying slump in the industry so shop around and haggle, it can make a difference Delivery charges bumps the price up — Corobrick adds R80

Corobrick has a special division, Brick and Tile, to help small-time consumers But if the consumer is unaware of the existence of Brick and Tile and telephones Corobrick's sales division, he or she will be tempted within no time at all to try another brick yard They will not give prices over the telephone, will not help anybody without an account and seem to be either unwilling or ignorant of the fact that Brick and Tile is simply another division of Corobrick

The next pitfall for Transvaal consumers is that what is sold at Brick and Tile is not necessarily the produce of Corobrick This does not mean the product is inferior, but the company says its bricks are made to a particular standard and consumers may want to check up on what they are getting for their money

For one thing, the clay plaster brick is definitely not one of Corobrick's Some consumers have complained that certain specialty and expensive face bricks are not made by the company either, but this was not stated

Corobrick assured this Critical Consumer that in other areas of the country, only Corobrick products were sold at its 27 Brick and Tile outlets

This can be important if, for instance, the consumer needs a brick with particular load-bearing qualities — one of the factors which varies in different types of bricks

Some bricks have the quality stamp of the South African Bureau of Standards and this means they meet certain specifications Many manufacturers, and brickmakers are no exception, claim their products are "made to SABS specifications", but unless it has the stamp, there is no guarantee of this

Clay face bricks can be made in a variety of colours these days, but for the joy of these, it will cost — in some cases more than R1 for each brick before delivery is taken into account

Many independant smaller brick yards with good quality bricks and fewer expenses, charge less than Corobrick — around R500 to R600 per 1 000 face bricks

In the good old days of building booms, consumers would have to wait months to receive a delivery of bricks These days, there is virtually a same-day delivery About 2,5-billion bricks are produced annually and the stockpile is now almost 6,25-million Corobrick is responsible for the production of roughly 40 percent of these (about one billion annually), with the rest being made by any of the 120-odd yards in the country

Ceramic merger

(193)

DEBEX and Greenbank Malvern Engineering, large manufacturers of ceramic wear tiles, have joined forces in an effort to improve the efficiency S/Times (13455)

Greenbank Malvern supplies the coal-mining and power-station industries and has considerable experience in marketing these products The merger will complement the technical and manufacturing skills of the Debex ceramics division 10/5/92.

Loans market collapses

[redacted]

STAR 14/5/92.

THE breakdown in law and order had led to a collapse in the normal functioning of the housing loans market and an inability to enforce the legal consequences of non-payment, the De Loor report found

Political action such as bond boycotts had caused significant losses to mortgage lenders and undermined the functioning of the process which sustained viable housing delivery

Bond boycotts, together with a lack of affordability and the risk of non-recovery due to dismissals and retrenchments, placed constraints on the small housing loans market

To sustain viable housing provision, the whole process surrounding home-ownership had to be allowed to function within established systems

The State should provide remedies for mortgage lenders — Sapa

Appeal to protect consumers

[redacted]

STAR 14/5/92

WIDE-RANGING exploitation and malpractice by some commercial housing developers, particularly of people in low-income groups, had led certain communities to challenge the role of the private sector in housing provision, according to the De Loor Commission on Housing

Provision had to be made for a more effective form of consumer protection

Malpractices identified by the Urban Foundation included falsification of income information, incomplete disclosure of associated costs (eg transfer costs), brokering firms which charged a fee to secure bond finance which was not reimbursed if the application failed, excessive deposits which were not refundable, collection of deposits by non-approved estate agents, and the illegal sale of sites to squatters — Sapa

Building industry probe call

STAR 14/5/92

(193) [redacted]

AN IN-DEPTH investigation into monopolies and over-concentrations in the building material supply industry should be undertaken, the De Loor Commission on Housing has recommended in its report

The commission said the Government should also relax import controls and lower tariffs on building material to promote domestic competition

The building material supply industry was dominated by a few local conglomerates protected from foreign competition by effective trade barriers

In many instances, building material could be imported at substantially lower cost

A superficial analysis of the suppliers' profit records indicated that prices were adjusted upwards to allow a supplier to maintain profit margins even when demand for a product declined. — Sapa

Political leaders meet on future

Sowetan 14-1-92 (193)

THE executive director of the Clay Brick Association (CBA), Mr Leon du Bruin, this week outlined possible scenarios in the new South Africa

This was after he had in-depth consultations with a broad spectrum of political leaders

At the annual meeting of the CBA held at the Drakensburg Sun this week, he gave clay brickmakers a background against which to plan their marketing strategies for the year ahead

"The most desirable scenario," he said, "is the negotiated democratic solution, which would require a balance to be found between a democratic constitution, universal vote and protection of minorities

"I want to stress that a major element of this scenario would be the devolution of power to local levels "

He appealed to the clay brickmakers and other businessmen to eliminate the residue of apartheid in their spheres of influence and to play a greater part in the negotiation process by getting more involved at regional level

In that way, he added, businessmen would help steer the process of change in a direction which would result in more jobs, stability and prosperity

Progress, thus far, had been good, he said, with whites feeling more comfortable since the referendum

A bill of rights, proportional representation, a bi-cameral parliament and decentralisation of power had already been agreed upon

Still on the agenda, however, was the accommodation of minorities

During the conference delegates considered ways to win further market share from cement masonry

Cementation group back in the black

B/Day 15/5/92. (193)

EDWARD WEST

THE Cementation Company is back in the black and has achieved earnings of 1,5c a share in spite of a 23,6% drop in turnover in the six months to March 1992

The group, engaged in engineering and contracting operations for mining and industry, has been hard hit by economic conditions in these sectors Its net loss was R10,8m at the year-end to September 1991

Cementation's interim results published today show turnover down to R129m from R169m Net income rose sharply to R2m from R361 000, while interest paid fell 70,6% to R1,8m from R6,1m Tax fell to R108 000 from R308 000

Attributable profits were R138 000, compared with a R6m loss last year This translates to earnings of 1,5c a share, compared with a loss of 67,2c a share last year No dividends were declared

Long-term borrowings were down to R5,2m from R7,3m, with short-term borrowings down to R19m from R42m, the company said

Financial director Anthony Watson said that while the group would have preferred better results, asset management steps initiated last year had paid dividends in spite of the difficult trading enviroment

He said these included combining various divisions, retrenchments, greater attention to cost controls and limiting capital expenditure In the interim period, capex was limited to R296m from R828m

Watson said the group was not overly optimistic about an economic improvement, but he believed it would stay in the black for the rest of the year

Building inquiry

(193)
S[Times (Buss)]

● From Page 1

disappeared 17/5/92

Charles Hollman, director of cement affairs at Pretoria Portland Cement, says. "We are pretty clean. Our prices are about the fourth lowest in the world and are not kept high by artificial restrictions"

Jack Saulez, managing director of construction group Grinaker, also involved in supplying materials, says profit margins are small. But he believes an investigation would not be a bad thing.

Kelgran's earnings crack under foreign pressure

BDay 25/5/92

193

MATTHEW CURTIN

EARNINGS at granite producer Kelgran cracked under the strain of fierce overseas competition for its products in the year ended February 1992. Earnings fell 48% to 28,9c from 56c a share in 1991, after taking into account extraordinary items

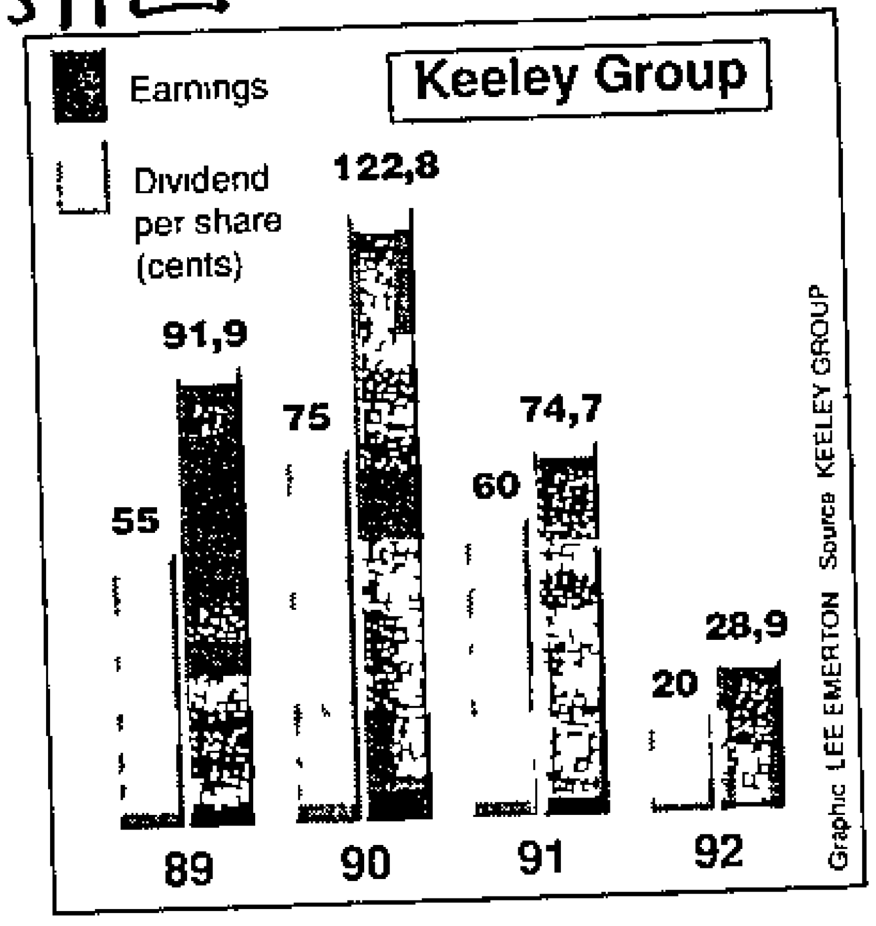
Kelgran declared a total dividend of 20c, down by half from 40c in 1991, when shareholders also received a 43,2c special dividend

Chairman Fred Keeley said at the weekend that results reflected "intense competition in the international granite market"

However, the prospects for the industry looked better SA is a leading producer of black and grey granite, which have proved increasingly popular in the construction industry as well as the traditional tombstone and monument markets

Keeley said that with the formation of the Southern African Granite Association (Saga) underway, implementation of a revised marketing strategy and better customer service would increase the group's marketing penetration in 1992/1993

A key factor was the substitution of granite, a hard wearing and pollution-resistant stone, for marble, a soft stone, as well as "equality of pricing" Price battles between SA exporters have exacerbated the effects of world recession and the slump in granite trade after the Gulf war in the past two years



Keeley said Kelgran was engaged in advanced talks aimed at acquiring large coloured granite rights Local and foreign exploration was proceeding well

In 1991 protracted merger talks between SA's leading producers including Kelgran, Kudu, Impala Granite and others fell through However, trade association Saga was established in March this year, and Keeley said its aim of improving service, standards and quality control would stabilise the international market for SA raw granite

Keeley said in a statement that in 1991/92 "fierce competition between granite processors resulted in price reductions for manufactured granite in most countries This competition precipitated extreme pressure on the price of SA raw granite exports which in turn seriously eroded profit margins"

Operating profit margin at Kelgran, in which Keeley Group Holdings has a 50% stake, fell to 8,8% from 23% the year before as turnover slipped to R191m from R201m

Operating profit tumbled to R17m from R47m, but after-tax profit at R18m (R41m) was bolstered by a net tax inflow of R3,5m compared with a tax bill of R4,3m in 1991 Kelgran's interest bill rose to R2,1m from R1,5m Results also reflect Kelgran's port operations which Keeley said had performed to expectations

Keeley Group declared a dividend of 20c (60c) after earnings fell to 28,9c from 74,7c a share

Price cutting cracks granite market

S/Times (Buss) 31/5/92 (193)

By JULIE WALKER

GRANITE leader Keeley suffered from intense international competition in the year to February, resulting in a 75% drop in earnings compared with the last year.

Major bugbear was the competition among granite processors which led to price reductions for manufactured granite in most countries

Margins on SA's raw rock exports were squeezed

Chairman Fred Keeley says a trade association of SA producers is being formed to promote the country's granite through good service, standards and quality control

Keeley itself is revising its marketing strategy — it has the stocks to meet demand It is also negotiating for a coloured stone deposit and is exploring in SA and abroad

Mr Keeley believes prospects are good because granite is being substituted for environmentally vulnerable marble The group is also considering joint ventures in granite manufacturing

Keeley's turnover came off 5% to R191-million, but operating income fell by two-thirds to R16,9-million Earnings a share before extraordinary items were 26,2c, of which 20c was paid in dividends

FRED KEELEY Profit squeeze

Merger

Electronics company Jasco made three imprudent acquisitions that sullied the fine performances from the four good ones

Management has sold one, amalgamated another into a profit-centre and is taking legal action against the former management of the third on the grounds of a serious breach of its fiduciary duties

At the interim, Jasco said it had merged Pasco with Procom into Pascom, which was losing money Skypage was making a contribution, but not Ilsa Jasco could not be reached on Friday to comment on the legal issue

In the year to February, Jasco's turnover added R8-million to R72-million, but operating profit fell by 48% to R3,7-million Finance charges doubled to R2-million

The share price has risen 13c from its low three weeks ago, to 40c Electrical group Delta has 21% of the equity, which it came by when it sold Procom to Jasco in 1990

Of the 23 companies reporting annual figures this week, 13 fared better than previously, and three made losses The trio were Fenix and Propcor and Abbey, which suffered from textile troubles and low-cost housing write-offs

Real

Twins benefited from earlier spadework in the 13 months to April, reporting attributable income of R63-million — half as much again as the arithmetically annualised comparison

Rationalisation of a few losers meant an 11% fall in turnover to R477-million, but turnover showed a real increase

Borrowing costs were reeled in by 70% to R5-million on smarter management The pharmaceutical, consumers and visioncare divisions did well, but animal health was hit by the drought

Twins will spend money on new products and upgrading manufacturing facilites It expects real growth in the current year, although not by as much as 1992

Lenco's sales edged up 3% to R455-million in the year to February The group raised operating income by 8% and reduced interest payments to give 15% higher pre-tax income of R44-million

Lenco treated Compak as a 100% subsidiary for the full year after buying out the minority last August

Clothing and footwear came under pressure be-

JULIAN ASKIN Recovery

cause of low consumer demand, but every division made a positive contribution to cash flow

Lenco increased earnings a share by 14% to 49,3c and the dividend by a similar amount to 11,5c on a 27% higher number of shares in issue The balance sheet is robust

Tollgate Holdings turned the corner in its second year under new management in the 12 months to December 1991

Although turnover was down 8% at R550-million after certain disposals, operating income was 68% up at R43-million —enough to cover the interest bill of R35-million

Extraordinary items encompassing losses on the disposals of Gants and Norths as well as revaluation of investments totalled R31-million Another R15-million goodwill was written off

Handful

Since the yearend, Tollgate has sold Tramways and is negotiating to shed Tramways' properties

Chairman Julian Askin says the board looks forward to a continued recovery of fortunes in leisure, tourism and distribution, which are all trading profitably

Among smaller companies to do well were Multisource, Crookes, Molyslip and Yabeng

The handful of interim results contained no surprises Metpol predictably raised its earnings 22%, Usko and Norvic incurred losses and Oakfields turned around after decimating the bloodstock business

Back on the JSE in Servgro colours

S/Times (Buss) 31/5/92

By JULIE WALKER

ONLY two years after the delisting of Federale Volksbeleggings in a minority buyout by Sankorp, a good whack of the assets are to be relisted under the Servgro banner

Servgro, which is to be listed soon, is Sankorp's services arm

Fedvolks — a perennial dog if ever there was one — used to be a miscellaneous bag of bits. They included tyres, china, drugs and tractors as well as some of the investments now under the Servgro logo, such as Interleisure, Teljoy, Avis, Interpark, Fedics and Price Forbes

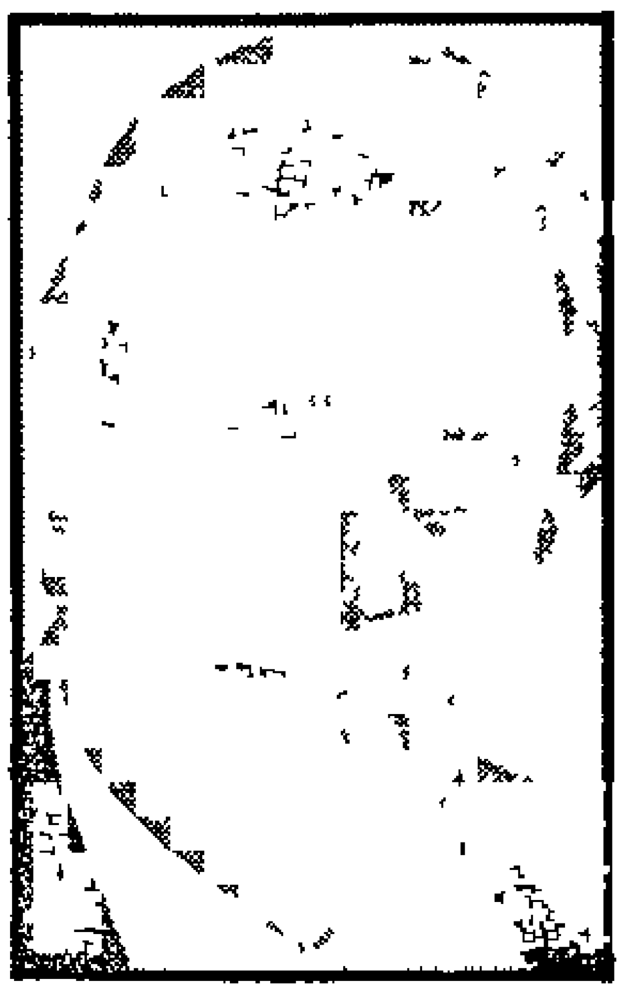
To these six has been add-

van der Walt says Fedvolks is history and that Servgro has focus

It is hard to spot focus in such diverse operations as cinemas, TV rental, car hire, car-park management, catering and actuarial evaluations as well as publishing

Mr Van Der Walt says Servgro is the new image of a services group developed with strategy over 15 years He says the institutions accept this and say they will place a premium rating on Servgro

In 1990, Fedvolks' share



PEET VAN DER WALT In focus

Pilkington planning a move to the Reef

193

JONO WATERS

PILKINGTON Shatterprufe Safety Glass is considering moving its architectural division to Springs from Port Elizabeth as part of a long-term strategy to boost competitiveness. B Day 2/6/92

Glass SA, holding company of the Pilkington operations, had found it necessary to consider relocation because of the increasingly competitive building glass market in SA.

Glass SA CE Rod Fehrsen said 65% of its market was in the PWV region and with transport subsidies being lifted in May next year it made economic sense to consolidate all its building glass manufacturing and processing operations on the Reef

The proposed move was planned for late November next year and would involve 275 employees at an estimated cost of R6m

He said the automative glass processing plants would remain in Port Elizabeth

Asset management fuels Boumat recovery

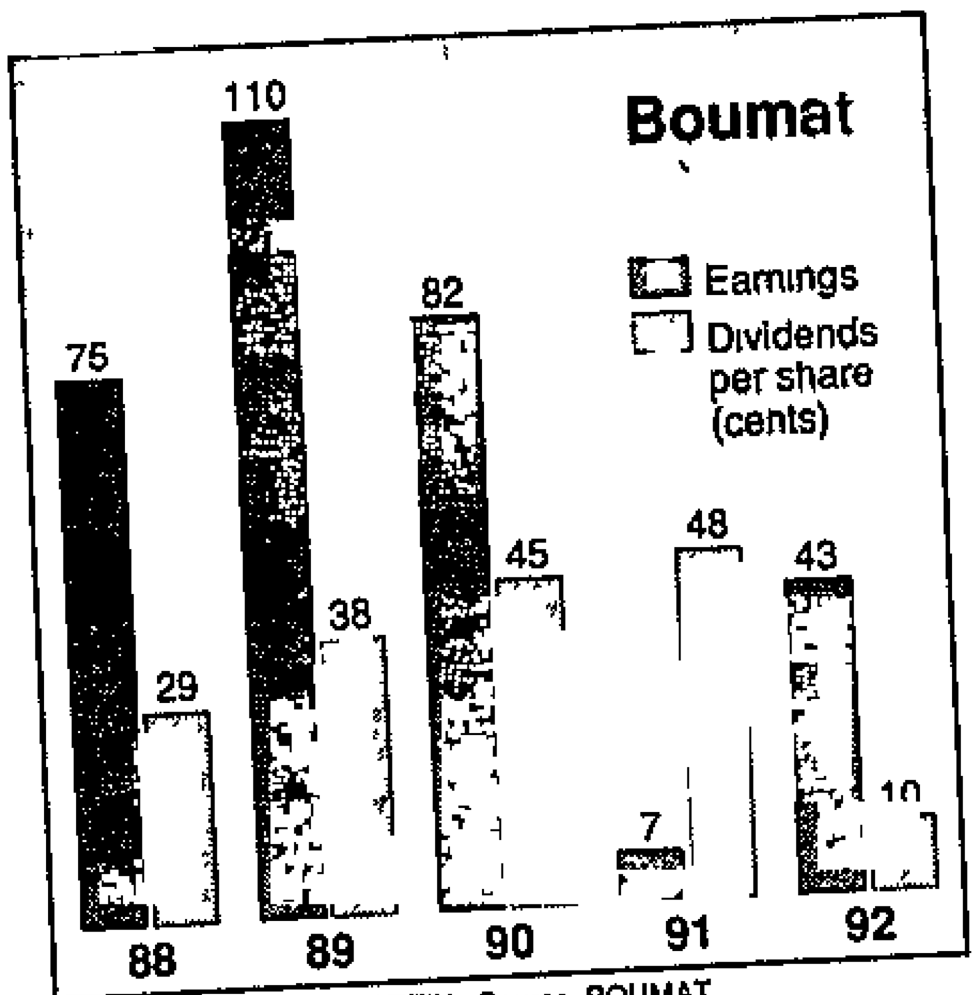
B1Day 2/6/92 (193)

EDWARD WEST

BUILDING material supplier Boumat continued the recovery recorded at its halfway stage in the second half of the year with earnings in the year to March 1992 reaching 43c a share from 7c the previous year.

Chairman Sidney Borsook said the vastly improved results flowed from the closure of several unprofitable outlets in 1991, improved results from underperforming operations and businesses which consistently produced good results.

Reflecting the longest recession since the Second World War, sales improved only 6,6% to R1,2bn (R1,1bn), said Borsook. However, operating profits improved 35,6% to R39,3m (R29m).



Graphics RUBY-GAY MARTIN Source BOUMAT

Asset management affected the balance sheet and the ratio of debt to fixed capital fell to 14 from 45,5 — causing interest paid to fall to R17,4m (R23,2m). This helped boost pre-tax profits to R21,9 (R5,8m) Tax came to R10,5m (R3,5m). A final dividend of 6c was declared, bringing the annual total to 10c a share

The 48c dividend paid in the 1991 financial year to shareholders who did not take up the bonus share offer was not comparable as Boumat amended its dividend policy last year to 25% of equity earnings.

Borsook said the deteriorating economy did not affect all sectors of the building industry at the same time

Residential construction declined, but was expected to show signs of recovery during the first quarter of 1993 Non-residential construction was not expected to recover during the next two years.

However, alterations, additions and renovations provided compensation for the reduced demand in these sectors

Reflecting greater fund allocations from government for the provision of serviced sites, demand for products for water reticulation and sewage systems showed signs of recovery, he said

Borsook did not foresee a significant improvement in the economy or in the building and construction sector during the 1993 financial year However, he did predict further asset management improvements and improved profitability ation in the age | Table Top, is ... tor | ... eign investment could play in re- | ... quicksand.

Sacob urges ANC to join in talks with business sector

STAR 2/6/92

The open-ended nature of several of the ANC's economic proposals is unlikely to inspire local or foreign investor confidence, according to the South African Chamber of Business

Reacting to the economic policy adopted over the weekend at the ANC policy conference, Sacob said yesterday there were two disturbing areas with regard to the liberation movement's economic policies

These were the continued emphasis on nationalisation as an option, and certain curbs on foreign investors

"Such policies would serve to weaken instead of strengthening foreign investor interest in a situation where South Africa is today starved of foreign capital and imported technology," Sacob said

The business group also expressed concern on the issue of taxation, saying clarity and certainty needed to be reached as soon as possible on a future fiscal policy for the country

Sacob urged the ANC to enter into discussions with the business sector to move towards agreement on future economic and social policies — Sapa

RCI to run holiday points system

Property Reporter STAR 2/6/92

There is a growing trend among timeshare buyers to seek flexibility in their choice of holiday time and destination

This has led to companies selling points for exchange rather than ownership of weeks at a particular resort

In line with this, Resort Condominiums International (RCI), the largest holiday exchange organisation, is to administer the new Multi Resort Ownership points system.

RCI managing director Steve Griessel said "Under the MRO system, points bought may be used as 'currency' each year to take one or more weeks, weekends or midweek breaks at a variety of resorts within the system He is confident that the RCI link will mean MRO avoids the problems previously encountered by buyers in some similar schemes, such as an inability to meet demand due to too few weeks being held by the management company in relation to the number of points being sold

Remarkable turnaround at Boumat

STAR 2/6/92

Finance Staff (193)

Boumat's earnings per share recovered remarkably in the year to March, rising from 7c to 43c

But the total dividend has been cut from 48c to 10c Previously, a proportion of shareholders' funds was made available for dividends, regardless of earnings

Boumat has, however, now reverted to the normal dividend cover formula

Chairman Sidney Borsook says sales grew 6,6 percent to R1,16 billion, but that operating profit improved 35,6 percent to R39,3 million

He says the construction industry had been hit harder than most by the "prolonged and deteriorating economic position."

He expects residential construction to improve, though not commercial and industrial building

Mr Borsook expects further improvement in asset management and profitability, although he feels there will be little improvement in the trading environment

BDay 3/6/92

Pep confident about future

(30)

MARCIA KLEIN

PEP Limited, the core business of the Pepkor group, would continue to produce acceptable results in financial 1993 despite the fact that the near future looked uncertain, chairman Christo Wiese said in the annual report

In the year to end-February, Pep increased its earnings by 11% to 215c a share and its turnover by 20% to R1,5bn, notwithstanding consumer boycotts, strikes, the VAT changeover and reduced consumer spending

Wiese said uncertainty created by the negotiating process, falling consumer spending and the devastating drought made it unrealistic to expect any improvement in the economy over the next few months However, some economic indicators pointed to the start of a recovery and improved trading conditions from the third quarter

Wiese said the past year was the most difficult in the company's 26-year history

But Pep had never deviated from its objective of providing clothing and home textiles to the mass market at low prices in unadorned stores

Plan changes delay Columbus venture

BDay 3/6/92 (1814)

MATTHEW CURTIN

CHANGES to Highveld Steel and Vanadium's and Samancor's plans for the Columbus Stainless Steel joint venture had delayed completion of the project's design, but plans would be ready by the end of July, Highveld chairman Leslie Boyd said last night

Boyd said those plans would be submitted to government for approval and the project would "almost certainly" have been given the green light in the second half of the year

He said that in mid-1991 the joint venture partners had finished plans for a greenfields stainless steel project, but made one last approach to Barlow Rand as to whether they could acquire its existing stainless steel operation, run by Middelburg Steel & Alloys Barlow Rand agreed, a decision which led to the Anglo/Gencor Ribn takeover of the company last year

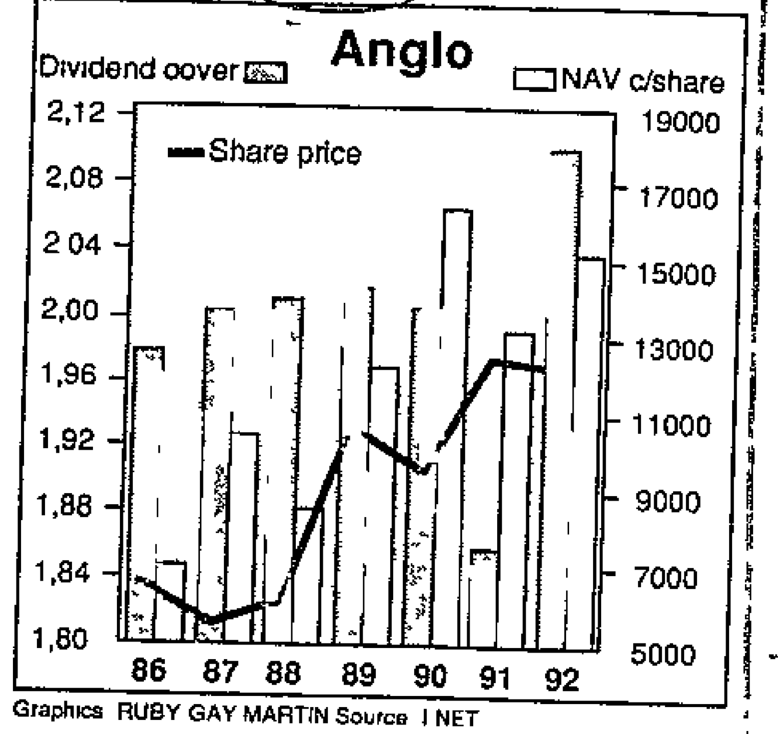
The partners had considered involving an overseas party, which would have improved the project's prospects at a time when sanctions were still in force A deal with a Taiwanese partner fell through

Boyd said by incorporating the Middelburg plant, the site for the now expanded rather than brand new stainless steel project had changed New designs were also required to take advantage of the modern parts of the existing plant, and replace those not suitable for expansion

Although delays in finalising the expansion project were inevitable, he said the Middelburg plant gave Columbus "a much better platform for the expansion project, by generating cash flow, providing market contacts, and links with existing equipment and technology suppliers, as well as boosting the credibility of the partners' commitment to proceed with the venture"

The existing Middelburg plant, renamed Columbus, had proved profitable and internationally competitive Once the design of the expansion was complete, details of the project would be made public

Meanwhile, market sources reacted with cautious optimism to Anglo's March 1992 year-end results, while the corporation's stock climbed nearly 2% or 225c to R124,25 on the JSE yesterday



Graphics RUBY GAY MARTIN Source I NET

Jitters, but no big sell-off on ANC stance

BDay 3/6/92 (74) (743) (60) (272)

SHERIDAN CONNOLLY

NERVOUSNESS in the capital market continued yesterday following the tough line on foreign investment adopted by the ANC this week — but there were no major overseas sell orders, analysts said

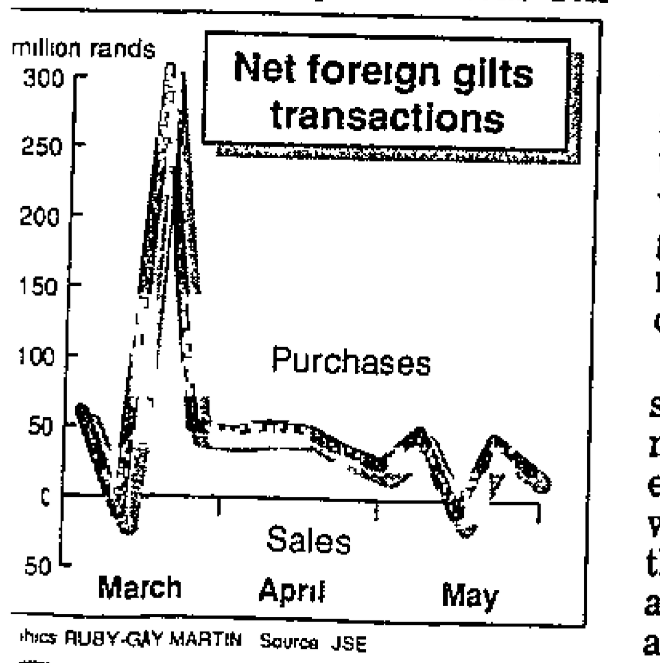
They said the ANC's rejection of investment incentives or special treatment for foreign investors would not encourage much needed inflows of foreign capital in the short term In the meantime, foreigners would still benefit from buying SA gilts at a discount via the financial rand while earning interest at the commercial rand exchange rate

The ANC's foreign investment stance had promoted bearish sentiment in the market and rates were expected to be steady in the next week or so, they added The yield on the benchmark Eskom 168 climbed another ten points yesterday to finish at 15,92% from its previous level of 15,82% and the RSA 150 closed at 16,15% from 16,02%

Analysts said although capital market rates were sensitive to foreign sentiment, overseas investors had not reacted as strongly as expected to the ANC's policy announcement

In a future market environment, the abolition of the financial rand would remove the present investment incentive for foreigners But, a lower value of a unitary rand might still be cheap enough to attract foreigners to purchase SA gilts, analysts said

The financial rand at first reacted negatively to the ANC's policy moves It recovered slightly yesterday and firmed to R3,48 per dollar after dropping to R3,50 on Monday



Graphics RUBY-GAY MARTIN Source JSE

1% earnings rise for Specialty

3 BDay 3/6/92 (30)

MARCIA KLEIN

RETAIL group Specialty Stores aimed to improve earnings for the eighth consecutive year in financial 1993, joint MDs Stewart Cohen and Laurie Chiappini said in their annual review.

While traditional department stores worldwide had declined they said international year to end-February on a 19% turnover rise to R293,6m

Cohen and Chiappini said Specialty would continue to focus on maintaining

New plan for sale of Qantas

CANBERRA — The Australian government yesterday announced plans for its international airline Qantas to acquire the state-owned domestic carrier

Vectra to seek new franchises

EDWARD WEST

W & A SUBSIDIARY Vectra had budgeted for an improved performance in 1992 and was looking for opportunities to expand its dealerships into additional franchises, Vectra chairman Alan Schlesinger said in his review of 1991 published yesterday

Although Vectra's Williams Hunt motor dealerships incurred substantial losses in 1991, corrective action was taken and an improved performance was expected in 1992 even if trading conditions in the motor industry had failed to improve (492)

While Williams Hunt would remain a dedicated franchisee of the Delta Motor Corporation, Vektra was looking to expand into additional franchises, Schlesinger said BDay 3/6/92

Conditions in the automotive afterparts market became increasingly competitive in 1991 and price cutting became the order of the day as businesses sought to reduce inventories and increase market share

The situation was further aggravated by vehicle thefts, largely for spares purposes, and large-scale import of used engines from Japan, Schlesinger said

Schlesinger said the market for new vehicles would remain limited unless there was strong and sustained economic improvement The low level of new vehicle sales and increasing transport requirements would eventually increase used vehicle prices, he said

In the commercial vehicle sector, the depressed economy led to a reduction of kilometres travelled and cannibalisation of vehicles in large fleets for spares Demand for commercial vehicles would increase with an economic upturn, he said

Liebesman upbeat on W&A's prospects

(180) BDay 3/6/92

MARCIA KLEIN

THE streamlining and refocusing of W & A Investment Corporation positions it well for future growth, says chairman Jeff Liebesman, but he avoids making forecasts for the current financial year

In his 1991 annual review, he said although short-term trading conditions in the group's major markets would remain depressed, W & A was now well placed for the coming years

His optimism was based on the fact that W & A was gaining competitive advantage globally and that much of its business in southern Africa was focused on the emerging mass consumer market Also, its commitment to expand export volumes would pay increasing dividends and would help to offset the effects of the poor local economic environment

Liebesman said 1991 was a successful year in terms of results and in terms of progress towards greater focus and increasing globalisation

In the year to end-December, attributable earnings grew by 14% to R129m on the back of strong performances from some offshore activities, rationalisation benefits and reduced gearing

Liebesman said the group's focus was sharpened through significant streamlining steps, which included the sale of the hosiery business, the majority of shares in Elcentre, the JD Group debtors book and some non-strategic properties These would have a significant effect on W & A's ability to reduce debt, while developing its core business locally and internationally, and on the level of interest payable

The benefits of streamlining the group were evident from the fact that operating margins were maintained in unfavourable conditions, as well as from the increase in the liquidity of its shares and improvement in gearing The reduction in gearing from 67% to 58% was achieved despite the R157m investment in offshore operations and the write-down of the group's investment in Elcentre by R100m

The R157m investment in offshore acquisitions, including Alloy Wheels International and OSS Scaffolding, was funded from foreign sources and out of their own cash resources

Capex of R290m included these acquisitions and investments in new companies and innovative technology, Liebesman said Cash available from operations, which increased sharply from R75,6m to R241,1m, represented funds for acquisitions, dividends, retention or repayment of borrowings

DIAGONAL STREET

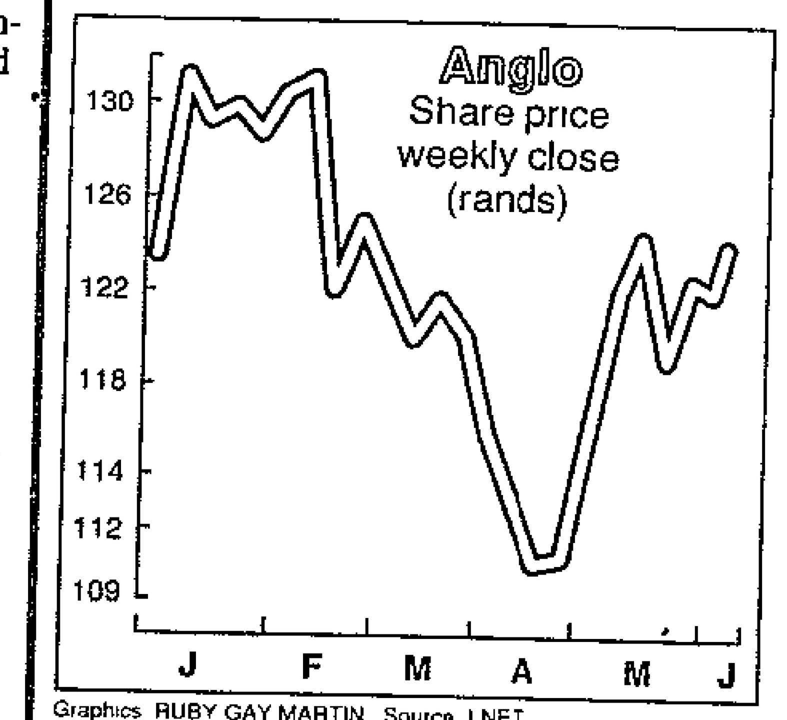
Foreign signals brush aside local worries

THE MARKET temporarily brushed aside domestic political worries, taking its cue from buoyant overseas equities and firmer precious metal prices to close broadly higher yesterday

Buyers were back in the market for blue chips and the JSE industrial index rose 16 points to 4646 as the market also shrugged off moves by Reserve Bank Governor Chris Stals to mop up excess liquidity

The JSE overall index closed with a gain of 18 points to 3722as the all gold index spurted 13 points to 1086

"Monday was a political market with the threats of mass action by the ANC undermining sentiment, but this has been pushed to the background by improving economic data from the US and firmer precious metal prices," a dealer said



Graphics RUBY GAY MARTIN Source I NET

The improved market mood was reflected in better perceptions of ANGLOS' 20% earnings hike and the shares climbed 225c to R124,25 after easing on initial news of the results Associate DE BEERS firmed 100c to close at R90,50

Firmer precious metals were led by platinum which jumped nearly $8 to the $375 area

RUSPLAT firmed 100c to a new 12-month high of R80,75 and IMPLATS rose 100c to R51,50 LEPLAT turned an early downturn into an 8c rise to 165c and PP RUST rose 10c to 690c

Buoyed by gold rising to the $339 level, gold shares edged up with VAAL REEFS rising 350c to R182 and RANDFONTEIN gaining 50c to R16

WR CONS rose 25c to 425c despite news that it has curtailed underground operations with the loss of 1 100 jobs

SA BREWS recouped 125c of its previous day's loss WOOLTRU A rose 200c to R64 and SAPPI rose 125c to R46,50

Newly listed LANGEBERG featured in a bookover deal of 1-million shares as the price eased 75c to 725c The share opened at 800c on its debut on Monday and touched a high of 925c

KANHYM slipped 15c to 735c as Malbak announced that the new food group to be formed out of its merger with Fedfood is to be named Foodcorp FEDFOOD rose 50c to a new high of R22,75

TOLLGATE fell 15c to go back to its recent low of 400c Textile group UNISPIN initially looked set to test its December low of 30c after issuing a cautionary to shareholders on the outcome of negotiations for the restructuring of the company. But buyers later raised their bid price from 30c to 35c

BRIAN PORTER Holdings made one of the best relative gains of 11,3% as the shares climbed 50c to 490c. PRESMED rose 10% or 30c to a new high of 330c.

FIRSTBANK, which rose to a record R67,50 last week, shed 3,7% or 250c to R64. Insurance leader LIB HOLD fell 100c to R119 and LIBERTY was steady at R46,25 METPOL slipped 50c to R15,50.

POWTECH was involved in a bookover deal with 912 000 shares worth R3,6m traded at 405c

MERVYN HARRIS

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

Whole 1

(193)

Business Day SURVEY

The ceramics industry worldwide has a turnover of more than $15bn, with the biggest producers being Britain, Canada and Japan. Because of their superior mechanical, electrical, optical and magnetic properties, high-tech ceramics seem destined to replace metal in certain engineering applications **DAVID PINCUS** *reports*

MOH-9's strength is in its new development

MOH-9 is a world leader in product development and use of technology

It has developed a new zirconia-toughened alumina ceramic material at least twice as tough as 99% alumina, which it believes is a world first, and it says few, if any, of its international competitors use all the forming methods it uses for producing complex shapes

Development of the new material started in 1987 when MOH-9 and the metallurgical engineering department of the University of Pretoria decided to produce a new generation of ceramic materials that would be superior to the conventional 94%, 97% and 99% alumina ceramics.

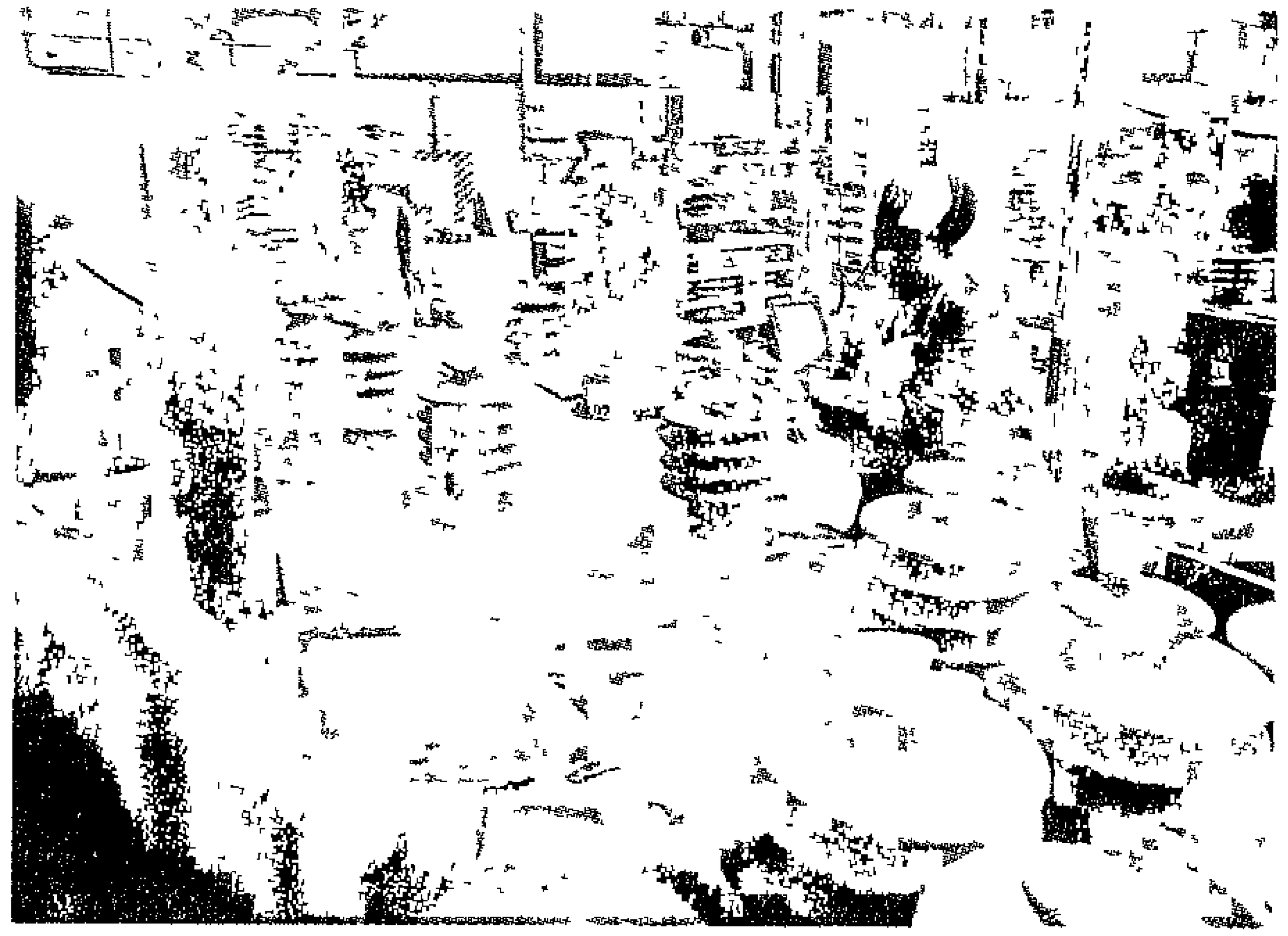
Zirconia was chosen as the additive because of the availability of the zircon raw material Zirconia additives also significantly increase the maximum transverse breaking stress a material will withstand before fracturing

MOH-9's zirconia-toughened alumina consists mainly of locally produced alumina and, at this stage, imported zirconia However, the company is conducting research into preparing zirconia locally

Technical director Dirk Skawran says locally produced zirconia will be "so competitively priced that, we believe, the export possibilities will be enormous"

The material is ideal for many applications, including armour plating, mechanical seals, ball valve wearing parts and high-impact situations in the mining, petrochemical and power generation industries

To ensure maximum forming density and minimum material loss during the forming stage, MOH-9 has also developed a special pressure casting technique With this technique it can produce virtually any component shape



Porcelain insulators being prepared for kiln firing

Cullinan does not potter about

THREE of Cullinan Holdings' divisions are leaders in industrial ceramics — Cullinan Refractories in refractories for use in high temperature applications, Cullinan Industrial Porcelain in electrical insulators and Cullinan Brick in high quality bricks

Cullinan Refractories, a partnership between Cullinan Holdings and Iscor, is the biggest producer of refractories in SA and a major exporter

Cullinan Brick recently commissioned a R40m manufacturing plant in Midrand

Impressive

When in full production it will use some 240 000 tons of clay a year

This is impressive when measured against the total capacity of the SA clay brick industry, which consumes about 10-million tons of clay a year to produce 2,5-billion bricks

Cullinan Brick CE Garth Tayler says, however, that a number of clay brick companies have closed in the past year and the industry has shrunk in terms of installed capacity

"Recovery hinges strongly on bond interest rates, which would serve to benefit the building industry as a whole We welcome the move in this direction"

TFSA has grown in face of adversity

THERMOPOWER Furnaces SA's (TFSA) performance is not exactly what the anti-apartheid lobby had in mind

Rather than follow their script and cringe in the corner when the call for sanctions against SA succeeded, it fought back and developed its own expertise and technology

That enabled it to not only supply the local market with equipment that compared well with virtually anything available internationally, but also put it in a position where it could capitalise on the weak exchange rate to became a significant worldwide player

During sanctions it exported furnaces to Australia, Taiwan, Turkey, Britain and some African countries

The product range of the 24-year-old, Midrand-based company encompasses all firing processes required within the changing ceramics industry It says its research and development department "can design systems around specific requirements, using in-house equipment and it can, if necessary, construct pilot plant testing equipment"

To cope with recent developments in advanced ceramics it has installed furnaces with "elevated operating temperatures" for, among others, Debex, the CSIR, Zebra Power Systems and Mintek

TFSA's resources were tested to the full recently when it was asked by Faiarte Ceramics, a leading manufacturer of ornamental ceramics, to design and construct a furnace to fire a 5,34m high vase weighing 550kg, the biggest thrown vase yet made anywhere in the world

Two sides to the debate on state of local market

SANCTIONS had their effect on some, but not all, in the ceramics industry But as with other industries, the overall effect was to depress the market

This had an effect on sales, which inhibited growth It can be speculated that had it not been for sanctions which caused many potential foreign buyers to shun SA and look elsewhere, the local industry could have been a major exporter, which would have stimulated growth

Brake

That scenario developed into a chicken and egg situation which effectively put the brake on manufacturers investing in higher capacity production machinery which would have reduced their unit cost of production and enabled them to compete more effectively at home and abroad

Instead, the local industry found itself sharing whatever demand there was here with foreign manufacturers which enjoyed the benefit of mass runs made possible by modern technology

Not only did they sell their normal quality products into this market, but also dumped their over production and rejects on it

The only manufacturers which gritted their teeth and invested in automated new technology were those which found themselves being held to ransom by labour The rest claimed there was no point in investing in new and available technology

The other side of the coin, expounded by some in allied industries who do not want to be named, is that there is no reason, apart from home-made reasons, why the industry has done so badly

They point out that some attacked the market here and abroad aggressively and succeeded

"But producers hid behind their protection from imports for too long," says one of the critics

"That dulled their need to compete internationally and allowed them to continue making designs here that are so outmoded they cannot be found anywhere else in the world

"They allowed their quality to slip, and that opened the door, not for dumping, as some allege, but for foreign manufacturers to land their products here for less than local manufacturers could sell theirs for, even after paying all the import charges and surcharges"

Despite the polemic, there is no denying the market is sluggish No major projects are being planned and Corobrik, which recently broke new ground with a R6m order for 8,5-million bricks to be shipped to Singapore, has not built a new plant in 10 years, says Roland Zimmermann, chairman of the SA Ceramics Society

Pragmatist

Zimmermann is a pragmatist He would like to see more bricks, which he says are certainly a ceramic product, made manually, because being labour intensive, it creates jobs

But he also appreciates that, swept up by the urging of their trade unions, many semi-skilled workers feel they ought to be paid on the same scale as nuclear scientists, forcing some manufacturers to opt for state of the art production plants

Acquisition of GME will boost performance

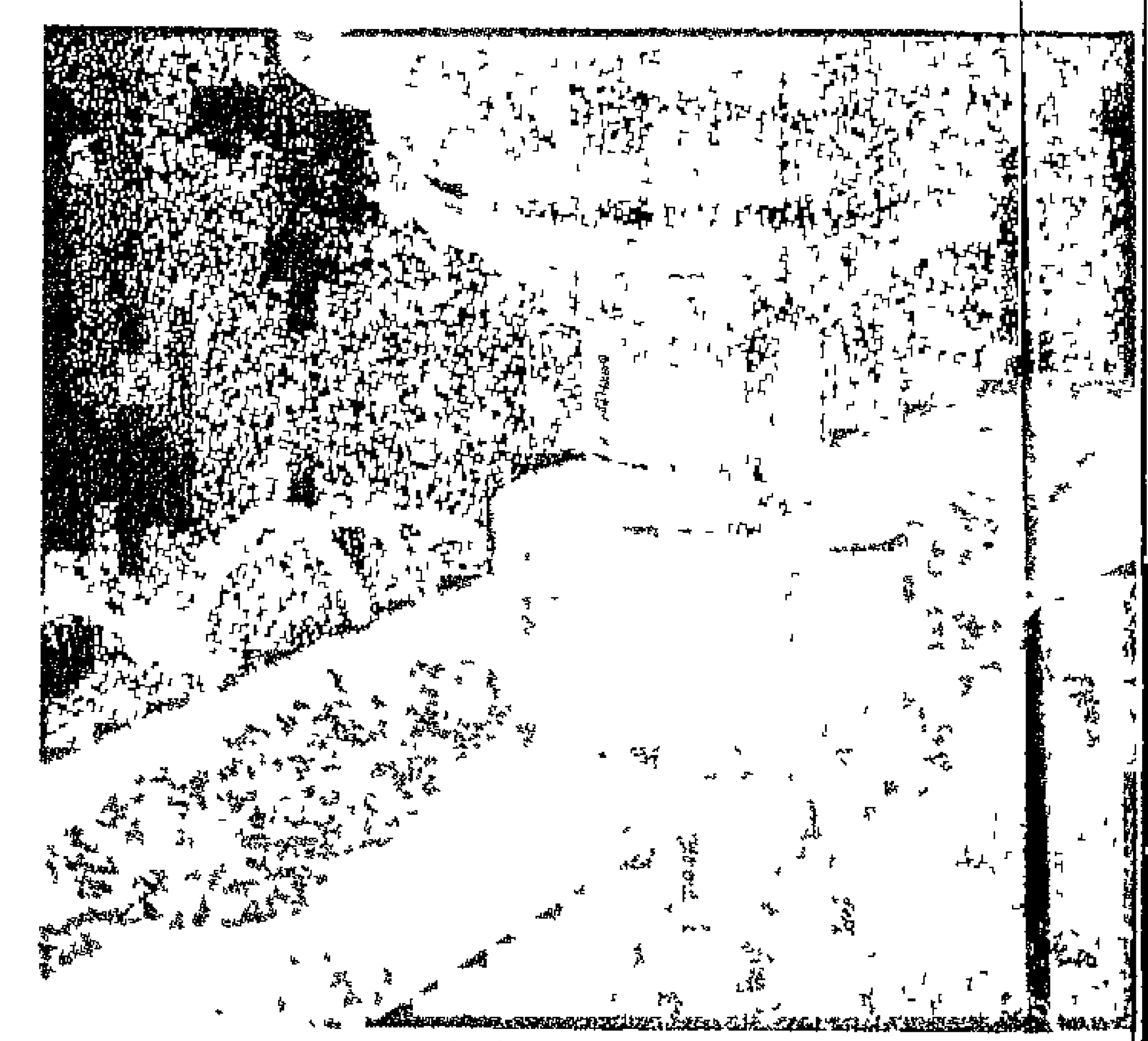
DEBEX, a major player in the ceramics wear tile industry, has become an even more dominant force by the acquisition, earlier this year, of a 51% stake in Greenbank Malvern Engineering (GME)

GME is an applicating organisation which sends its own men to assess needs, choose the right ceramic tiles, decide on their shape and geometry and fit them

Debex MD Dennis Haywood says GME has considerable experience in the marketing and application of ceramic wear tiles

It also has an excellent reputation, and a considerable market base in the coal mining and power generation industries

Debex has considerable experience in the production of ceramics It makes a wide range of high quality standard and custom-designed alumina wear tiles and products, including the Aludex range of abrasion resistant components



De Beers Amborite at work in a milling operation rou

Debex casts eyes at exp

THE ceramics division of Debex, a subsidiary of De Beers Industrial Diamonds, benefited from sanctions

It found users of its products tended to look inwards during this period As a result, its business and facilities grew But now that sanctions are over, it is eyeing the export market and is conducting an investigation to establish the full potential of the market

It has been supplying what labels "highly confidential ceramic components" to the diamond synthesis factories for more than 30 years

Ultra-hard

However, its product Amborite, developed in the early '80s by the De Beers Diamond Research Laboratories in Johannesburg, is well known and widely used

Debex MD Dennis Haywood says that although the De Beer Industrial Diamond Division (Debid) is involved in ceramics at the more exotic end of the business, the diamond group's core business is to produce and supply ultra-hard diamond and cubic boron nitride (CBN) based industrial abrasive products capable of processing and machining today's tough composites and super alloys It was for one of these sectors that Amborite was developed

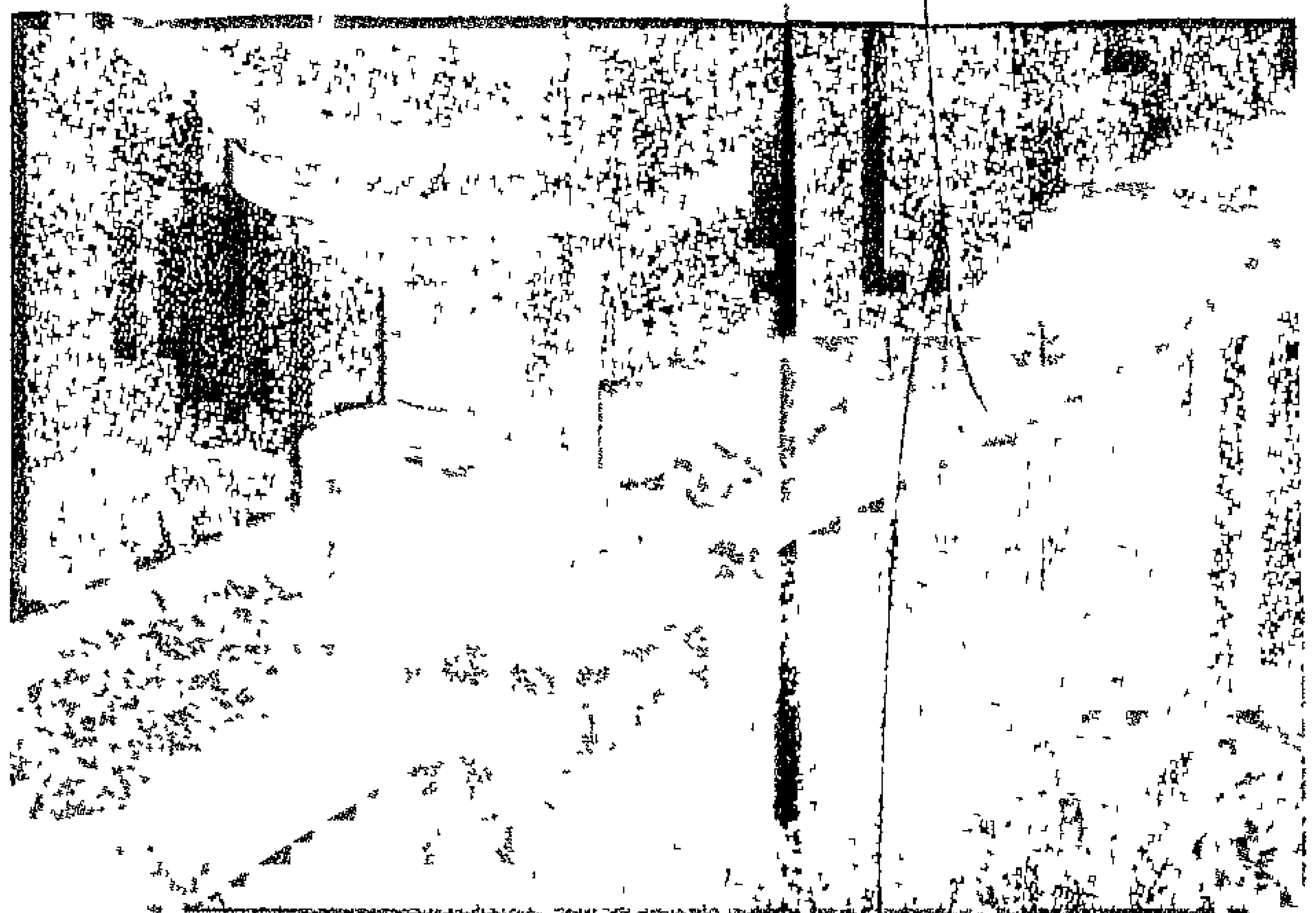
Amborite s a solid CBN polycrystalline machine tool insert material wih a secondary ceramic phase high thermo-chemical stability and great mechanical strength

It is ideal for machining very hard ferrous materials

It can be made by any of De Beers' synthesis plants in SA, Ireland and Sweden and has become an international success, says Haywood 'More often than not, increases in productivity of between 40% and 90% are achieved when an Amborite machining operation supplants traditional slow grinding

'So successful has the product been that the range has been expanded by two further types, DBC50 and DBC80, both carbide backed," says Haywood

DBC50 has a lower CBN content and is highly efficient in the precision finish machining of cast iron, hardened steels, cobalt, iron and nickel-based hard facings DBC80, which was launched only recently, has a higher CBN content with high fracture toughness and thermal conductivity, making it ideal for roughing those materials and finishing on chill cast iron and pearlitic grey cast iron


De Beers Amborite at work in a milling operation roughing hard steel

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The inserts' ability to absorb heat generated in machining operation of very tough materials is part of its success story, for that heat anneals the workpiece as it cuts, which not only makes the process fast and efficient, but continually removes heat from the workpiece

In more recent years the ceramics division, one of seven divisions in the Debex group, has made a significant impact on the local high-density alumina abrasion-resistant parts market, and now sells into a broad spectrum of industry and mining in SA

Toughened

Haywood says the ceramics division has the technology to produce transformation toughened zirconium ceramic, a very hard, inert and thermally stable compound, but current demand does not warrant investment in a plant to produce it

'But on the alumina side we have enjoyed significant success with our Aludex range of high tolerance wear components, which we can make to client specification," he says

High-tech alumina wear resistant parts have supplanted those made from more traditional materials in many applications

Japanese medics develop ceramic bone substitute

WITH few exceptions, those in the ceramics industry can be likened to the traditional absent-minded professor making great strides in his discipline, but too busy making more advances and to let the world know what he has already achieved

Like him, they do not believe in letting the world know of their tremendous advances The result is that only the few actually in the industry and those who need to have a knowledge of ceramics for whatever they do have an intimate knowledge of it

Substitute

For example, how many outside the industry or not connected with the medical profession know that in Japan a new ceramic has been developed as a bone substitute? It's an apatite-woolastonite ceramic that binds with bone and can be used to replace damaged sections of bone that have been removed

It is not necessary to be a nuclear physicist to know that ceramics have been around for a long time, but how many know that ceramics is an industry with a worldwide turnover of more than \$15bn, and still growing? And how many know that pottery, the earliest form of ceramics, predates metallurgy?

In an article published in Mintek Bulletin, Don Enright of its Physical Metallurgy Division says the earliest crude earthenware, found in Anatolia, Turkey, dates back to about 7000 BC, and that sophisticated ceramics were developed in China long before they were used in Europe Stoneware was developed during the Shang Dynasty, about 1400 BC, and porcelain during the Sixth century AD

What Enright terms high-tech ceramics seem destined to replace metals in certain engineering applications

A new field of ceramics, advanced or engineering ceramics has developed during the past 30 years

These materials contain alumina, zirconia, silicon and boron nitrides, and carbides

Because of their superior mechanical, electrical, optical and magnetic properties it has been proposed that, among other applications, they be used in internal combustion engines and gas turbines

The world's biggest producers of ceramics today are Britain, Canada and Japan

Enright says the most familiar ceramics are pottery and white ware, including tiles and sanitary ware Their three main mineral components are clay, silica, and a suitable flux The most important clays in white ware are china clay (kaolin) and ball clay

Ball clays are finer grained than china clays. Fine grain size promotes plasticity and strength in the unfired state However, coarser grain sizes are used to increase the speed of dewatering, a distinct asset when quick casting rates are important, such as in the manufacture of sanitary ware

Important

Silica, in the form of ground flint or quartz, is an important constituent of most white ware bodies

Fluxes melt early in the firing, forming a glassy matrix that bonds the other components together The main fluxes are feldspathic minerals or rocks

Tiles are set to floor the competition

THE SA market for floor and wall tiles has doubled in size since 1982, says SA Ceramic Tile Manufacturers' Association vice-chairman Peter Sneddon

It now consumes about 14-million m² of floor and wall tiles, worth about R500m a year, says Sneddon, who is also MD of Pilkington's Tiles.

Growth is largely for floor tiles, which are overtaking wall tiles, the traditional market leader

Sneddon attributes the swing to "the favourable cost of ceramic floor tiles when compared with other floor coverings".

"In addition, technical innovations and product developments have broadened the market for ceramic floor tiles by introducing a far greater emphasis on quality, design and colouring.

"Ceramic tiles now compete with other floor coverings very much in terms of aesthetics and fashion.

Having to compete with imports which offered buyers larger format tiles and a wider choice of design certainly invigorated the industry. Local manufacturers had to invest in new plant and improved technology to remain competitive.

"But we cannot match everything Marble and porcelain tiles, for example, require highly specialised machinery.

"The basic constraint is the size of the local market, which makes manufacturing specialised supplies not viable and limits mass production, with its relative reduction in unit cost."

He says the obvious way to overcome that problem is to boost production by catering for the export market as well. But there are pros and cons.

On the credit side, SA has relatively cheap energy, and its neighbours to the north can be regarded as a natural extension of the SA market.

But on the debit side the SA industry will have to compete with completely mechanised, high volume European and Middle Eastern suppliers which enjoy tremendous governmental export incentives

Technikon focuses on design and business

THERE are several ways for newcomers to break into the ceramics industry.

Two options are to join one of the big companies, or to enrol with either the Pretoria Technikon or the Witwatersrand Technikon for their ceramics courses.

The course run by the Pretoria institute is supported by and designed to satisfy the needs of industry. Students spend about half their study period in hands-on situations in factories and the other half in full-time study

Both are diploma courses, but the course run by the Witwatersrand Technikon has a different emphasis.

While it equips its students with the basics they would need if they went to one of the big manufacturers, its real purpose is to equip them with the skills and knowledge needed to open a small business.

It emphasises design and business skills

And, says Eugene Hon, chairman of the ceramic department, "we tend to attract the more mature students, because hopefully the small studios or businesses they establish when they leave the Technikon will develop into fully fledged factories".

He says "Ceramic Designs, which is now a fine ceramics ... origins in

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Top team at CSIR has its foundations built on solid rock

ONE of the few benefits resulting from sanctions was the development of local skills and expertise at the CSIR to service SA's strategic ceramic needs

But with SA's increasing acceptance by the outside world the CSIR is moving towards servicing the commercial needs for ceramics technology, and is seeking alliances with industrial partners

Advanced

It has lots to offer — pilot plants for the manufacture of limited numbers of advanced ceramic components which it uses to establish processes, quality systems and cost information necessary to prove the technical and economic viability of any advanced ceramics component or manufacturing process

Apart from the traditional structural and functional areas of ceramics technology, its services include materials development (oxide and non-oxide ceramics), process development, prototype component manufacture and materials testing and characterisation

The CSIR's advanced ceramics programme manager Nigel Stone says that with these skills it can play a constructive role in the provision of turnkey solutions, even to problems where ceramics is a small but vital element of a larger system

An example is the CSIR's piezoelectric plant established 10 years ago It is the only facility in SA supplying these ceramics, used to convert electrical current into mechanical energy, and vice versa

Because the country's strategic needs have diminished, the facility is now being used to service local industry in the manufacture of, for example, ultrasonic baths, level sensing transducers, accelerometers and vibration monitors

This work is undertaken by the institute's advanced ceramics programme, staffed by 35 scientists and technologists located in the division of Materials Science and Technology

The area covered is vast Stone says in the domain of structural ceramics the demand is for improved mechanical properties, such as strength, fracture toughness, hardness, temperature and wear resistance

These ceramics are used in applications such as wear-resistant tiles, mechanical seals, cutting tools, wire guides, metal-forming dies and biotechnology

Its work with structural ceramics places it in an ideal position to give advice on the most suitable ceramic materials for specific applications

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He says "Ceramic Designs, which is now a fine ceramics factory, had its origins in a garage"

He believes that with sanctions ending, several German and Italian pottery factories will start investing in SA

And, with the number of overseas tourists increasing, he also sees a niche market developing for mass-produced, ethnically designed ceramics

To capitalise on that market, "students will have to be exposed to a programme of design projects that deal with areas that will include designing for mass manufacture, personal investigation of imagery in clay, and computer-aided design"

Top team at CSIR has its foundations built on solid rock

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They had the benefit of narrow and deep assortments — which yielded lower purchase costs, shorter lead times, higher sales densities and lower markdowns

These factors gave management confidence and confirmed that Specialty had strategically positioned itself in "the fastest growing and most profitable sector of retailing internationally," the directors said

They said the group had an advantage as it could respond quickly to changes in consumer lifestyles

Specialty, which owns Milady's, The Hub, Mr Price and Footgear, had an 11% earnings rise to 83,5c (75,1c) a share in the

asset management They said it was comfortable with its 56% gearing as the proportion of cash sales continued to rise and should exceed 30% in the coming year Margins were also expected to increase

Milady's had performed exceptionally well after an average first half

The Hub's sales were lower than budget, but it showed a 17% increase in its profit contribution

Seven new Mr Price cash stores had opened, but the chain's rapid growth had stretched management and it had showed a profit decline

The 11-store cash chain Footgear had made "a meaningful increase in its contribution to group profits"

A$400m and for 100% of the merged company to be sold to investors and other international airlines

Last weekend Prime Minister Paul Keating proposed a merger of Qantas and Australian Airlines and the sale of a 70% stake in the merged company

Since then, the government has decided to sell 100% of the merged airline, provided it retains a share that allows it to protect the national interest in the airline — AP-DJ tery and white ware, including tiles and sanitary ware Their three main mineral components are clay, silica, and a suitable flux The most important clays in white ware are china clay (kaolin) and ball clay

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Improved Boumat helps boost Saficon earnings

STAR 9/6/92

By Stephen Cranston (193)

Thanks to an improved performance by 37 percent-held Boumat, Saficon increased its earnings per share from 49c to 53c in the year to March.

The dividend, however, has been reduced from 14c to 13c, in line with the group's increasingly conservative dividend policy

Operating profit from the managed businesses — mainly motor dealerships — fell from R55,3 million to R44,8 million

Saficon chairman Sidney Borsook attributes the reduction in operating income to the group's inability to sell as many new cars as had been forecast and to a reduction in gross profit margins because dealers have been fighting for market share.

The operating margin fell from 3,8 percent in the previous year to 2,9 percent in the year to March

Mr Borsook said the introduction of a new Audi range had helped improve sales, but "did not create the kind of excitement it would have done in boom times".

Saficon's main operating companies are the Volkswagen dealer Lindsay Saker and the Mercedes/Honda dealer Cargo Motors.

Mr Borsook says there had been a drop in Mercedes Benz sales, mainly because fleet-owners were buying down in the recession.

He added that the legendary waiting list for new Mercedes cars dried up more than a year ago and that the supply of vehicles has been more than enough to meet demand, thanks to a relatively trouble-free year on the labour front in the motor industry.

The building supplies company Boumat's contribution increased from R700 000 to R4,3 million, which helped boost attributable earnings by 17,4 percent.

Mr Borsook attributes Boumat's turnaround to the closure of several unprofitable outlets and improved results from poor performers in prior years.

Earnings from pyramid Saker's Finance and Investment, which holds 51,4 percent of Saficon's equity, increased from 77c to 87c. The dividend was cut from 22c to 20c.

Impala, Kudu to merge in R13m granite deal

B/Day 12/6/92 (193)

MATTHEW CURTIN

GRANITE producers Impala and Kudu are to merge in a R13m deal, consolidating the bulk of the SA dimension stone industry in two groups in which Anglo American and Gencor have key interests

Kudu is to merge with Impala, an unlisted company owned by German group Deutsche Steinindustrie (Destag), in which Anglo has a significant minority interest The SA sector is now dominated by market leader Keeley, in which Genmin has a 27,6% stake, and Kudu They are followed by Marlin Corporation and a number of smaller producers including Genmin-owned Transkei Pioneer Mining

Impala will receive a 50% stake in Kudu worth R12,7m Kudu will issue 19,5-million new shares to Impala at 65c a share

Kudu MD Piet du Toit said last night that the company would now have at least a 40% share of SA granite production But the real benefits would arise from the local industry's further stabilisation

He said the lengthy Kudu/Impala negotiations were part and parcel of wider discussions about restructuring the SA industry, wracked for some time by fierce competition and price-cutting, which exacerbated the effects of the recent slump in the world granite trade Earlier this year, SA producers set up the Southern African Granite Association (Saga) to co-ordinate their marketing efforts and prices

Du Toit said Kudu now had the advantage of Destag's global distribution network The company was an established producer which had weathered the poor conditions in the sector better than local companies because of its trading network

Destag had quarried granite in SA since 1965 and had good Belfast Black, Rustenburg Grey and coloured stone operations, and a beneficiation plant It had its own reserves, but Kudu would now have access to Anglo's dimension stone prospects

Du Toit said the restructuring of the merged companies would bring additional benefits Forecasts on the immediate effect the merger would have on Kudu's net asset value, earnings and dividends were difficult because of the contrasting accounting policies in SA and Germany

Taking into account Impala's valuation of its granite reserves at cost — in some cases at 1965 prices — and the non-capitalisation of its development costs, the net asset value a share would be 124c after the deal, against 172c before

Ignoring "significant rationalisation benefits of the merger", earnings would fall from 15,8c to 20,6c a share, but would improve in the future, Du Toit said

Merger will bring granite producers 50 pc of market

By Sven Lunsche (193)

STAR 12/6/92

Granite producers Impala and Kudu have merged in a R12,7 million deal which will boost their combined market share to just under 50 percent of the local granite market

The two groups announced today that Impala would receive a 50 percent interest in Kudu through the issue of 19,5 million new Kudu shares at 65c each.

Impala is owned by German mining group Deutsche Steinindustrie (Destag), in which Anglo American holds a substantial minority stake

As a result of the costs of the deal Kudu's earnings a share would have fallen from 20,6c to 15,8c and dividends dropped from 6,9c to 5,3c had the merger been in effect last year

Net asset value would have fallen from 171,8c to 123,9c a share, as Impala's granite reserves are stated at cost

However, the directors said significant rationalisation benefits would result from the merger. The new group would benefit from Destag's global distribution network and access to Anglo's dimension stone prospects.

SAFICON/BOUMAT FM 12/6/92 (193)

Cyclical casualties

FM 12/6/92 (193)

A narrower trading margin reflects the woes of the motor industry A 19% dip in trading profit to R44,8m despite turnover growth meant a margin of only 2,9% (1991 3,7%) Close attention to asset management, resulting in a sharply lower interest charge, somewhat ameliorated the decrease at pre-tax level

Chairman Sidney Borsook believes managing assets is critical in the distribution business, but adds it takes longer to adjust stocks in the motor trade Though year-end stocks of R181m fell R13m, average stocks were probably down even more, about R20m, given the R4,3m cut in interest charges This is impressive

Results were also helped by a tax rate down to 47% from 52%, thanks to tax losses Despite lower interest and tax charges, income fell about 9% before equity-accounting the **Boumat** associate Thanks to the sharp rise in profits at the building materials supplier, Saficon's share of Boumat's earnings surged to R4,3m from R740 000, resulting in a moderate rise in group earnings

Borsook says Boumat felt the first benefits from rationalisation of outlets during financial 1991 Close attention to asset management here too brought lower interest charges, down R5,8m to R17,4m, with year-end stocks down to R181m (R201m)

Despite the low base (EPS dropped from 82c in 1990 to 1991's 7c), Boumat's results are commendable in the face of continuous setbacks in residential construction

With Saficon's interest in Boumat up to 51% from April 1, future results will be consolidated Borsook justifies increasing the stake with his bullishness on prospects, noting housing is in a "massive deficit" As Boumat is heavily into distributing plumbing and bathroom materials, it gains most from residential and hotel construction, where bathroom ratios are high

CSS statistics indicate residential plans passed and completed are picking up Though this probably relates to middle-class residences, which are important for Boumat, real potential lies in the low-cost arena

Analysts reckon new (he takes over in July) MD Adam Klein's priority must be to reduce cyclicality As a large part of Boumat's costs are fixed, changes in activity have significant effects on the bottom line Borsook agrees both Saficon and Boumat are in cyclical industries He adds the only way to flatten earnings is diversification, yet diversifying for this sake is imprudent

He reckons the range of returns over cycles is more relevant He believes the motor and building cycles are not synchronous, noting the motor industry leads cycles whereas building lags, saying the current overlap relates to the length of the downturn

Borsook hopes motor operations will improve this year, thanks to the new Audi and Honda models But the latest car sales hardly justify optimism and in the short run Boumat may be the better performing share

William Gilfillan

BUILDING UP

SAFICON		
Year to March 31	**1991**	**1992**
Turnover (Rm)	1 463	1 530
Operating income (Rm)	55,3	44,8
Equity acc earnings (Rm)	13,8	16,2
Earnings (c)	49	53
Dividends (c)	14	13
BOUMAT		
Turnover (Rm)	1 091	1 163
Operating income (Rm)	29	39,3
Attrib earnings (Rm)	1,8	11,5
Earnings (c)	7	43
Dividends (c)	48	10

Corobrik closes three plants

(193)
S/Times (Buss) 14/6/92

By DON ROBERTSON

THE building slump, the worst since 1930, has forced South Africa's largest brickmaker, Corobrik, to close three of its 10 factories in the Transvaal

The shut-down plants are at Nigel, Springs and Crown Mines.

Leon de Bruin, executive director of the Clay Brick Association, says "brickmaking is an industry under threat".

Corobrik plants in Kimberley and Odendaalsrus were closed last year because of a decline in the gold-mining industry and high interest rates Previously, the company had 26 plants in operation It is now working at about 60% of capacity.

Since 1983, when it controlled about 60% of the market, its employee numbers have fallen from about 17 000 to 6 000 It has a market share of about 30%.

In the past five years, 50 brick factories have been forced to close in spite of efforts to keep stocks as low as possible. Stocks are now about 400-million bricks — or six to seven weeks' supply.

In the building boom of 1987 stocks were down to 200-million, sufficient to build about 1 000 average houses

Violence

Corobrik has been forced to reduce its output since 1989, political instability and violence aggravating the position in recent months.

Transvaal managing director Brian Waberski says there is unlikely to be any improvement in the economy until next year

"These facts have compelled Corobrik to make some difficult business decisions.

"Corobrik has had to adjust production to reduced off-take. The mothballed factories can be reopened relatively quickly."

The closures have resulted in the retrenchment of 716 employees, many of whom could be hired when the economy recovers.

Mr De Bruin says hopes that market conditions would improve this year have been dashed by the virtual drying up of finance for low-income housing.

FM 19/6/92 (193)

GRANITE PRODUCERS
FM 19/6/92

Ready to recover (193)

Having shot themselves in both feet through an unremitting price war in the past two years, it now looks as though SA granite producers are getting their collective act together The recent establishment of the Southern African Granite Association (Saga), and the merger last week of Impala and Kudu to form the country's second largest producer, are steps in this direction

An industry source said that during 1990 the emergence of Kudu as a vigorous and thrusting producer of the high-volume Rustenburg grey granites was seen by some competitors as a serious threat The result was a price war of "savage proportions" which seriously injured the whole industry

Genmin senior manager Tom Dale said the industry's market value two years ago was about R1bn, a direct result of the intensive price struggle is that current market capitalisation for the industry has fallen by a massive R800m — a decline which illustrates vividly the extent of the damage

Deutsche Steinindustrie (Destag), in which Anglo American holds a 35% stake, is the sole owner of Impala, which has been quarrying granite in SA since 1965 Kudu is effectively controlled by MD Peet du Toit Now it has been agreed that Kudu and Impala will merge through an arrangement in terms of which Kudu acquires Impala and issues new shares to Destag, which will give Destag a 50% holding in the expanded Kudu

The effect of the deal in the short term will be to reduce Kudu's distributable EPS, but the company says it believes the merger will have a positive effect on future results

Dale says Genmin welcomes the emergence of a major producer and confirms that discussions have been in progress on a continuous basis with Anglo American "Both groups have been examining methods of stabilising the market," he says "We've now reached an understanding out of the sheer need to re-establish the world market's perception of SA as a major supplier" Anglo and Genmin have substantial investments in the granite business and wish to see the local industry trading more sensibly than in the last two years

Prospects for the industry now look better than for some time The total world raw granite trade is estimated at around 4,9 Mt, of which SA supplied 650 000 t last year, making it the second largest supplier after India Other major competitors are China, Spain and Brazil Total value of the international trade is about US$13bn — about 40% the size of the world gold business, an indication of the potential importance of the industry to SA

Meanwhile, SA producers are trading on the JSE at levels either at or close to their 12-month lows With Saga in place as a forum, coupled with a general acceptance by the producers that there's little point in continuing the suicidal pricing policies of the last two years, it is reasonable to assume this will work its way through to bottom-line profits soon Investors should consider whether this presents a good opportunity *David Gleason*

SOWETAN PROPERTY

Omhle plans material depots near camps

Sowetan 19/6/92 193

By JOSHUA RABOROKO

THE Operation Masakhane for the Homeless needs R8 million to finance building material depots in an attempt to alleviate the plight of homeless blacks

The chairman of the organisation, Mr Dan Moshugi, yesterday said they were expecting the money from local and international communities

The Japan anti-apartheid committee has already pledged to grant the organisation about R80 000 to motivate the funding of low-cost community based building material depots in the homeless communities of Bohlokong near Bethlehem, Doornkop near Soweto and Motlatla near Ventersdorp

Training has already started and about 20 craftsmen have completed their courses in these areas

Omhle, in conjunction with the South African Lumber Millers' Association devised a viable and practical strategy to address the housing problem

Salma is the custodian of timber construction technology in the country and has a well developed training division

The depots would be situated right where the people live because they do not have transport to go and buy materials from distant outlets

The major challenge is to pioneer a community based supply system which, together with proper training, will help break the slum syndrome in informal settlements

"Respectable affordable housing has to be made achievable and available to the very poor as the first and foremost phase in the process of social upliftment," Moshugi said

Because of the lack of skills in timber construction, appropriate training would be considered as the first step in the organisation's strategy

"The need for community depots arises from the fact that formal building material supply channels are for many reasons not reaching informal settlements

"Good quality materials are therefore not readily available in these areas where normal transport cannot be afforded," he added

"This offers new hope to the homeless but what is needed now is the money in order to have positive input and participation from all sectors of the housing fraternity in South Africa," he said

According to a Salma spokesman more than 350 people have been trained by the company to build their own time frame home units

Building material depots in or near areas where millions of homeless have erected temporary shelters were also established.

By the end of the year they might be five to eight and by the end of next year a substantial number, the spokesman said.

Omhle's chairman Mr Dan Moshugi.

Bricks for 20 000 homes in stock

EDWARD WEST

THERE were now sufficient bricks stockpiled to build 20 000 average-sized homes, Claybrick Association spokesman Nick Vujovic said

And with no end to the building slump in sight, the 400-million brick stockpile — double the stock held during the 1985 building boom — was likely to continue growing [redacted]

Vujovic said the industry was operating at 55% to 60% of its capacity, mainly because of the closure of various brick making factories

The most recent example was Corobrik, which mothballed three of its 10 factories [redacted]

About 50 brick factories had been closed over the past five years due to

BDay 22/6/92 (193)

the building industry's slump

Murray & Roberts Construction chairman Schaal van der Merwe did not expect an upturn in the construction industry — which traditionally lagged nine to 12 months behind the economy — for at least two years

Low-cost housing building activity would only increase once the political situation improved, he said, adding that there was a change of investment emphasis in this sector from brick and mortar homes to serviced sites using other materials

Vujovic said that on a regional basis, demand for bricks in the western Transvaal was expected to slacken with the winding up of the Lost City project at Sun City

Demand in the Free State was minimal, and capacity had been cut as far as possible

Demand was erratic in the PWV Margins were tight and consumers could benefit by negotiating prices In the western Cape, demand was reasonably buoyant

However, in the northern Transvaal, where approximately 48% of the national housing shortage existed, homeland government agencies were showing much interest in purchasing bricks, Vujovic said

PGSI still paying heavily for US venture

By Stephen Cranston (193)

Despite a 24,5 percent dive in earnings per share to 308,6c, Plate Glass and Shatterprufe Industries (PGSI) will continue to dominate the Southern African board and glass industries, says chairman Ronnie Lubner

A final dividend of 85c (157c) has been declared to make a total of 150c (222c) for the year to March

Lower interest and tax bills were offset by an increase in preference dividends

Bottom-line profits were R50,8 million

Mr Lubner says PGSI will continue to defend its position against imported glass and strive to be globally competitive STAR 23/6/92.

PGSI owns more than 600 automotive repair glass outlets, similar to the Cracksquad chain in SA

The Zimbabwean subsidiary, PG Industries, and the UK and Benelux operations all had good results, but the US autoglass operations reported increased losses in the second half

Turnover, however, dropped 14 percent to just under R2 billion, mainly because of discontinued operations, such as the international operations of PG Wood

SA Breweries has an effective 67 percent interest in PGSI port

PGSI hit by SA, US slump

(193)

CT 23/6/92

By AUDREY D'ANGELO
Business Editor

A COMBINATION of the recession in SA and the US, and heavy costs in developing automotive glass replacement operations in Europe, hit Plate Glass and Shatterprufe Industries (PGSI) in the year to March.

Earnings fell by 25% to 308,5c (408,9c) a share The final dividend is 85c (157c) to make a total pay-out for the year of 150c (222c).

Turnover was down by 14% to R1,9bn (R2,2bn) and operating income by 19% to R242,8m (R298,6m) But the interest bill was also down, by 7%, to R26,3m (R28,2m) Net income after tax was R113,9m (R134,3m)

The directors explain that the drop in earnings was due mainly to "continued weakness in PGSI's markets in SA and increased losses in the US during the second half".

But they expect better results in the current year "as a marked reduction in after-tax losses is expected from Belron International"

Belron International comprises all the group's offshore interests. Dennis Millard, director of corporate finance and strategy, explained that the established operation in the UK and the operation in the Benelux countries had done very well. But the cost of developing the business in the rest of Continental Europe had been high

Good profits had also been made in Central Africa. But results in the US had been disappointing.

Group chairman Ronnie Lubner said efforts by management to reduce costs in the US and increase marketing initiatives had been "countered by a 4% market decline — the first in the decade — and falling prices in the market"

He said the group would concentrate on continued leadership of the Southern Africa board and glass industries and on aggressive development of the offshore automotive replacement glass installation (ARG) business

Pointing out that PGSI now held 97% of Glass SA and 72% of Pilkington, he said "We will continue to defend our position against imported glass and strive to be competitive globally

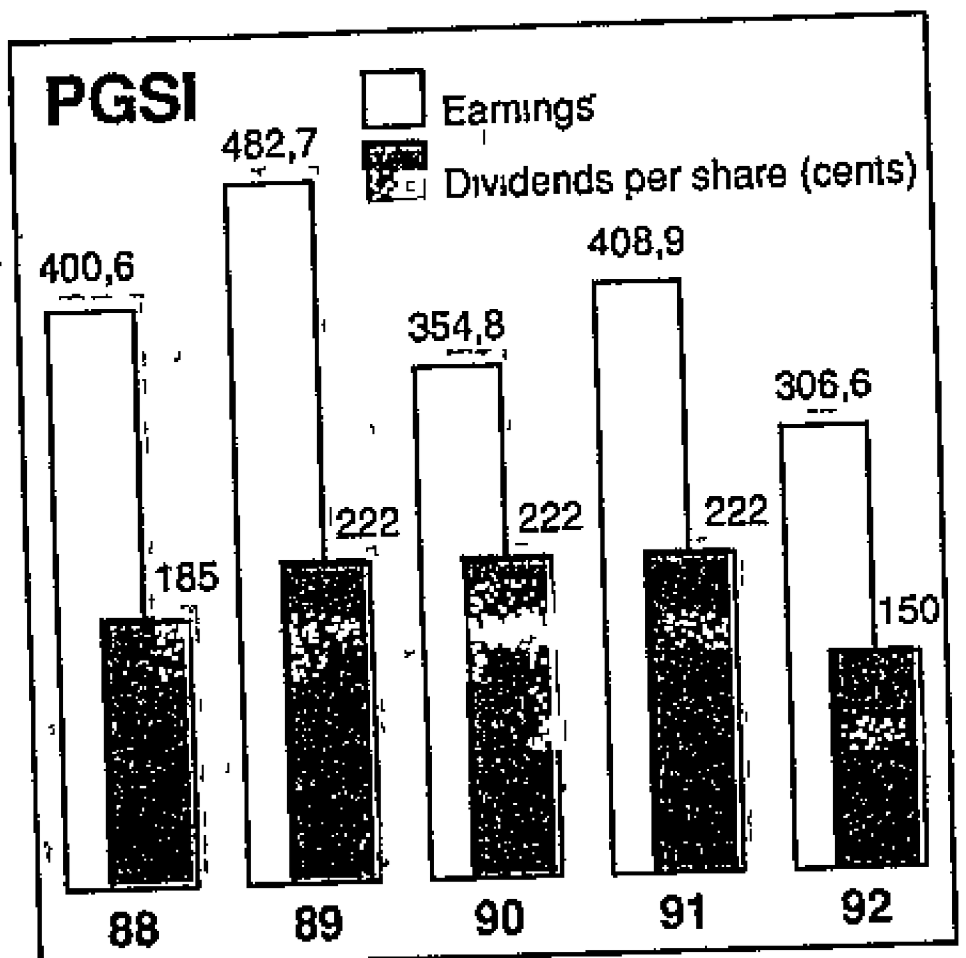
"I am confident that our investment in more than 600 ARG outlets in 11 countries will more than justify the confidence of our shareholders "

Recovery 'held back | Syfrets to

PGSI feels losses at home and abroad

B/Day 23/6/92.

MARCIA KLEIN (193)



Graphics RUBY GAY MARTIN Source PGSI

PLATE Glass and Shatterprufe Industries (PGSI) suffered a 25% drop in attributable income to R50,8m (R67,4m) in the year to end-March on continued weakness in SA markets and increased losses in the US

The group is now a 67%-owned SA Breweries (SAB) subsidiary following SAB's acquisition of Placor and other transactions

Directors said results, which had been expected at the interim stage, reflected the continued weakening of the automotive, building and furniture markets

PGSI has restructured significantly in the past financial year It acquired most of the remaining interest in Glass SA from

☐ To Page 2

PGSI

B/Day 23/6/92

(193)

☐ From Page 1

Pilkington for R525m

It made a 50% investment in Spankor from Afcol to raise its effective interest in PG Bison to 71,7%, and had a rights issue of R354m to increase the equity base of offshore company Belron and to refinance borrowings

Results at year-end show that turnover was reduced by 14% to R1,98bn from R2,30bn, mainly due to the inclusion of the turnover of discontinued operations in the previous year

Difficult trading conditions and development costs resulted in a deterioration in margins and a 19% drop in operating profit to R242,8m from R298,6m

Tax and interest reductions were offset by an increase in preference dividends and unchanged outside shareholders' interest

The net result was a 24,5% drop in earnings to 308,6c a share from 408,9c Chairman Ronnie Lubner said effective asset management and cost controls had held the reduction at creditable levels

A final dividend of 85c (157c) a share brought the year's total to 150c compared with 222c in the previous year Dividend cover was increased

Directors said Glass SA and PG Bison had done well to limit the drop in earnings However, losses at Belron had increased "due to development costs in Europe and trading losses in Australia and the US"

Lubner said results in the US operations were disappointing as the market fell 4%

Increased earnings were reported by the UK and Benelux countries and PG Industries Zimbabwe reported real growth despite the drought

A pro forma balance sheet shows gearing at 40% compared with 180% at year-end

Although difficult local trading conditions would persist, a marked reduction in after-tax losses in Belron International would enable the group to show growth in earnings a share in the coming year, Lubner said

Brakpan factory startup costs weigh on Gypsum

(193) EDWARD WEST

STARTUP costs at Gypsum Industries' R70m Brakpan factory and interest paid saw earnings fall 8,3% to 120,5c (131,4c) a share in the nine months to March 1991 despite a 9,5% increase in turnover

A final dividend of 25c a share was declared which more than doubled total dividends for the period to 45c (20c) a share The financial year changed to end-March 1992 and the drop in earnings was forecast at interim stage

BDay 26/6/92

The group mines and sells gypsum and manufactures Rhinoboard and cornice for domestic and commercial ceilings, and walls and manufactured plaster for the building and industrial markets

Turnover was not disclosed, but operating profit rose 22,8% to R24,8m (R20,2m) Interest received fell to R906 000 (R4,7m) and interest paid rose to R6,4m (R4,3m)

As a result pre-tax profits fell 6,7% to R19,3m (R20,7m) Tax fell marginally to R8,5m (R9m) Attributable income improved 7,9% to R9,9m (R9,1m)

Directors reported the market was down in the nine months compared with the same period the previous year The commercial sector was off its peak Activity in the residential sector continued at a low level with competition for ceilings from substitute materials

Exports were hit by depressed building markets in many countries, which, together with sanctions, closed the door on export opportunities

Recent capital expenditure would ensure both Gyspum Industries and its 67% held subsidiary Donn Products had production facilities and capacity to meet all foreseen market requirements, the directors reported

BUSINESS BAROMETER

W/Mail 26/6-2/7/92

Keys meets food mandarins

IN the wake of last week's Board of Tariffs and Trade (BTT) report into food price inflation, Finance Minister Derek Keys met food manufacturers, retailers and the Vat Co-ordinating Committee.

The retailers spoke of a 10-point plan to bring down food prices Paramount in this plan would be re-adjustment to the import tariffs on food, fertilisers and farming equipment

In line with the BTT recommendations, the abolition of food boards would also be looked at.

SA seeks R700m

FINANCE director general Gerhard Croeser told an international financiers conference in London that South Africa would shortly be borrowing about R700-million on international markets

The tapping of new foreign markets, Croeser said, would help boost investment in socio-economic development in South Africa via institutions such as the Independent Development Trust and Development Bank of Southern Africa. W/Mail 26/6-2/7/92

Both these institutions have recently tried to raise loans on foreign markets — much to the annoyance of the African National Congress, which threatened not to repay the loans once in power.

Getting foreign loans would also be important to protect the country's foreign reserves, Croeser stressed

Plate Glass cracks (193)

SOUTH African Breweries' newest acquisition, Plate Glass Shatterproof Industries, fell victim to the worldwide recession with attributable earnings falling by R50-million in the past year. The group, which has, since early this year, been 67 percent owned by SAB, suffered losses both in South Africa and in the United States as a result of poor conditions in the automotive, building and furniture industries which the company services W/Mail 26/6-2/7/92

Local content scam probed

A R600-million fraud which used the government's complex Phase 6 local content scheme is being investigated by the Office for Serious Economic Offences At the centre of the investigation is Randburg exporter CET Trading, provisionally wound up in March. The scam was to get export incentive rebates from the Department of Trade and Industry by submitting inflated invoices on goods, supposedly locally produced motor vehicle components, exported from South Africa

W/Mail 26/6-2/7/92

Happy hybrid of the Kudu-Impala mating

(193) (BUSS)

S/Times 28/6/92

PROSPECTS for the hybrid born of the corporate marriage of Kudu to Impala look better than they would have been if the granite companies had continued to go it alone

A shake-out in the hard-rock business has been inevitable since Gencor paid a fortune for rights to Pioneer in Transkei This led to a deal with leading producer Keeley

That union perhaps stirred Anglo American into action in the growing business of granite production It holds 35% of German group Destag owner of unlisted Impala Granite

Listed Kudu, which according to managing director Peet du Toit is bigger than Impala in terms of production but not in reserves, has effectively been merged with Impala in a deal at 65c a share The deal leaves Kudu controlling shareholders with 34% of the enlarged Kudu Destag with 50% and Kudu s minority with the rest.

Keeley and Kudu account for 85% of SA s granite output They and most other producers belong to the recently formed SA Granite Association (Saga) which is funded by levies

'Saga s aim is to increase SA s 13% share of the world's granite market, says Mr Du Toit Promotion of materials, perhaps to leading architects will be undertaken.

Another of its less widely publicised objectives is to arrange co operation between producers on pricing Almost every other granite-producing country issues price lists and producers are allowed to discount — within bounds

PEET DU TOIT Everybody in Europe wants granite in the kitchen

Mr Du Toit says SA producers have taken a beating in the past 18 months. A price war in this long recession has been the biggest problem.

SA exports grew from 590 000 tons of stone in 1989 to 650 000 last year but revenue has fallen sharply So have granite share prices.

Mr Du Toit says Saga is not about price fixing. "There won't be huge export growth this year but we expect to maintain our market share in a much more profitable way

Both Kudu and Impala are large producers of classic Rustenburg grey material and of complementary grades Kudu quarries light and medium, whereas Impala sells dark and super-dark for which Far Eastern demand is strong

"Impala s eastern connections open up a new market for our other materials "

Impala has much larger reserves than does Kudu, and one of the spin-offs of the marriage is the likely first bite at any granite deposits uncovered on Anglo American s extensive properties

The market for coloured stones is booming

Everybody in Europe wants granite kitchens and furniture says Mr Du Toit from behind his polished grey stone desk. Destag, which started life as a tombstone maker 100 years ago operates in several countries beyond the batch in Southern Africa Its distribution system will help Kudu by making available more samples and material at stone masons depositories around the world

Destag has a 16% interest in a Zimbabwean black granite deposit Zimbabwean stone has spoiled things for SA s Belfast black operations The Zimbabwean stone can be extracted in huge blocks, something the Belfast deposits do not allow Belfast used to be high-value stone, but has lost some of its edge.

Impala's proximity to the Aurora deposit of platinum-black stone could bring forward its reopening Kudu paid R9-million for the abortive entrant to the market, only to close it at no return

Incidentally, Impala allegedly turned down the undeveloped Aurora deposit at R250 000

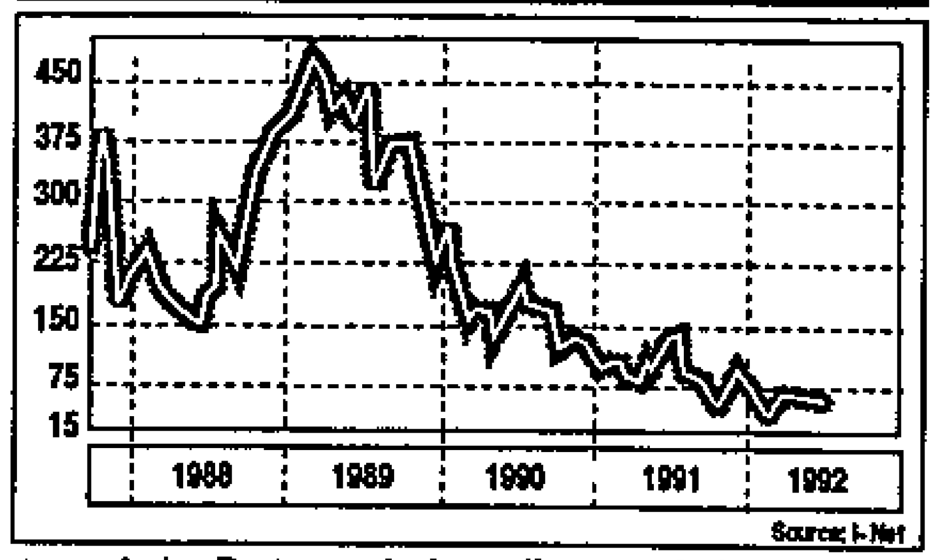
Impala's Anglo American link has given rise to the use of geologists on its quarries. They have improved the mapping and planning operations and hence extraction efficiencies

"On Rustenburg deposits you need high volume to compete — it's like a supermarket, says Mr Du Toit.

Impala chief executive Volker Schultz is to manage the Southern African operations and Mr Du Toit will handle the domestic business

Kudu's boss believes the deal is good for shareholders. The price will not move much above 65c until the marriage is consummated and the product shows its worth. But the downside is strictly limited

KUDU GRANITE HOLDINGS



Last laugh for Premier

S/Times (BUSS) 28/6/92

WHEN Premier Group chairman Peter Wrighton heard the stunning words Heinz? What s that?" from an employee, he realised that international brand names do not necessarily mean much to South Africans.

Sure we had lunch with Tony O'Reilly (the Heinz boss) when he was last here But we are interested in a deal only if there s enough in it for us '

He also admits to talks with the international Kraft General Foods but describes the matter as sensitive

Mr Wrighton and deputy chairman Gordon Utian gave a presentation to the Investment Analysts Society in Johannesburg on Monday — 11 months to the day after 1991's talk at which the rationale for the Metcash takeover was first aired.

There was a view that Premier had bitten off more than it could chew in tackling the struggling mixed bag of retail and wholesale operations in Metcash However, Premier has had the last laugh

In the 13 months to April this year the group's turnover nearly doubled to R10,6-billion. Distribution accounted for R4-billion and food R3-billion pharmaceuticals and retail each topping R1,2 billion.

Mr Wrighton underlines the importance of distribution. The group has 40 warehouses, 200 Metro outlets and more than 1 000 operations served by 48 000 employees.

Brands and margin are the focal points Premier aims to provide real growth in earnings of 5% a year over five years. In the past five years it achieved a compound return of 29% against inflation s 15%

The highlights of 1992 were lower gearing arising from sales of underperformers in food elimination of debt in Twins pharmaceuticals and cash generation through tighter controls in Metro Interest was well down as a result

Mr Wrighton advises against underestimating the value of industrial peace in a strife-torn nation

We have had virtually no work stoppages apart from community action since introducing participative and other progressive human resource practices '

Although the drought will have a devastating effect on the country Mr Wrighton does not expect Premier to be too badly affected.

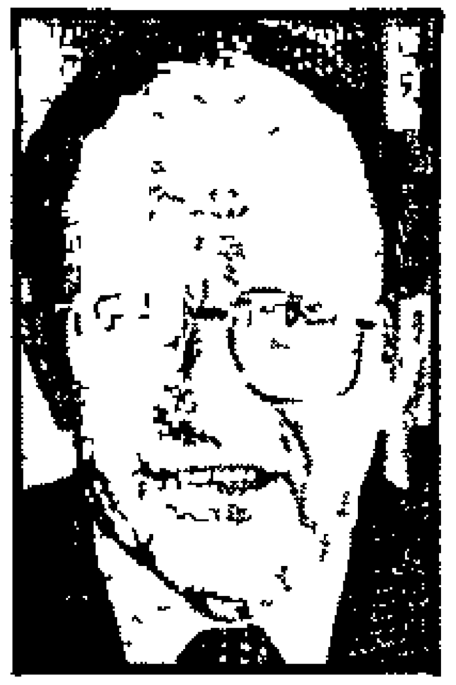
Imported grain ought to be landed at lower cost than normally paid for SA purchases. Provided that the State's cut on resale is not too high Premier will benefit from the imports.

Because of resistance to yellow-maize products a shift to bread of which the group is the nation's largest supplier, is expected.

Poverty-relief boxes of staples are being distributed through Premier's infrastructure in a venture involving the Food and Allied Workers Union. It is also a job creation scheme.

Mr Wrighton estimates the rate of food inflation in the coming year at between 12% and 20% far lower than other commentators forecast.

The profit margin in Premier Foods is only 6 1% — hardly the stuff inflation figures are made of



PETER WRIGHTON Heinz lunch

Mr Wrighton responded cryptically to a question from an Afrikaans stock broker about whether Premier would give or sell equity to black organisations and dilute the interests of existing shareholders.

I personally believe that SA has, perhaps unfortunately, not seen an act of business statesmanship since Harry Oppenheimer made General Mining available to Sanlam to allow Afrikaners into the mainstream of SA business."

The liberal leaning Premier promotes on merit and has significant numbers of blacks in management. The equivalent of 8% of attributable income was spent on training, advancement and the community last year

The shares are R41,50, R4 off their peak of three weeks ago, but are holding up in a rickety market. Prospects look attractive, given a certain economic stability

DIAGONAL STREET by Julie Walker

Pep-up for Checkers

S/Times (BUSS) 28/6/92

PEP chairman Christo Wiese prefers to look at the group s takeover of Checkers from the point of view of 145 good leases — not the 25 bad ones.

Mr Wiese says everybody knows about the five really bad ones — at Rosebank (Johannesburg), the Atrium and Galleria in Cape Town, Brickhill Road (Durban) and Brackenfell (Cape). Another 20 are poor

Pep's takeover of Checkers holding company Tradegro from Sankorp depended on the Brackenfell lease being bought off

Managing director Whitey Basson says that not only did Pep buy demoralised management, Checkers had an even more demoralised major shareholder Overheads were out of control, and the agreements with trade unions among the most onerous in the business.

On the plus side, Pep bought 145 stores with historically good leases in prime areas.

Checkers has excellent administrative systems, a reasonable shrinkage record and, most of all, R3,5-billion of turnover

Mr Basson says Pep bought Shoprite in 1979 for R1 million when its sales were R11 million and pre tax profit R600 000. Shoprite's sales now top R1 billion and profit R23-million.

Two years ago Pep bought Grand Bazaars, which although ailing initially, achieved record results in the year to February 1992. These two successes have equipped Pep with the tools to turn Checkers to right.

The Checkers-Shoprite joint advertising venture will save R30-million. Once the recall factor of the Checkers brand name with Shoprite is impregnated, at least 40 Checkers shops will be converted to Shoprite.

Where this has been implemented, store turnover has grown by 40% Staff morale has improved and Mr Basson is confident that the trade unions will help in restoring profitability

Mr Wiese hopes Checkers will make a small profit this year It should make a satisfactory contribution to group profits by 1994 He says Pepkor would not have bought Checkers from Sankorp if it did not believe it had the skills to turn it around.

2 JUL 1992

City Press

PROPERTY

Brick homes for A

A LOCAL company has developed a quick, easy-to-build home using brick-style panels which could make housing available to thousands of people who can't afford conventional brick houses.

The houses can be built by the contractor in less than a week, or bought in kit form for do-it-yourselfers.

They range from 20 square metres at R9 000 to 72 square metres at R22 500 and are designed for easy additions.

The house featured here is the 38 square metre "Starter" design, which sells for a basic R14 600 or R20 000, including internal walls and doors, ceilings and bathroom.

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The same size house in kit form costs R12 000.

The largest house in the range is 72 square metres, which costs R22 500 in basic form and R34 000 including internal walls and doors and a bathroom.

The houses meet national building regulations and bond requirements.

The brick-faced panels are 110mm thick, the same as a standard single course brick wall and have an insulated foam core centre, which gives good sound and temperature insulation.

The panels are made in a factory and transported to the site with the reinforced concrete pillars, roofing and other materials.

clpress 28/6/92

Foundations are dug and filled with concrete as for a conventional brick house and it takes only a day or two to erect the pillars and panels. Floors are standard cement screed.

Owners can build just the shell, or include extras such as internal walls and ceilings. Other extras include electricity or solar power, kitchen fittings and inside toilets and bathrooms, depending on what the buyer can afford.

A project is under way near Nelspruit, where 50 houses are nearing completion. Homes of 72 square metres, much larger than the usual homes contractors offer, can sell for less than R40 000, including the land.

Kwix Homes spokesperson Glyn French says one of the aims of the project is to create jobs for local people wherever projects take place.

"We have done a lot of research and found that people prefer brick homes. But nowhere in South African can you get a 72 square metre brick house – a decent, family-sized home, for less than R35 000.

"This new method gives people a home which looks and feels like a solid brick house, but at an affordable price."

BUILT-IN SECURITY ... All window frames have burglar bars.

HOME SWEET HOME ... Kwix Ho

Strike ends at cement plants

193 [redacted]

STAR 29/6/92

Settlement has been reached in the protracted strike at Blue Circle Cement, and 400 workers resumed work late last week at the Hennenman, Lichtenburg and Industria plants [redacted]

The Construction and Allied Workers' Union said a wage increase of R1 an hour or 16 percent (whichever was the greater) was negotiated, and December 26 would be a recognised holiday

Abacus restructures for recovery

B/Day 29/6/92

EDWARD WEST

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

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

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

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

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

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

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

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

Beleaguered Corobrik faces further cuts

CT 29/6/92

193

Property Editor

SEVEN of Corobrik's 29 factories countrywide have been closed during the current recession and further rationalisation measures were now being taken, said Peter du Trevou, MD of Corobrik in the Western Cape

Du Trevou said merger negotiations with Crammix had been called off as a result of "conditions imposed by the banks for the financing of the scheme"

"Everyone else in the home building industry is operating at risk and it is now time for financial institutions to play their part and put money into housing and related operations," he said

However Bernie Rumble, director of Brackenfell based Crammix, accredited the breakdown in talks to a number of issues including the present political climate

"I have not abandoned hope that a merger will get off the ground a little later down the road when the situation has improved and maybe the price is right," he said

Du Trevou said negotiations with Crammix had been aimed at the rationalisation of the clay brick industry in the region due to the continuing depressed conditions which had resulted in clay brick manufacturers countrywide operating at below 60% of capacity

He said further streamlining measures would now be required and additional retrenchments would be unavoidable to avoid further price increases However no further factories would be closed in the Cape

He said the ongoing violence and stalling of the Codesa negotiations did not bode well for the construction industry which needed a return to stable conditions and confidence in the future of the country to generate investor confidence in fixed assets

Meanwhile Charles Pritchard, chairman of the Cape Clay Brick Association has lashed out at the "lack of foresight and insistence on too high an academic standard" for tradesmen which, he said, was robbing the building industry of essential and irreplaceable skills

Pritchard said the protracted recession on the one hand and unrealistic regulations on the other were combining to strip the industry of expertise and there had been a marked drop-off in the number of people entering the brick laying profession

"This has already caused serious damage in the short term but once the economy picks up and the country once again strives to solve the housing crisis we are going to be faced with a severe skilled labour shortage

"The building industry is inclined to lick its wounds during the bad times instead of preparing for the upturn

"Training is neglected and poorer materials are employed to meet the lack of proficiency of the tradesmen"

He said it had been a matter of extreme concern to the clay brick industry, for instance, when specifiers and contractors claimed that bricklaying skills in the region were not up to an economical use of face brick

"This is patent nonsense when one acknowledges that bricklaying is a trade for men with practical talents and not an academic bent It is time that this was recognised and the criteria for entering the trade changed Only in this way, will the potential of our tradesmen be realised Insisting on a matric certificate is ludicrous These guys end up becoming the bosses and the skills are again lost to the industry"

The clay brick industry, he said, was poised to undertake training of tradesmen itself and was relying on encouragement from the building industry

Boumat improving on operating efficiency

STAR 30/6/92

By Stephen Cranston (193)

Boumat has been severely affected by the worst recession to have hit the building and construction industry in recent times, says retiring CEO David Gevisser

But Mr Gevisser says that operating efficiencies have been significantly improved

In the annual report for the year to March, Mr Gevisser says the plumbware division performed well as there was close attention to stocks and debtors

The builders market operations in Pietersburg and Cape Town, which mainly supply timber for the roofs of houses, also did well.

The Incledon engineering division improved operating profit Mr Gevisser says the expected increase in the development of site and service housing areas augurs well for the division

Saffer, the dominant wholesaler in plumbing, sanitaryware and associated products, increased market share as a result of its acquisition of Merchants Exchange and Union Trading

The tileware division benefited from the swing to ceramic floor tiles from other forms of floor covering

On the manufacturing side, Kwikot maintained its dominant position in the water-heater market and Trident bathroomware improved market position and profits

City Metal Products improved its profitability through improved production techniques and shopfloor economies

RhoEx earns 89c a share after expenditure write-off

BDay 30/6/92 (193)

MADDEN COLE

RHOMBUS Exploration (RhoEx) reported earnings of 89c a share after writing off expenditure of R1,9m incurred in investigating and developing the company's granite project in Parys

RhoEx changed its financial year end last year. No comparative figures have been reported for the period

A statement yesterday said that due to poor market conditions in the granite industry, it was unlikely that the granite project would generate sufficient cash flow to service the historic debt The company had withdrawn from the project

Net income before finance costs of R1,4m had amounted to R1,7m, resulting in an attributable income of R300 000

However, the directors added that encouraging progress had been made in developing the two Mineral Sands projects in northern Natal and the Transkei

The construction and commissioning of the washing plant at Taaiboschspruit Colliery was completed in May and the mine was in production

Planning for the future of Rhombus Vanadium Holdings (Rhovan), after the cancellation of its supply contract with Usko in September last year, was progressing well Negotiations with potential partners were continuing

Meanwhile, shareholders of RhoEx were cautioned to exercise care when dealing in the company's shares

Rhombus Vanadium Holdings did not present an income statement for the six months to March

Its directors said operations had remained under care and maintenance for the period under review, following the cancellation of the Usko contract

All net expenditure during the period had been capitalised.

This policy would continue until the mine started production again

Feasibility tests conducted in the mine had been promising, the directors said

New body 'enables granite sector to lobby on exports'

(193)

JONO WATERS

THE formation of the Southern African Granite Association (Saga) would enable the sector to lobby government on export incentives "with a single voice", industry spokesmen said yesterday

The association consists of six producers, Keeley, Kudu, Impala, Marlin, Minorco's Virginia Granite, and Group 5 and Everite's National Stone Quarries

Kudu MD Peet du Toit said Saga had been received with enthusiasm by the producers

Keeley administrative director Rob Brown said what Saga had achieved to date was up to expectations

He said the association would be able to bring about benefits for the industry especially in the area of local and international transport of granite to get favourable rates

Marlin MD Graham Treagus said the most notable benefit was the freer exchange of information and greater co-operation among the members Producers were now operating on an industry level instead of independently "This is good as there was a definite need to stabilise the industry," he said.

Saga executive director Rhyme Greeff said the association's objective was to promote and increase the use of SA granite worldwide SA had about 14% of the world granite trade BDay 1/7/92

At present SA exports to Italy, Germany, France, Belgium, Spain and the Far East and the association was seeking new markets

Greeff said Saga intended introducing quality control in the industry, laying down standards of service and standardising sizes and specifications to achieve uniformity throughout the industry for export purposes

He said benefits to the producers would come from stabilised markets and transport costs Spoornet and Saga had already had "positive contacts", he said

Greeff said the association was also having preliminary talks with various other granite producers and said it was not an "exclusive club" as producers in other southern African countries were welcome to join

PGSI intends expanding loss-making US subsidiary

STAR 3/7/92

(193)

By Stephen Cranston

Plate Glass & Shatterprufe Industries (PGSI) will retain and expand its US subsidiary Windshields America, financial director Mike Read said yesterday

"We have established ourselves as the fourth-largest windscreen repair chain in America," he said "It was always unlikely that we would sell it and we feel it is better managed than ever"

Mr Read said PGSI was clearly disappointed at the performance of the US business Windshields America lost \$9,3 million in the year to March after losing \$8,1 million in the previous year

Windshields America president Paul Markiles said the replacement windscreen market in the US was down by four percent, the first fall in the market for a decade

Mr Markiles said that US short-term insurers had pushed prices down by 8,5 percent over the financial year The firm was forced to expand into the lower-margin car rental and commercial vehicle sectors

PGSI's Australian subsidiary O'Brien Glass closed 33 branches and retrenched 580 people

Recession

But O'Brien Glass MD Randal Godden said the recession had worsened throughout the year, with unemployment rising to 10,5 percent, GDP falling two percent and steep declines in new buildings (16 percent down) and new vehicle registrations (17 percent down)

O'Brien Glass made an operating loss of A\$700 000 (A\$2,8 million profit in the previous year)

PGSI's more mature British subsidiary, however, increased its operating profit by 16 percent to £8,9 million and won the Fleet News Award for Excellence for the third year running

CE John Mason said Autoglass UK carried out one million jobs for motorists during the year for the first time

Mr Mason said the Belgium and Luxembourg division increased operating profits by 33 percent, and most insurers now support the Carglass chain

The French subsidiary, made up of the windscreen shops acquired in the 1991 financial year from St Gobain, was still being bedded down

"We continued to remould the business and change the management style and service ethic to one more in line with the rest of the European organisation

Mr Mason said the French market was attractive to the group as it was the largest in Europe after Germany

Carglass France continued to make losses, but sales grew by a quarter

Operating losses in Germany were halved The group is committed to the German market

Germany has a car parc eight times larger than that of South Africa

FM 3/7/92 (193)

GYPSUM FM 3/7/92

Costs of capex (193)

Market concern that Gypsum has been commissioning significant additional capacity at a time when building activity remains depressed probably has substance For the nine months to end-March EPS dropped to 120,5c from 131,4c for the comparable period in the previous year

Though the building industry, where Gypsum is heavily exposed, was in the doldrums over this period, the industry was also relatively depressed for the 12 months to June 1991, when EPS rose to 195c from 1990's 187c That happened even though difficulties with raw material supplies were encountered over this period

SHOWING CRACKS

Nine months to March 31	1991	1992
Operating income (Rm)	20,2	24,8
Attributable (Rm)	9,8	10,7
Earnings (c)	131,4	120,5
Dividends (c)	20,0	45,0

The effect on the income statement of the new R70m plant at Brakpan, opened in June last year, has been stark Though trading profit rose 23%, EPS dropped thanks to interest charges Net interest costs soared to R5,5m, whereas R450 000 interest was received in the previous year

On the other hand, at the time the project was initiated most commentators believed government's programme to implement affordable housing programmes would have commenced by now The capex programme does place the group in a strong position when the upturn commences

Volume activity for the nine-month period, shortened to coincide with that of holding company BPB Industries Plc, was probably little changed Turnover increased 9,5%, even though selling prices "were kept substantially below the CPI increase," according to MD Grant Snowden

Reviewing the past nine-month period, Fairbairn says the market was down, compared with the equivalent period in the previous year He adds the commercial sector, though relatively active, was off its peak while the residential market continued at a low level, facing competition for ceilings from substitute materials Exports were hit by the depressed building market in many countries which, with continuing sanctions, closed the door on export opportunities

Though EPS declined, the 45c dividend for the nine months was unchanged, measured against 60c for the 12 months to June

The cut in net current assets, to R23m at end-March from end-June's R36,5m, helped long-term borrowings drop by R25,4m, to R15,6m As a result interest charges should decline significantly this year

Despite this, Fairbairn believes maintaining profit levels this year will be a "major achievement " He adds the commercial market is likely to decline further, with the housing and export markets showing only mild growth

The 250c share price gives the group a p e of 6 and 7,4% dividend yield, with little apparent reason for any rerating *William Gilfillan*

Premier talks on Botswana probe

A PREMIER Group associate company in Botswana has been drawn into a corruption probe, but the conglomerate said there were no major adverse financial implications regarding the issue.

The Botswana Housing Corporation, probing a number of projects which had been paid for but allegedly not carried out, wanted to cancel a R75m construction contract won on tender by Spectra Botswana, which was set up by Premier and local partners.

"We will be fighting the cancellation notice," the spokesman said When asked to respond to market talk on the land and housing scandal, he said: "We are not involved Our only involvement is in the building contract."

Spectra won the contract to build the housing corporation's new headquarters.

"Some expenditure has been incurred, but there are no major financial implications for Premier," the spokesman said. — Reuter

Plate Glass to bed down after spate of structural changes

Bday 3/7/92

MARCIA KLEIN

PLATE Glass & Shatterprufe Industries (PGSI) would spend the next year bedding down its businesses following major changes to its structure, chairman Ronnie Lubner said in the annual review

Despite "an unexciting international economic outlook", he has forecast some growth in earnings a share and a significant reduction in the losses of subsidiary Belron International The real earnings potential of the group would be realised in the medium term

The group, which operates in 18 countries, includes Glass SA, board company PG Bison, automotive replacement glass company Belron International and central African glass operations

During the year to end-March, PGSI underwent some major changes SA Breweries acquired control of PGSI, PGSI increased its interest in Glass SA to 96,8% and in PG Bison to 71,7%, it had a R354m rights issue, reduced gearing, reformulated its mission and reconstituted its board

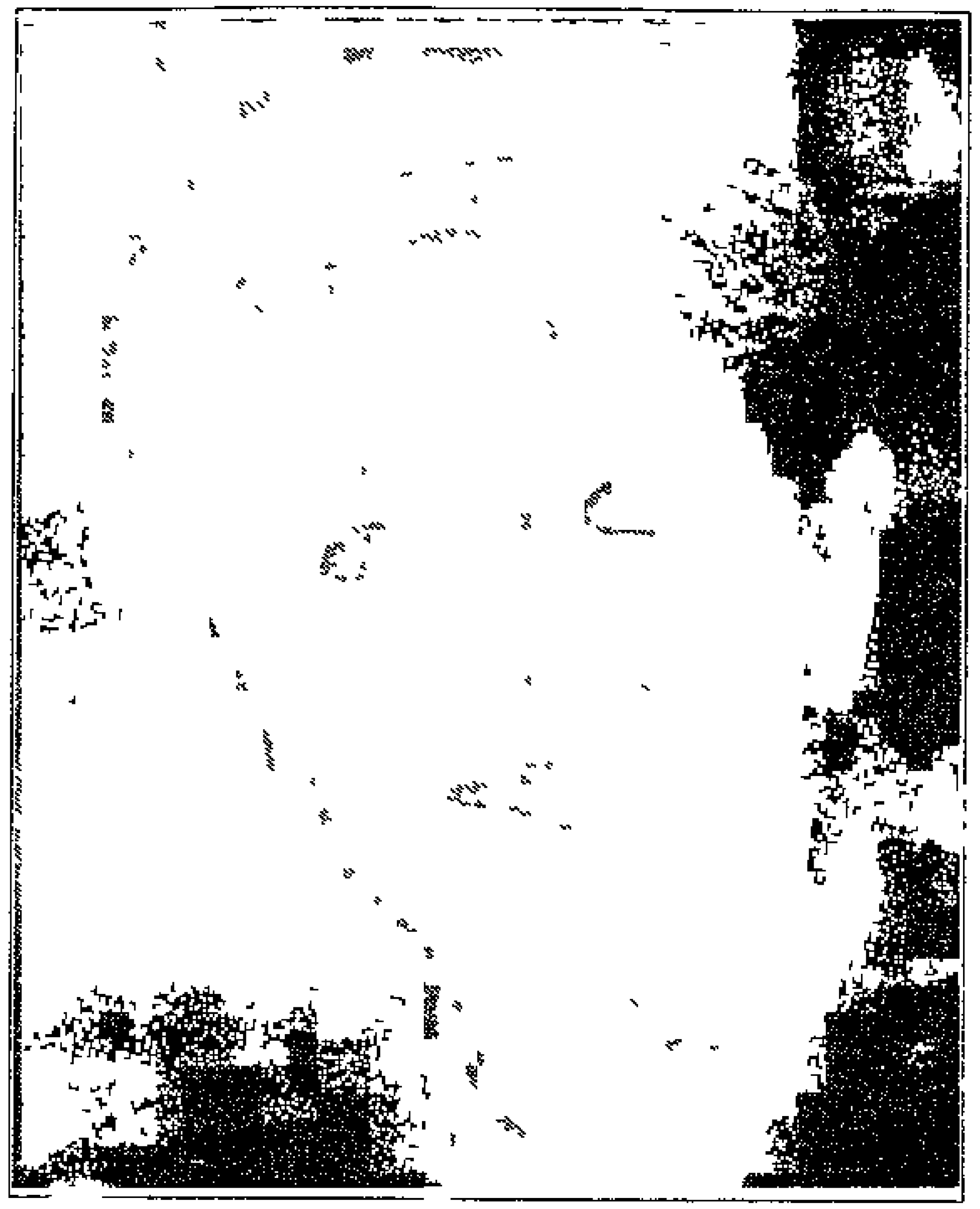
The effect of the various funding transactions "was effectively to double the value of PGSI's equity base to nearly R2bn", Lubner said

The benefits of these changes were not reflected in its March year-end results, in which earnings dropped by 25% to 308,6c a share on a 14% turnover decline to R2,0bn.

Lubner said results were affected by continued losses in the US, development costs in Europe and tough conditions locally

The 85%-held Belron International showed a 60% decline in operating profit and a loss of 121c a PGSI share Lubner said Belron International, which is responsible for the group's worldwide automotive glass replacements, suffered from development costs in Europe and trading losses in the US and Australia Autoglass UK produced sparkling results

SOWETAN BUSINESS AND PROPERTY



PROFESSOR LOUISE TAGER

Not all cements are a good bond

Sowetan 3/7/92 (193)

THE rapidly growing black property market and consumers have been warned against unscrupulous cement dealers selling "incorrect" products to them.

The chairman of the Business Practices Committee, Professor Louise Tager, yesterday announced that it has been brought to the attention of the committee that blended Portland cements were being offered in addition to the ordinary Portland cement

The difference between these products was particularly relevant for anyone engaged in or contemplating building operations The performance of the blended cements might vary from that expected from ordinary Portland cement

The warning comes in the wake of growing demands by blacks to acquire and to improve their existing matchbox houses in the townships

This demand can also be seen in the shortage of more than 2 million homes in South Africa, excluding the so-called homelands, according to a survey of the SA Institute of Race Relations

Tager said that consumers should be warned, however, that incorrect use, or use of blended cements that did not meet the South African Bureau of Standards requirements could lead to unsatisfactory results

In extreme cases, Tager added, failure could result, although she did not give the exact number of cases the committee had received

"Consumers who buy cement are advised to establish what type of cement is being supplied Advantage should be taken of the protection afforded by the SABS mark by looking for the following information on the packaging

"The SABS mark and the specification number, manufacturer's name and trade mark, information regarding the type of cement or blend supplied; the net mass of cement in kilograms, and the identification of the factory"

Informed use of blended cements that meet the SABS requirements should provide good results For further information contact Portland Cement Institute, at (011) 315 0300 ducts SA can buy are coffee, tea, cashew nuts, curios, sisal, soda ash, salt, fruit, cut flowers and soya beans

Kenyan import duties range from 5% to 70%, but are about 35% on average, says a customs and excise official

VAT of 18% is applied on imports, but it is zero rated or exempt in some cases

Importers require licences to bring in goods The allocation of licences is divided into orders of priority

There is some concern among SA exhibitors about festival will attract further trade and tourism interest in Kenya among SA businessmen," she says

The festival aims to make a statement about modern Kenya and show the rich variety of art and culture in its mixed society

The project is expected to cost about $500 000 Lady Wood leaves this weekend for London and New York to raise funds She will speak to the Rockefeller and Ford foundations She is also looking for SA sponsors

US Expo for Johannesburg

S Times (BUSS) 5/7/92

By ZILLA EFRAT

A MADE in the USA exhibition will be held in Johannesburg in May

About 200 American companies are expected to take part. Show organiser David Altman says it will be the largest US Expo in Africa.

It is expected to attract businessmen from SA and other Southern African countries, including Kenya and Tanzania. It will be marketed to more than 35 000 companies in the US, says Mr Altman

Mr Altman has already received more than 100 serious inquiries from US companies.

He says the exhibition at the World Trade Centre has the backing of Amcham (US Chamber of Commerce).

Mr Altman, who put together this week's Contact Kenya show, is also organising a SA pavilion at the biggest exhibition in Africa, the Cairo International Fair in April next year.

He expects about 100 SA companies to take part in the two-week fair, which is usually visited by a million people, mostly from the Middle East and North Africa.

The fair is expected to have about 1 700 companies exhibiting and there will be 31 national pavilions

Mr Altman says the show will be launched to SA businessmen in September. The SA Government has indicated support.

In other developments, Mr Altman says he has been officially approached by officials from China to mount an exhibition in Beijing or Shanghai.

He is also involved in discussions with the governments of two East African nations and an Indian Ocean island to help them market their countries to SA

Better deal in pensions, but . . .

S Times (BUSS) 5/7/92

By JULIE WALKER

A SPELL of high investment returns has allowed pension funds to increase benefits to members, says Sanlam's biennial survery on retirement.

But, says actuary Chris Bosenberg, employers are shifting away from having an open-ended liability in the three-legged equation determining final benefits This means final pensions are not defined years in advance

Pension on retirement is mostly based on a formula The pension relates to the number of years' membership of the fund, multiplied by a salary figure

Abuses

The norm used to be the average salary over the last three years, but this has been improved to two years or shorter in two-thirds of the funds surveyed Only 2% of funds base the formula on the average of the last five years' service

Mr Bosenberg says 11% of funds indicated they were considering changing from a defined benefit system to one of defined contribution This would limit employers' liabilities to the pension funds and is seen as a reflection of their concern about future economic risks

About half of the 756 invited funds responded to the survey, resulting in a 330-strong pension fund sample A total of 99 provident funds replied

The survey's objective is to allow employers and trustees to compare their benefits with those of other funds

The survey observed certain trends when compared with the previous one in late 1989

There has been a swing to providing the same benefits for both males and females A smaller reduction factor is applied when early retirement is taken in good health

Spouses' pensions have generally improved, as have disability income benefits They are more widely based on a percentage of salary rather than past or potential service

Fringe benefits are being increasingly incorporated in pensionable remuneration Companies are also adopting policies on AIDS

Funds provide for greater future increases in pensions in the course of payment Finally, there is a strong move to enhanced withdrawal benefits — previously the last in line

Mr Bosenberg describes as near criminal a company that retrenches employees and does not pay its contributions to the fund to the departing worker

CHRIS BOSENBERG Companies worried about the future

Mr Bosenberg lists some abuses in the past -- and no doubt now New York's municipal employees boosted their pensions, which were based on the final year's salary including overtime, by fictional overtime entries The increased pension liability almost bankrupted the city

In SA, government employees' pensions were based on the last month's salary in addition to the lucrative buy-back scheme. In some cases, people were promoted to absurd positions and salaries before retiring

SA prefabs for export

S Times (BUSS) 5/7/92

193

By DON ROBERTSON

ENTERPRISING businessman David Poole plans to export SA-made prefabricated houses to Europe and the US

Using an A-frame design developed by his company, PMM Holdings, Mr Poole plans to market the houses in Britain for £65 000 a single unit and £100 000 a double unit

Mr Poole says this is about half the price of a modest brick house The price includes shipment from SA

Ahead of an international marketing programme, orders for two houses have been received from the UK and eight from Los Angeles

The Country Lodge houses consist of a lounge, bedroom, shower, kitchen and upstairs recreation room By adding a second A-frame module with connecting walkway, a four-bedroomed house can be built

The prefabricated houses will be delivered to the site and put up by an SA team on a concrete slab in about three weeks The houses are equipped with all electrical appliances, made in SA, and the windows have double glazing

Underfloor heating is provided by solar panels There is generous cupboard space and each house has a hi-fi system

Local content is about 95%

Thatch is protected by a fire-proof coating material, developed by the company The walls consist of plywood, polyurethane and gypsum board

The design and specifications comply with UK building regulations and qualify for bond financing and insurance.

Mr Poole has received help from the Department of Trade and Industry It will help him to take part in international exhibitions

A plot has been acquired in the UK on which a permanent show house will be built

Kitchen to cost R18m

AIR Caterers, a joint venture between the Fedics group and Swissair, is to build an R18-million kitchen at Jan Smuts airport to cater for the expected increase in tourism.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change

CERAMIC INDUSTRIES FM

Off the ground 10/7/92

Activities: *Makes ceramic tiles and sanitaryware*
Control: *Italtile directors* (193)
CE: *G Ravazzotti*
Capital structure: *18m ords Market capitalisation R50,4m*
Share market: *Price 280c Yields 4,6% on dividend, 25,4% on earnings, p e ratio 4,1 12-month high, 400c, low, 250c Trading volume last quarter, 48 000 shares*

The business, capital structure and shareholders of Ceramic changed entirely during the past financial year, so most of the year's figures are merely for the record

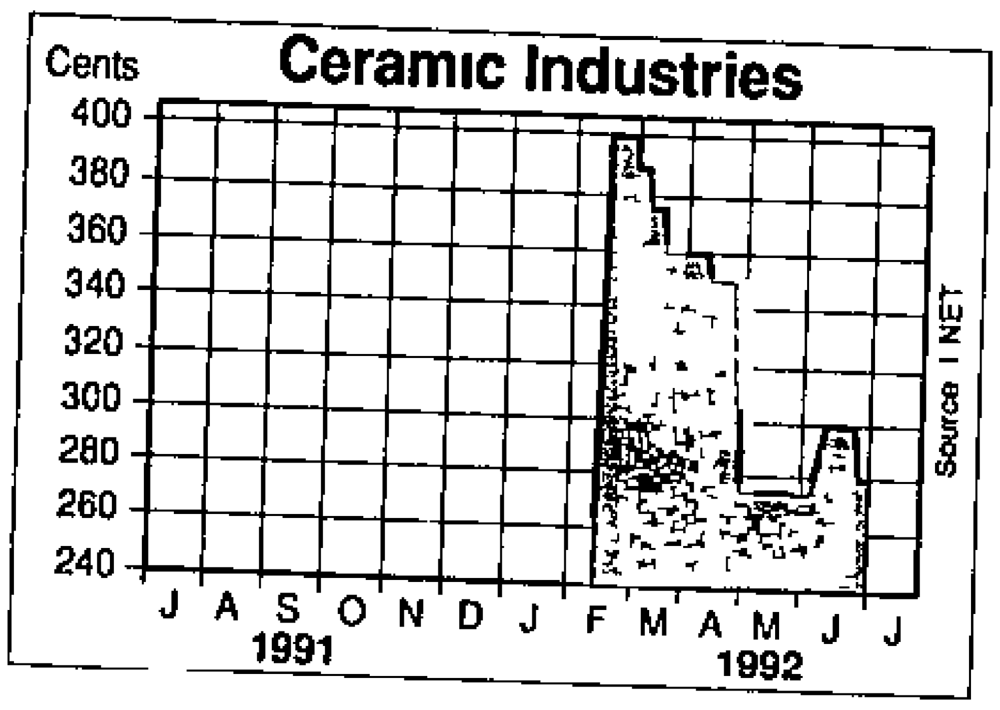
When the company was restructured with effect from August 31 last year, it acquired from Italtile the business, assets and liabilities of the Beta Sanitaryware and National Ceramic Industries divisions of Italtile as well as the entire share capital of and claims against Samcatiles, National Ceramics, CRM Brick, Associated Industries and Tilecor Properties

It disposed of businesses making and distributing wooden doors, cupboards and kitchen units, as well as the radio and hi-fi equipment company, Audiocor Sales of these non-ceramic fixed assets brought in R22,4m

The income statement for the year to end-February shows an after-tax loss of R8,4m However, at the halfway stage, the company wrote off R75m, comprising the accumulated loss at the end of the previous year (R60,7m) and a loss of R14,5m incurred during the first six months of the 1992 year

The balance sheet shows a reduction in stated capital from R120,1m to R58,1m During the second half of the year, the new business produced earnings of R6,1m, EPS are stated as 34,1c, derived from this figure

Ceramic entered the new year with two distinct advantages gearing was conservative at just over 20% and there was a tax loss of R50m Also, management believes there will be benefits from having the Italtile manufacturing interests focused in a separate company



Even so, chairman Giovanni Ravazzotti is cautious about the current year's prospects He says a new sales and marketing division has been established to increase market penetration and its cost will "impact negatively initially " Trading conditions are expected to remain depressed this year, he says, and it will be difficult to repeat the results (annualised) of the last second half

The 7c a share dividend, based on second-half results, resulted from the five times dividend cover policy

At 280c, the share is inexpensive on the historical p e, but the short-term prospects are not encouraging *Kate Rushton*

DATES TO REMEMBER

Last day to register for dividends:
Friday Jul 17: Anbeeco 4c, Argus 40c, Chubb 16c, Clicks 26c; Darmag 2,25c, Metro 6c, Oceana 49,6c, Prem Grp 51c; Randfontein 60c, Supalek 2c, Tongaat 50c
Meetings:
Monday Jul 13: Afcol (Sandton), Investec, Reichmans, Meritex (Cape Town)
Tuesday Jul 14: Tafelberg (Bellville)
Wednesday Jul 15: Amrel
Thursday Jul 16: Da Gama (East London), L Match (Durban)
Friday Jul 17: Coastal (Mobeni), Debonair (Cape Town), SA Brew, Wankie (Harare)
All meetings are in Johannesburg unless otherwise stated

Plate Glass monopoly shattered

193

St Times (Buss) 12/7/92

By DON ROBERTSON

INDEPENDENT glass traders claim they have broken the monopoly held by Plate Glass & Shatterprufe Industries in manufacturing and distribution

An application by Pilkington for the imposition of anti-dumping duties on household glass from China was turned down last month, effectively opening up this market

A new franchise operation and manufacturing plant has reduced Plate Glass' control of the automotive glass market

Triangle Glass managing director Cyril Geberdt says his company and 300 independent glazing firms have won their battle against Pilkington It alleged that China was dumping glass in SA.

Higher

Pilkington is SA's only manufacturer of float glass

The Board of Tariffs and Trade (BTT) ruled last month that anti-dumping duties on drawn and float glass from China would not be in the national interest and the decline in Pilkington's market share could not be attributed solely to imports

The BTT said the cost of export glass from China was higher than its domestic price Quality was comparable with glass made in SA

In April this year, Pilkington UK sold its 48,4% investment in subsidiary Glass SA to Plate Glass

Its share of the market for 4mm float glass plunged from 100% in 1989 to about 85% last year, says Mr Geberdt

Independent glaziers who import and do not rely on Plate Glass have a market share of about 15% of the R1-billion industry They forced Pilkington to keep price increases as low as possible

In the past three years, the price of 3mm float glass has fallen by about 25%, says Mr Gerberdt

In spite of freight charges and the 10% ad valorem duty, Triangle can sell at a discount of about 20% compared with glass from Pilkington

On the automotive side, a franchise agreement was recently established by Glasfit, marketing arm of the Glastam group

A year ago, it opened a glass factory in Babelegi which effectively broke a Plate Glass monopoly

Glastam has developed a national network of more than 200 dealers in the major centres Many of them will be invited to join the franchise

They will concentrate on automotive glass, but will also offer flat glass

The Glasfit outlets will give buyers a choice in the autoglass market for the first time in many years, says chief executive Div de Villiers

Surplus

Rod Fehrsen, chief executive of Glass SA, says Pilkington is the only manufacturer of float glass in SA Until February last year, it was the only producer of autoglass He denies that the group has a monopoly on distribution

Mr Fehrsen says the BTT decision to deny the Pilkington application for dumping duties forced Glass SA to reduce prices on June 1 Prices were cut by 12% to meet competition from imports in a world market which is in surplus and to keep up volumes at the factory

He hopes Triangle will become a customer of Pilkington

Price war breaks out in glass industry

B/DAY 16/7/92. (173)

EDWARD WEST

CONSUMERS could benefit from a price war that has erupted in the flat glass industry

SA's only manufacturer has lowered prices following government's decision not to impose anti-dumping duties on glass imports

Triangle Glass MD Cyril Gebhardt said in a statement yesterday that local manufacturer Pilkington had over the past few weeks cut prices by nearly 15% At least one of its retail arms, Glass Supply, has slashed prices by almost 24% in an attempt to stop sliding sales

Gebhardt believed the price cutting was sparked by Pilkington's failure last month to have the Board of Trade and Industry levy anti-dumping duties on Triangle's glass imports

Plate Glass & Shatterprufe Industries spokesmen declined to comment yesterday

However, Glass SA CE Rod Fehrsen was reported to have said the decision not to impose anti-dumping duties had forced a 12% price cut to meet competition from imports

"We can always beat the local manufacturer on price, but we're not comfortable with it and will obviously adjust back to more reasonable levels when we can While we are reluctant, it looks as if we are going to have to cut prices and get involved in a price war," he said

Fluctuating prices would not benefit glaziers because they did not know how long current low prices would last and they often needed to quote on contracts months in advance, he added

Industrial waste can mean cheaper housing

B DAY 17/7/92.

A LEADING SA mining corporation has found a way to save money, provide cheaper housing and protect the environment by using its industrial waste to make building materials

(193)

Details of the breakthrough were carried in a paper delivered on Tuesday at a Johannesburg environmental symposium focusing on recycling, at the SA Institute of Mineral and Technology.

Genmin Mining Corporation engineer B E Dowling said the process had begun with a Council for Scientific and Industrial Research (CSIR) report which concluded that chrome, copper and platinum slag (metal waste) was suitable for making concrete.

Genmin began making "cement bricks", experimenting with different proportions of platinum slag and cement mixed with water, and testing them It was also found that chrome slag could be used instead of sand in mortar for bricklaying or for plastering.

Slag is being incorporated into Genmin's employee housing scheme at its Impala platinum plant, and two entrepreneurs are making bricks using platinum slag A special mould has been invented to make brick units to replace steel window frames and door frames, further reducing costs

Manufacturing from waste was no miracle cure for housing, since the most expensive ingredient was the cement, Dowling said.

"However, using the waste material will contribute to savings in brickmaking costs and simultaneously reduce pollution of the environment"

In another paper, SA companies were warned that they would be forced to keep pace with foreign achievements in recycling.

The paper, presented by consulting engineers Dr Robert Muller and Dave Hojem, said the most recent legal requirements in Europe demanded that recycling take place if it was technically and environmentally feasible Waste which filled these criteria could not be dumped

Although SA had the most advanced technology for processing and recycling plastics, it still lacked stringent legislation for waste treatment — Sapa

BOUMAT FM 17/7/92

Waiting for peace (193)

Boumat's balance sheet strengthened significantly last year, thanks to stringent working capital control Year-end gearing dropped to 8% (1991 41%), largely as a result of the R20m stock reduction and the R26m rise in creditors

Chairman Sidney Borsook does not expect any significant improvement in the economy or the building and construction industry during fiscal 1993 He concedes the key to Boumat's growth lies in the provision of affordable housing He comments "The De Loor report is an indictment of the fragmented and inept approach of the various departments and agencies which has resulted in the building of a paltry 20 000 houses in the past year against an estimated conservative requirement of 200 000 "

But Borsook accepts that events in the

Activities: *Manufactures and supplies building materials*
(193)
Control: *Saficon 51%*
Chairman: *S Borsook, CEO A Klein*
Capital structure: *31,05m ords Market capitalisation R121m*
Share market: *Price 390c Yields 2,6% on dividend, 11% on earnings, p e ratio, 9,1, cover, 4,3 12-month high, 480c, low, 320c Trading volume last quarter, 234 000 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	26,0	14,0	27,8	—
LT debt (Rm)	13,2	31,9	31,8	19,1
Debt equity ratio	0,28	0,30	0,41	0,08
Shareholders interest	0,36	0,34	0,30	0,32
Int & leasing cover	4,3	3,0	1,2	1,9
Return on cap (%)	16,1	14,2	7,2	10,6
Turnover (Rm)	843	1 002	1 091	1 163
Pre-int profit (Rm)	55,0	57,9	31,1	45,3
Pre-int margin (%)	6,5	5,8	2,8	3,9
Earnings (c)	110	82	7,4	43
Dividends (c)	38	45	48	10
Net worth (c)	454	480	417	438

political arena have resulted in great uncertainty, and adds that both public and private investment in construction will be deferred until there is greater certainty

Fundamentally, therefore, one must take a view on prospects for peace, particularly in the townships, when taking a view on the group This applies to any number of businesses, but even more so to groups like Boumat, whose main activities comprise the sup-

Boumat's Borsook *there is reason for optimism*

ply of materials used in building, home improvement and allied activities

Borsook says there is reason for optimism, particularly in regard to "the predicted increase in tourism " (As Boumat is heavily into distributing plumbing and related materials, it gains most from residential and hotel construction, where bathroom ratios are high)

An influx of foreign hotel groups would benefit the group, though this prospect is probably temporarily shelved due to the violence Another reason for some bullishness is that official statistics indicate residential

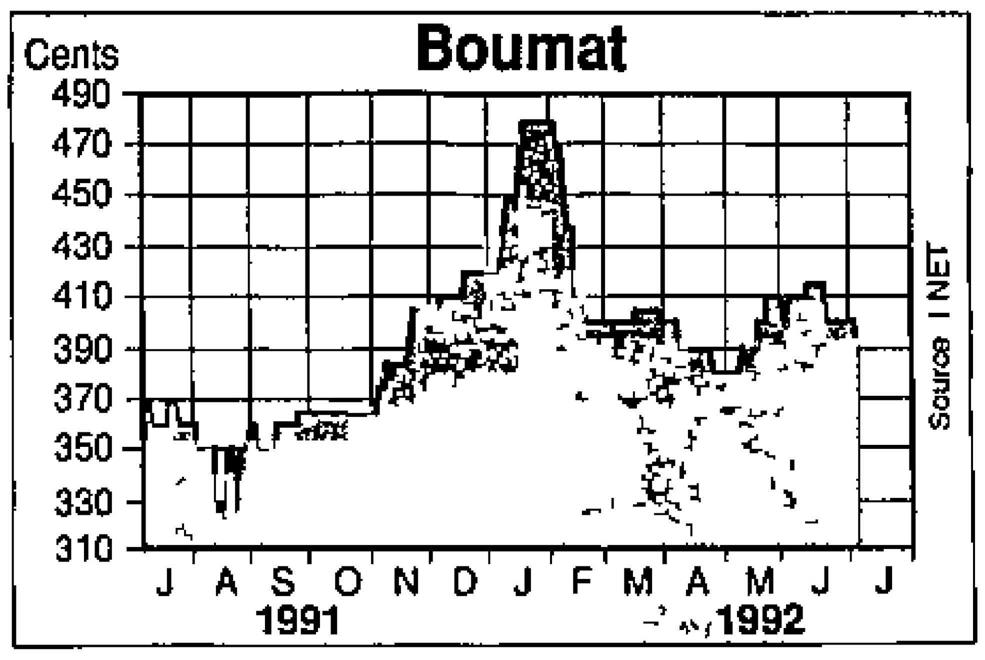
cont →

FM 17/7/92 (193)

plans passed and completed are picking up

Though analysts reckon new MD Adam Klein's priority must be to reduce Boumat's earnings cyclicality, Borsook says this is easier said than done As a large part of the costs are fixed, changes in activity levels have significant effects on the bottom line EPS have been volatile, being 82c in 1990, plummeting to 7,4c in 1991, and jumping to 43c last year

Like holding company Saficon, Boumat needs to evaluate carefully the implications



(193) FM 17/7/92

of taking a short-term outlook through relinquishing infrastructures that took years to build up Good locations are a distributor's lifeblood

Until last year, the group had an unusual distribution policy, issuing bonus shares equivalent to 10% of the number of shares in issue, to make capitalisation issues Shareholders who chose not to take up bonus shares could opt for the equivalent cash dividend

The new policy is to pay a cash dividend not exceeding 25% of attributable earnings As more than 85% of shareholders opted for paper under the previous policy, Borsook notes the net effect on cash retained earnings is much the same over time

The implementation of this meant this year's dividend dropped to 10c (48c), giving a respectable 4,3 cover and indicating the tough times ahead The share, on a p e of 9,1, looks a little top heavy while the violence continues *William Gilfillan*

Activities: *Makes, distributes and installs flat and automotive glass, procures, makes, processes and distributes timber, board and aluminium products*
Control: *SA Breweries 67%*
Chairman: *R Lubner*
Capital structure: *16,5m ords Market capitalisation R800m*
Share market: *Price 4 850c Yields 3,1% on dividend, 6,4% on earnings, p e ratio, 15,7, cover, 2,1 12-month high, 6 625c, low, 4 400c Trading volume last quarter, 267 064 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	93,9	196,7	190 0	279,9
LT debt (Rm)	219,7	247 1	51,5	48,8
Debt equity ratio	0,49	0,78	0,49	1,16
Shareholders' interest	0,41	0,33	0,39	0,27
Int & leasing cover	5,2	4,7	10,3	9,2
Return on cap (%)	17,4	15,9	19,2	17,1
Turnover (Rm)	2,76	3,13	2,30	19,8
Pre-int profit (Rm)	275,2	291,1	298,6	242,8
Pre-int margin (%)	10 0	9,3	13,0	12,3
Earnings (c)	483	355	409	309
Dividends (c)	222	222	150	222
Net worth (c)	2 890	2 560	2 474	2 113

trading difficulties in domestic operations bruised the group results, cutting EPS by just under a quarter, to 308c

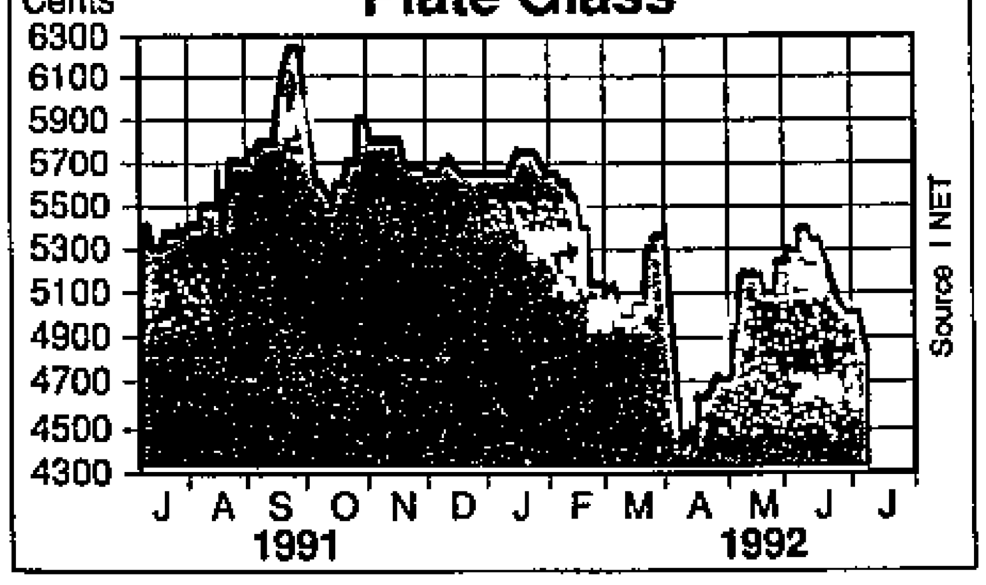
Pre-tax profit fell by a fifth, to R216,5m, on a 14% decline in turnover. Plate Glass & Shatterprufe Industries' Autoglass operations in the UK remained the star performer among the international concerns, with operating profit up 16%, and its contribution to EPS rising by 58,8%, to 181c Management is confidently forecasting continued growth in sales and operating profit

PGSI's need to re-establish itself in international markets has led to a severely overgeared situation offshore Operations in France, Italy and Germany — still in developmental stages — made operating losses German operations are forecast to be on track this year after halving their losses in 1992

The 33% rise in operating profit by the Benelux countries was not enough to contain a 60% slide in Belron International's profit, resulting in a 121c loss per share for PGSI

Laggards in the group's operations were Windscreen O'Brien and O'Brien Glass in Australia and the US company Windscreen America Both have absorbed substantial capital in recent years but, due to the long and deep recession, have not recently been profitable Despite extensive rationalisation in Australia, losses incurred there resulted in negative EPS of 24c

Though sales in the US operation increased 12%, a decline of 13% in average



PGSI's Lubner *funding the international investments*

price more than offset any gains Management sought other avenues in car rental and commercial sectors, which are traditionally more price sensitive and competitive, though focus remains within the insurance market

Chairman Ronnie Lubner says the group has been unable to offset profit from Autoglass UK, which pays full tax, against losses on the Continent As the lossmakers return to profit, they will not be liable for tax for some years

SA operations have, over the past few years, been the major source of group profit, contributing roughly four-fifths of attributable earnings But recently these operations have been hampered by recession and political unrest

Turnover in Glass SA, the major profit contributor, declined 1%, though in real terms the decrease is more significant With tight cost controls, the negative impact on operating profit was contained to 15% Exports remain a key strategy for Glass SA

Decline in the board and timber markets, particularly the furniture industry, has meant P G Bison did not go unscathed An attributable loss of R5m by Penny Pinchers added to pressures on the division's results Overall sales volume declined 5% and operating profit dropped 11%

Operations in central Africa returned a solid performance, with turnover and operating profit rising 46% and 77% respectively Contribution to EPS will, however, decline in financial 1993, with the adoption of SA Breweries' accounting policies, which specify only cash received should be taken into account in PGSI's income statement

Notably, had this policy been in place in financial 1992, EPS would have been reduced 32% to 209c

1992's acquisitions are expected to bolster year-end profit PGSI acquired a further 48% interest in Glass SA from Pilkington Plc, lifting its stake to 96,8% PGSI also bought Afcol's 50% investment in Spankor, raising the group's interest in P G Bison by 24%, to 71,7%

Prospects are mixed While a marked reduction in after-tax losses in Belron International is expected, and hence growth in EPS, losses in US and Europe, and difficult trading conditions in SA are obstacles still to be overcome

Nevertheless, the group is committed to funding these investments Roughly half the R354m rights issue proceeds will be remitted overseas, alleviating the overgeared situation A pro forma balance sheet shows gearing falling to 40%

At R48,50, and on a p e of 15,7, the share is priced at a demanding level While Plate Glass has substantial turnaround potential, investors will want to see signs that problem areas have been successfully addressed before committing themselves *Marylou Greig*

PGSI FM 17/7/92 (193)

Absorbing foreign losses

Benefits from the group's rand-hedge operations again failed to materialise in financial 1992 Problems in foreign activities and the

SA is ranked third with stone exports

B|DAY 20|7|92. (193)

JONO WATERS

SA PRODUCTION of raw marble, granite and building stone accounted for 2,3% (or 700 000 tons) of world production in 1991, says the World Stone Industry 1992 annual report

However, as a world exporter of these products SA ranked third with 7,3% (or 590 000 tons), behind Italy and Spain.

The report claims that the number of new housing units in SA increased by 4,7% in the 1990/91 building year to 34 200 units It does not define housing units

The world stone industry was expected to grow by 6,5% to produce more than 60-million tons of raw stone by 2000

A better, brighter outlook

STAR 23/7/92 (193)

Rehau is giving South Africa a new outlook through its extensive range of PVC windows and doors

The products are made in Germany to a specially developed South African formula, which has been tested by the SABS and CSIR

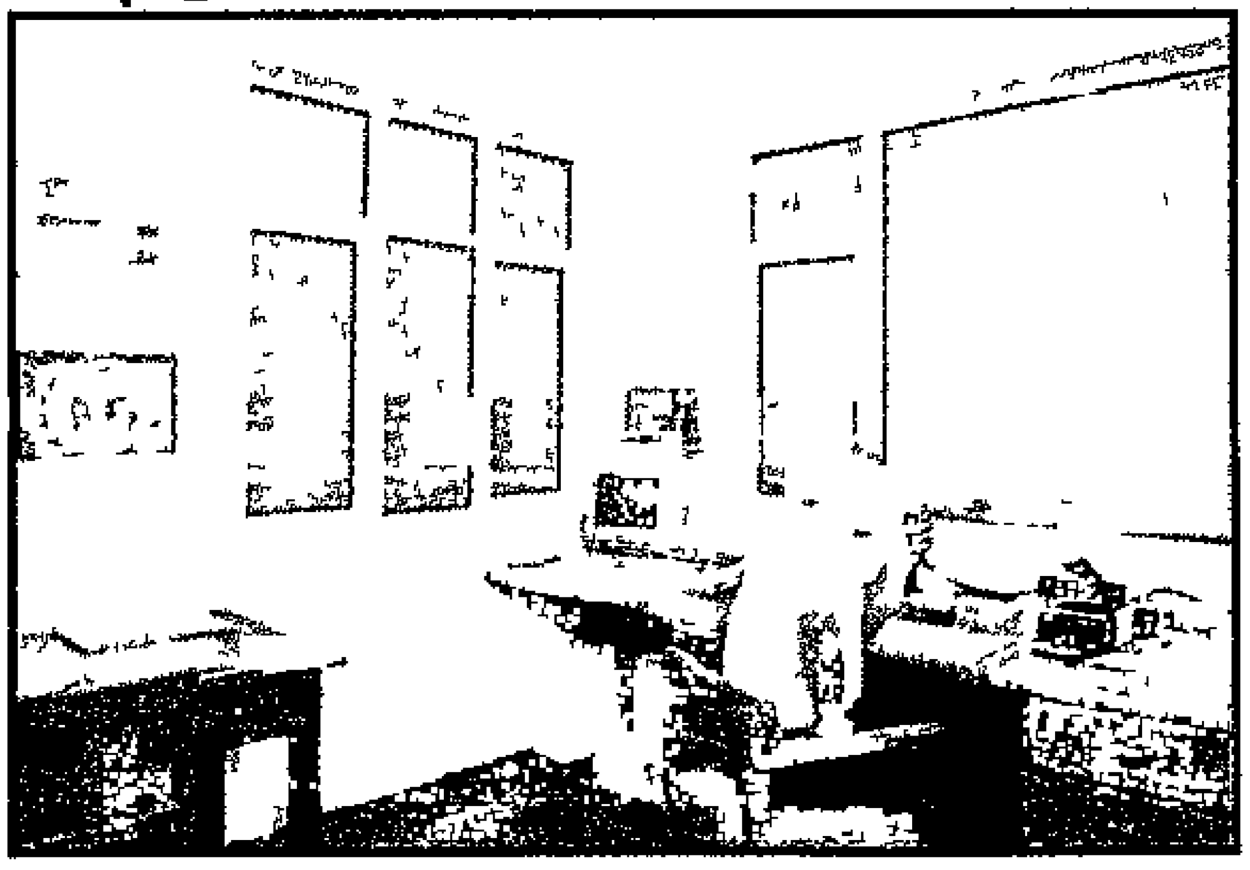
The company's huge East London warehouse carries large stocks of all the components and profiles, and group sales manager Harald Draheim says quick deliveries are the rule rather than the exception

Each window and door supplier is tailored to the customer's home, office, shopfront or factory by a national network of trained fabricators

Says Mr Draheim "We have no completed windows We supply carefully selected fabricators and contractors with the extruded PVC and the necessary components The contractors measure each individual opening, cut and weld the windows and doors to form an exact fit which does not permit any leaks"

Rehau believes its network of fabricators offers it an advantage over other PVC window suppliers who provide the finished products

"We provide the profiles to the fabricator and he fits and welds the window or door As a result the fabricators have developed considerable expertise and are able to solve particular problems If they were fitting ready-made windows they would not have that body of knowledge for the client to draw upon"



The classy look . . . Rehau products are made in Germany to a special SA formula

The product is not cheap and is aimed at the upper end of the market where its superior finish, appearance, durability and maintenance-free qualities have proved popular

Clients are able to fit the type of glass most suited to their likes and needs. This ranges from the standard float glass, through to special laminated insulation glass, double glazing and triple glazing.

Says Mr Draheim "In Europe insulation glass or double glazing is almost standard

"One of the advantages which Rehau windows and doors offer is that they are fitted exactly This is particularly important when fitting insulation glass If the fit is not almost perfect, the laminated sheets of glass may distort and separate over time

"Insulation glass and double and triple glazing have enormous advantages to offer in South Africa. They offer considerably more protection from noise and heat. In addition, during the winter they help retain warmth in the home

"Double and triple glazing is even more effective The double glazed window uses two sheets of glass separated by a layer of air It is this layer of air as well as the double thickness of glass which is so effective as an insulator"

The PVC used by Rehau was specially developed to cope with SA conditions such as extremes of temperature

"We made a special formulation which is resistant to 80 kilocalories per square centimetre As a result the white PVC remains white, unlike some products which will gain a yellowish hue

"The PVC frames have a number of advantages to offer There is no maintenance and the frames can be cleaned wet. This means dirt can simply be wiped off with a wet cloth

"By now PVC windows and doors have reached the stage where there is little which can be done to improve them further Instead development is in terms of designs and accessories."

In addition, PVC has enormous advantages over more conventional windows and doors in the coastal areas where its total resistance to weather and the corrosive atmosphere have proved very cost-effective in the long term

The company concentrates on the products which form the bulk of its market such as a variety of windows and doors

Mr Draheim says the company is finding particular niche markets in upmarket areas

Waning confidence sends granite shares into dive

B/DAY 27/7/92

(193)

MATTHEW CURTIN

SHATTERED investor confidence in the JSE's granite sector in the past six months has seen shares plummet in a way usually associated with the fickle and high-risk mining exploration sector.

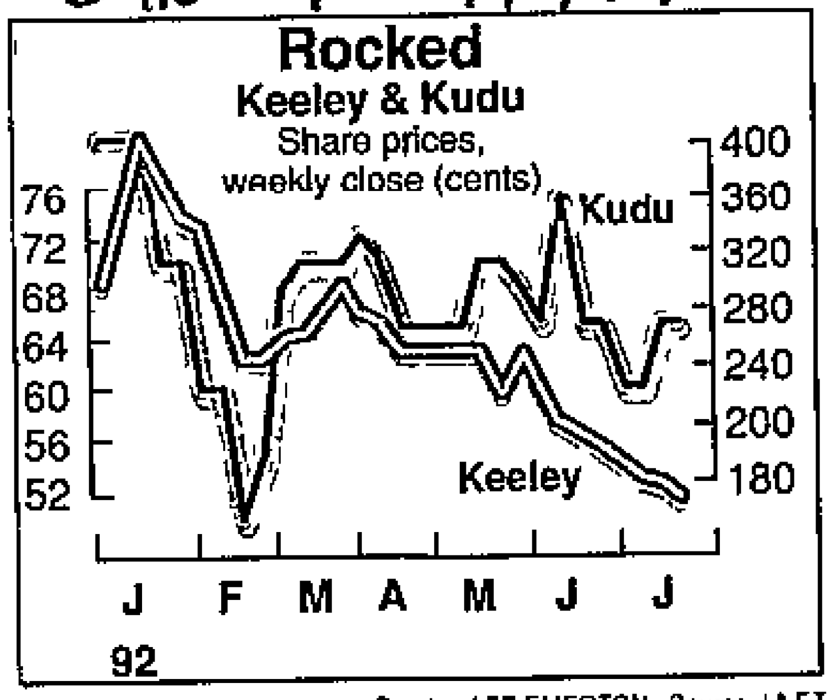
Shares in market leader Kelgran, and holding company Keeley Holdings, have sunk sharply. Kelgran closed on Friday at 150c, 12% or 20c down in the past month, compared with 375c earlier this year, and highs of 620c in 1991.

However, the entire sector has suffered, with Marlin Corporation languishing at 25c a share on Friday, bid at 22c. The stock reached levels of 220c last year, and 800c in 1989. Shares in Kudu Granite have fallen 8% in the past month to 75c, against 130c last year, and 480c in 1989.

The lack of investor confidence in the sector comes at a time when analysts believe the industry as a whole is better placed to consolidate in spite of world recession.

Earlier this year, producers set up a marketing body, the Southern African Granite Association (Saga), while Kudu merged with unlisted producer Impala Granite.

These developments left a streamlined granite sector with closer links to mining houses Genmin and Anglo American, via their interests in Keeley and Impala respectively.



Graphic LEE EMERTON Source I-NET

Anderson Wilson analyst Rene Hochreiter said the developments had not buoyed market sentiment because of the depth of the world recession and its impact on the international granite trade.

Saga's influence in cutting out price battles between local producers and setting minimum prices for the low-margin high-volume trade in Rustenburg Grey stone, was beneficial in the long run. But he said the dearth of demand and weak prices counteracted Saga's early efforts to promote southern African stone.

Another analyst said a question mark over the quality of management at some granite producers was also depressing market sentiment. In the past numerous small producers, like Aurora and Quagga, had come to the market but had been unable to provide top quality products.

Saga executive director Rhyme Greeff said the formation of the association was part of a long-term process to consolidate granite exports. In the meantime, the faltering economic growth in the US, Europe and Japan — the major granite markets — had hit the trade badly, especially in the wake of the Gulf war and its disruption to Middle Eastern trade.

Greeff said SA producers had maintained their market share of about 13% of world trade in raw granite, even though the volume of trade had fallen.

As much as 85% of granite is used in the construction and related industries, where the stone has become increasingly popular as a pollution resistant and attractive material for cladding and decorating buildings. Greeff and Hochreiter agreed that the scale of the worldwide slump in the construction industry had offset any competitive edge granite had over other materials.

The remaining 15% of granite production is used in the manufacture of tombstones, principally in Japan, a high-margin business with slow but steady growth.

However, Greeff said there were signs that demand from Europe was picking up. About 45% of SA granite is exported to Italy, the world's leading stone-cutters. He said granite orders for the post-August holiday season were encouraging.

Cement sales down as builders suffer

(193)

EDWARD WEST

FIXED investment in building and construction declined by more than 11% in 1991 and was expected to fall a further 2% in 1992, the Cement Producers' Association said recently

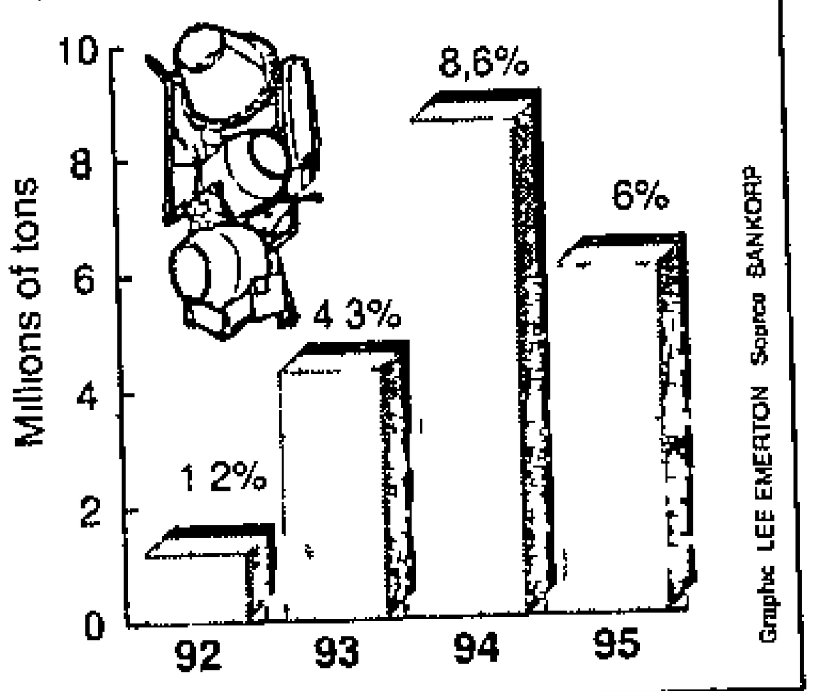
Other than construction of the first phase of the Lesotho Highlands Water Project, there was little chance of big civil engineering or building projects coming on stream in 1992

As a result of this, cement sales were forecast to fall between 1% and 1,5% in 1992

Civil engineering's turnover in 1991 was 20% lower than in 1990, based on current prices and a massive 30% lower base on constant prices

The greatest potential for building-sector growth was in affordable housing and related activities More than 300 000 jobs could be created by eliminating the housing backlog, estimated at about 100 000 houses and 200 000 sites

Forecast of cement consumption
(showing annual year on-year % increase)



6\10AM 28/7/92.

While building investment was likely to decline by 3,2% in 1992, 2,9% real growth was predicted for 1993

Overall housing cost increases per square metre for an average three-bedroomed house were estimated at 23% in 1991 and by an average of 15% over the preceding five-year period

The low level of activity in the building and civil engineering sectors saw cement sales fall 6,4% to 7,34-million tons in 1991 from 7,83-million tons in 1990

Industry production during the year was 7,43-million tons, 4,9% lower than 7,81-million in 1990 Only 58% of production capacity was used in 1991 against the 63% in 1990

Cement and clinker exports — mainly to Zimbabwe, Mozambique and the Indian Ocean Islands from two Western Cape factories — amounted to 190 000 tons of cement and 188 000 tons of clinker in 1991, 10,2% up on the previous year

Overland exports were expected to increase in 1992, but the cost of transport from the industry's major production facilities in the western Transvaal exceeded the international free on board price of cement, negating this mode of cement export

Anti-Dutton plot denied at hearing

B/DAY 28/7/92 (193)

SUSAN RUSSELL

P G BISON director Bertie Lubner has denied allegations that he and others in the Plate Glass group were part of a conspiracy to destroy the Interboard group of companies and its former chairman Ed Dutton.

This emerged in the Rand Supreme Court yesterday where Dutton is on trial on 14 counts of forex and finrand fraud involving about R150m.

Dutton, who has pleaded not guilty on all counts, claims that the charges against him are the result of a conspiracy by Lubner and others to destroy him and Interboard

He also alleges his successor as chairman David Olsen was responsible for falsifying documentation used to incriminate him

Dutton has also denied the State's allegations that he controlled Interboard Ltd's offshore holding company and the Guernsey-registered Mary Gibbs Trust, which was the ultimate owner of the Interboard group

The State yesterday applied for leave to hear evidence on commission in Guernsey from Nigel Westgarth, the MD of Stonehage (Guernsey) Ltd which administered the Mary Gibbs Trust Evidence from a number of State witnesses in Guernsey, Jersey and London was heard on commission earlier this year

Dutton's counsel Max Hodes SC has not opposed this second application

He has asked Judge P Streicher for an order giving the defence access to documents which Dutton claims will support his allegations that the charges against him are the result of a conspiracy involving Olsen, who was a director of Stonehage (London) at the time, Lubner and others

Opposing the defence application, State counsel J Helm submitted yesterday that the documents listed by the defence either did not exist or were irrelevant to the case.

Hodes argued the documents would show that while Stonehage administered the Gibbs Trust it was also acting for Lubner, in his personal capacity as well as for his companies, creating a conflict of interest

The State submitted an affidavit from Lubner in which he denied that he or others in the Plate Glass group took part in a conspiracy with Olsen to destroy Dutton and interboard

"The Interboard Group competed with only some of the businesses owned by P G Bison Ltd, in which the Plate Glass group's interest was only 50%," Lubner said

"Moreover, the Interboard Group was only one of a number of competitors within that limited area . Apart from any considerations, it is unthinkable that in those circumstances the Plate Glass group would have stooped to any conspiracy of the kind apparently being alleged "

Hodes will argue further today

Toncoro assumes subsidiary Corobrik's name

BDAY 29/7/92 (193)

Business Day Reporter

BRICK and building materials manufacturer Toncoro yesterday assumed the name of its subsidiary, Corobrik

The holding company was renamed to reflect management's commitment to leading the group towards a corporate vision, executive chairman Errol Rutherford said

The subsidiary will retain its name

Corobrik had responded to extremely challenging trading conditions by becoming "a lean and mean outfit", he said

The company had streamlined itself from top to bottom with a smaller management team focusing efforts to satisfying customer needs, he said

"Corobrik intends to make its presence felt internationally and is already supplying bricks to the Singapore Housing and Development Board and is talking to several potential customers in Africa and the Middle East"

The company had ample scope to handle the demands of the future and employed about 6 000 people at 30 SA factories

"We are the biggest brickmaker in the southern hemisphere and the second biggest in the world and intend to keep that position We are heading into a dynamic new international business environment Local manufacturers can no longer hide behing protective tariffs when the industry needs to be competitive in world terms," he said.

Keeley gets granite rights to 600 farms from Rand Mines

JONO WATERS

BDAY 30/7/92

KEELEY Granite (Kelgran) would acquire substantial granite rights covering more than 600 farms for R15m from Rand Mines, chairman Fred Keeley said the annual report

A Rand Mines spokesman confirmed the deal and said it was between Rand Mines and Genmin, whereby Genmin would pay Rand Mines in Kelgran shares

The agreement was in the final stages and would provide the group with additional long-term reserves, plus creating potential for many new materials, Keeley said.

The downturn in world economies in the past year had shown up in the group's annual results, where net income dropped by 48% and earnings a share fell by 42%, he said.

193

The construction industry in North America, parts of Europe and the Far East had been badly affected, and Kelgran had suffered

Boart makes another European acquisition

STAR 31/7/92 193

Finance Staff

Boart International, which is 100 percent controlled by Amic, has expanded further into Eastern Europe through the acquisition of a former East German industrial ceramic producer

In line with the privatisation programme of former East German companies, a campaign which is run by the Treuhand group, Boart International will acquire the land, buildings and machinery of Aumaer Oxidkeramik with immediate effect

Group public relations manager Viv de Chalain says that in line with Treuhand regulations the purchase price cannot be disclosed

But it represents an important asset for the group, he says

Boart has guaranteed the continued employment of most staff members, although other forms of rationalisation are being considered

Boart International has already established operations and trade links in Russia, the Ukraine, Czechoslovakia, Poland and Kazakhstan

STAR 6/8/92

A Alpha earnings down

By Stephen Cranston (193)

Cement producer Anglo-Alpha's (A Alpha) current cost earnings fell by 15,3 percent to R18,9 million in the six months to June On the more usual historic cost basis, earnings declined 7,7 percent to R43,1 million.

Chairman Peter Byland warns that although every effort is being made to control costs, management will be hard-pressed to hold the rate of decline in earnings for the year to the same level as the first six months

Nevertheless, the interim dividend has been maintained at 46c.

Average borrowings for the six months increased, resulting in finance costs more than doubling from R7,5 million to R15,8 million

Cash flow improved significantly from a negative R1 million in 1991 to R62,6 million thanks mainly to the fact that 1991 included tax payments relating to 1991 and 1990

Sales volumes in the cement division fell by 1,8 percent But thanks to a decline in the tax charge and a lower current cost adjustment, taxed income in the division rose 23,3 percent to R9,5 million.

The stone division increased sales volumes by 6,3 percent, but there was an unfavourable sales mix of aggregates, resulting in a loss of R4,7 million

Sales volumes of all operations in the industrial division declined Net taxed income in the division fell 11,7 percent to R5,9 million.

Mr Byland says that Anglo-Alpha will not meet the forecast contained in the 1991 annual report of an improvement in net income equal to the inflation rate

The group assumed that gross domestic fixed investment (GDFI) would increase by one percent, but it is now thought that GDFI will decline by 7,5 percent

The Anglo-Alpha board believes it will be able to maintain the dividend for the year as a whole

Trading slump hits Anglo-Alpha profit

(193)

EDWARD WEST

ANGLO-ALPHA, the cement and lime producer, suffered a further trading setback in the six months to June, and chairman Peter Byland is worried that the second-half profit decline could be steeper than in the first half

BIDAY 6/8/92.

Volume sales declined but the first half's turnover rose to R375m from R352m in the same period in 1991.

Operating income slipped to R68,1m from R72,5m and steeper finance charges resulted in a sharply lower interim pre-tax profit of R59,1m against R71,5m.

A lower tax bill mitigated the effect at the after-tax level and the interim taxed profit attributable to ordinary shareholders was R43,1m against R46,7m.

In 1991, the total turnover was R728m, operating profit was R135,7m, pre-tax profit was R127,8m and attributable profit was R103,0m.

The interim dividend was unchanged at 46c a share, although the first half's earnings dropped to 143,4c from 155,3c. In 1991 a total dividend of 152c was declared from earnings of 342,6c Earnings in 1991 were 2% down on the previous year

Byland blamed the recession for the group's poorer performance, and warned of the possibility of a further profit decline despite efforts to control costs

'Cement' volumes were 1,8% lower as a result of declining building activity. In con-

☐ To Page 2

Anglo-Alpha

BIDAY 6/8/92

(193)

☐ From Page 1

trast, stone sales increased because of localised sales even though the national market for stone declined further Sales of industrial products, including lime, continued to fall

In his previous chairman's statement Byland estimated that taxed income would rise at least to match inflation.

He based this on the expectation that gross domestic fixed investment would rise by 1% in 1992

He now expected it to fall by 7,5% and consequently revised his profit forecast. His one cheerful expectation was that this year's total dividend would be the same as last year's

Boart in Germany

193

S/Times 7/8/92

BOART International has expanded in Eastern Europe by acquiring Aumaer Oxidkeramik, manufacturer of industrial ceramic products in what was East Germany (BUSS)

Boart will receive the land, buildings, plant, machinery and technology of the operation in Thuringia as part of a privatisation deal.

Aumaer produces ceramic products mainly for Western markets. They include electronic components, wear-resistant linings, seal rings and transparent ceramics

Boart has established operations and trade links in Russia, Ukraine, Poland, Czechoslovakia and Kazakhstan

Gilt options burn investors' fingers

S/Times (Buss) 9/8/92

DIAGONAL STREET by Julie Walker

THE Financial Services Board (FSB) has warned the public not to deal with gilt option brokers who are not members of the JSE or of the Bond Market Association (BMA)

The warning comes after reports of investors losing money through the purchase of gilt options that banked on a rise in interest rates. But capital market rates have fallen sharply in the past few weeks.

The problem regarding non-member brokers stems from the tardiness of the FSB in granting a licence to the BMA.

When the licence is granted, dealers in instruments, such as gilt options, listed by BMA will have to be members

The BMA's Graham Lund says the operation of non-members is a matter for the FSB The FSB says it cannot act because gilt option traders operate in an informal market in unlisted financial instruments

FSB spokesman Stiaan Hyman says that when the BMA is licensed, the board will be able to send inspectors to investigate dealers who are non-members of the authorised bodies and trade in the same securities that are unlisted now Until then, FSB's hands are tied It recommends caveat emptor and dealing only through BMA members

This attitude poses the question. What does the FSB have to do that is more important than protecting the public?

As gilt rates fell again this week in the best bull run for several years, I received several calls from clients of Paul Rigden, an independent options trader, who say they have lost money

Rates have fallen by about 120 points since Mr Rigden told his clients in a newsletter dated June 8 that in the next four months, rates would rise to between 19,36% and 19,74%, with 19,55% "the probable terminus on or before October 1"

He said this potential 380-point rise in only four months represented the biggest gilt option opportunity in 6½ years. If one did not own a put option one had better do so immediately

A postscript to the newsletter told clients that rates had already risen then retreated.

"When the rate breaks 16,21%, expect the really exciting rise to begin. first stop 17,4% within three weeks of the break, and much much more to follow!"

Mr Rigden was right about the really exciting movement — but the direction of the shift in rates was out. Instead of rising to 17,4%, rates have fallen to below 14,6%

His newsletter said "I am prepared to recommend one-month, six weeks, two-month and four-month options now Prices range from R1 650 for the cheapest one-month option to R10 500 for the most expensive and best nine-month option and promise payouts between R30 000 and R122 000 if successful"

Mr Rigden's advertisement mentions his talent to spot interest-rate movements.

He is not a member of the BMA or of the JSE, the other body entitled to trade in listed securities.

Another independent options trader, David Bullard of the Johannesburg Options Market, says he was asked by the BMA to undertake not to trade with members of the public or to advertise

His clients are institutions who understand the gilt market

● Mr Rigden was unavailable to comment, but his partner Taff Edmunds says Mr Rigden has nothing to say to me

CHRIS MURRAY Key to the future is improved exports

From glass to wire rope

193

S/Times (Buss) 9/8/92

HAGGIE chief executive Chris Murray is pleased with his move from safety glass to steel safety cables

"After 20 years with Pilkington it was time for a change," says Mr Murray, who has been with Haggie for 15 months

He is the first to give credit to the staff and management at Haggie for turning in a fine performance in the six months to June

Turnover and earnings were up 4%, enabling a maintained dividend of 47c. Domestic sales volume fell, but exports grew by a quarter to 19% of sales.

Mr Murray says, "We are particularly pleased with our export performance The key now is to export a higher proportion of product with a large value-added component on which we can earn a greater margin"

Haggie is synonymous with steel ropes used in mining

"We are important to the mines, which account for 20% of our turnover About 14% comes from gold mines and the rest from platinum and coal operations

"In cost cutting, mines tended to reduce their on-shelf stock to only one spare rope, or even none, opting for a just-in time ordering system. But eventually, the demand position is restored"

A rope in a mine shaft lasts between 18 months and two years Safety standards are stringently adhered to under the scrutiny of the Government Mining Engineer

Haggie's importance to the mining industry is one reason why Mr Murray does not believe there will be a change in shareholders Amic and Malbak each have 36% of Haggie Although Malbak is dubbed the consumer division of the greater Sanlam empire, a larger shareholding by Amic might be seen to prejudice non-Anglo American mines

Malbak's Grant Thomas is Haggie's chairman.

About 12 years ago, Haggie diversified into copper-based products and engineering supplies.

The current tack is to make products allied to the core businesses, such as fittings used with copper piping The buyer of pipes also buys the fittings and Haggie sees a marketing opportunity

Another example is rivet guns

Mr Murray says "We sell lots of rivets, so we might as well sell the guns too It has been a good decision"

The biggest project of the moment involves a R100-million investment in the manufacture of steel cord for the tyre industry The business is worth R60 million a year and could double as steel-belt radials succeed cross-ply

Cement share prices drift to 12-month lows

(193)

B/DAY 12/8/92.

EDWARD WEST

THE share prices of two of SA's three cement producers have drifted to 12-month lows as economic and political uncertainty continues to hamper fixed investment levels which affect cement sales

Anglo Alpha's (AA) share was untraded at a 12-month low of 3 650c yesterday after peaking at 4 350c on June 15 Blue Circle was also untraded at its 12-month low of 2 400c after topping 3 725c on April 3

Pretoria Portland Cement's (PPC) shares were traded at 4 350c last Friday, off a high of 5 000c on June 9 1992 and a low of 3 700c on August 19 1991

Slight earnings increases have been predicted by both Blue Circle, due to report interim results to June, and PPC, which will announce year-end results to September 1992

AA chairman Peter Byland had predicted an earnings increase in the interim period to end June 1992, but instead earnings dipped to 143,4c a share from 155,3c. He said second half earnings could fall further

J D Anderson & Co analyst Malcolm Basford said cement shares tended to perform profitably only later in an economic upturn.

Gross domestic fixed investment levels, which directly affect cement sales, were low, both in the public and private sectors While a number of projects were in the pipeline to alleviate this trend, including Sasol's capital expenditure projects and the Columbus and Alusaf projects, political and economic uncertainty hampered decisions to forge ahead with these projects, he said

Basford added the cartel between the producers was probably the only one to have succeeded in the world as cement price increases had been kept below the inflation rate ever since government allowed the cartel in 1986

On July 1 cement prices increased on average 5%, but this would have a limited effect on cost increases in the building industry, senior members of the Cement Merchants Association (CMA) said.

ANGLO-ALPHA (193)

Giving way FM 14/8/92

Cutbacks in road building weakened Anglo-Alpha's stone division, which recorded a R4,7m attributable loss at interim stage against last year's modest profit MD Johan Pretorius says demand in this area has dropped dramatically

Fortunately, the stone division is the group's smallest activity, accounting for R63m of the R375m turnover Concrete activities, the major use for stone, also plunged in line with construction and civil engineering cutbacks Affordable housing programmes will eventually return this division to the black as concrete is used in foundations

The 8% decline in EPS, on an historical accounting basis, for the six months is creditable, considering economic conditions, with

SHOWING CRACKS

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	352	376	375
Pre-tax profit (Rm)	72,5	63,2	68,1
Attributable (Rm)	22,3	35,8	18,9
Earnings (c)	155	187	143
Dividends (c)	46	106	46

Continue →

FM 14/8/92 (193)

GDFI now expected to fall 7% in calendar 1992 after earlier estimates of about 1%

The cement division, which retains its dominance through its 55% contribution to group sales, lifted turnover 10% despite a 2% drop in volumes, partly indicating the strength of the cartel Pretorius reckons second-half demand for cement, used in construction and civil engineering, will probably be down on the first half as budgeted volumes are not materialising

Capacity usage in the capital-intensive cement industry is around 60%, which is hurting all three local producers On the other hand, profits should soar on the back of moderate increases in demand

Attributable earnings from the industrial division, at 30% the second-largest contributor to turnover, declined to R5,9m (1991 R6,7m) on lower activity at all operations — paper sacks, industrial minerals and lime All three have similar turnover contributions

A turnaround in this division is closely aligned to activity in the economy as the division has exposure across the board Lime is used in the chemical, steel and gold industries, industrial minerals have applications in the paint, plastic and paper sectors, paper sacks, used to carry cement and industrial minerals, is allied to these sectors

Pretorius says the earnings drop in the second half will probably be greater than the decline in the first half The 10,5 p e is lower than PPC's p e of 15 but higher than Blue Circle's 8,2, in line with their national market shares, PPC's being 45%, Anglo Alpha's around 35% and Blue Circle's 25% There appears to be room for moderate reratings downward

William Gilfillan

Gefco fares poorly while Msauli improves

BDAY 17/8/92

(193)

JONO WATERS

ASBESTOS and coal producer Gefco reported poor results, while associate asbestos producer Msauli had a much improved performance in the six months to end June 1992

The company turned in an after-tax loss of R3,23m (R1,86m profit) on a drop in asbestos turnover at Gefco to R24,1m from R39m in the comparable period last year Coal turnover grew to R5,56m (R1,45m)

Gefco did not declare a dividend and made a loss of 9c a share from earnings of 5,2c a share in the same period in 1991

Msauli, in which Gefco has a 33% stake, increased its turnover to R46,2m (R37,2m) and after-tax income more than doubled to R6,86m from R3,1m

The dividend remained unchanged at 10c, but earnings a share rose to 106c from 48c

Joint chairman Pat Hart said sales of asbestos fibre from Gefco were substantially lower due to a weak fibre market and the planned phasing out of amosite fibre announced earlier by the main users

Coal sales from Gefco increased due to the availability of washed coal following the commissioning of the washing plant at the Annandale colliery

On Msauli, Hart said the higher turnover was as a result of higher volumes and price increases Cash reserves, however, were depleted mainly due to the funding of the tailings recovery plant

Mixed results for Msauli, Gefco

193

By Sven Lünsche STAR 19/8/92

Asbestos producers Msauli and Gefco had mixed fortunes in the first half of the year: while Msauli's net income was up from R3,1 million to R6,9 million, Gefco reported a loss of R3,2 million in the six months to end-June.

Msauli, which declared an unchanged interim dividend of 10c, lifted turnover from R37 million to R46 million, while operating income rose from R3,4 million to R8,4 million.

Chairman Pat Hart attributes the good results to increased volumes, better asbestos prices and lower unit costs.

He says shareholders can look forward to improved dividends for the full year.

Commenting on the performance of Gefco, which passed its interim dividend, Mr Hart says a near break-even performance is expected for the full year.

Gefco's turnover in the six months fell from R40,1 million to R29,6 million.

Mr Hart says Gefco's crocidolite market remained weak, while results were also affected by the cutback at its Kuruman mine and the closure of its Penge amosite mine.

The joint Von Brandis gold project remains on ice, says Mr Hart.

CT 18/8/92

Cops surround strike factory

Staff Reporter

POLICE yesterday surrounded a Consol Glass factory in Bellville brought to a standstill by more than 400 striking members of the Chemical Workers' Industrial Union.

A national wage strike by the union has affected five Consol plants.

Union secretary Mr Colin Rani said management at the Bellville plant called in the police when strikers refused to allow trucks admittance to the factory

Management will meet strikers this morning.

STAR 20/8/92

Protection wanted for fibreglass

193

By Stephen Cranston

The fibreglass industry has applied for a further 20 percent protection against imports

Hennie Steyn, managing director of Acoustical Fibreglass Insulation, which supplies about 80 percent of the local market's demand for reinforced fibreglass, says local manufacturers are experiencing strong competition from Far East imports

Excess production capacity is being experienced throughout the world and manufacturers from the Far East export products at prices barely covering their operating and capital costs.

Prices of fibreglass products are still at 1990 levels, while the prices of raw materials have risen seven percent a year over five years

While the industry is protected, it will negotiate better prices with suppliers of raw materials, negotiate realistic wage rates and modernise local plants

It will then be able to export on a large scale

MANUF. — NON-METALLIC MINERAL PRODUCTS

1992

SEPT. — DEC.

Anglo-Alpha launches local cement plant

CT 21/7/94 (193)

Property Editor

A NEW player is entering the Western Cape ready mixed concrete market which is expected to help drive down building costs in the region

Anglo-Alpha, one of the country's largest construction material producers, is launching a new concrete production plant in Bellville this month The opening of the plant represents a R10m reallocation of resources within the group and could, depending on market demand, lead to further expansion in the region, says GM Dries Erlank.

For the past 20 years or so the local market has been dominated by one player, Murray & Roberts, which recently rationalised its operations, leaving certain gaps in the market.

It is these gaps that Anglo-Alpha, through its aggregate and ready mix arm, Hippo Cape, intends to exploit

The area's potential for economic growth, the building and construction activity likely to result from the Olympic bid preparation and the low income housing backlog and its ancillary infrastructural developments were reasons for the investment, Erlank said

He said increased competition often resulted in lower prices and Hippo would focus on swift customer service

The Anglo-Alpha group is associated with the international Swiss-based building materials giant, Holderbank, which sold more than 13,2 million cubic metres of delivered ready mixed concrete in the past year

Producers hit back at Manuel

Star 26/7/94

BY CLAIRE GEBHARDT

Ex-factory cement price increases have been below the consumer price index (CPI) for eight years and are expected to remain so in 1994, says the Cement Producers Association

In swift reaction to comments by Trade & Industry Minister Trevor Manuel that the cement cartel could soon come under review, the association's executive director, Graham Mitchell, says producers are determined to keep prices affordable (193)

"Each year since 1986 we have been able to hold price increases below the level of the CPI and don't foresee 1994 being an exception "

Mitchell says although cement only makes up 5 percent to 8 percent of the building costs of a home, the association is committed to working together with the Government and other stakeholders to ensure the success of the RDP, not only in the immediate term, but well into the future

"One of the major benefits of the co-operative arrangements of cement producers is that we can ensure uninterrupted supplies of affordable cement on a national basis in the short-to-medium term without any major new investment "

FURNACE FUEL: Scrap tyres in a donga.

Scrap tyres used as fuel by PPC

Star 30/7/94

ANITA ALLEN SCIENCE WRITER

SCRAP tyres will replace coal as a fuel in the cement kiln at PPC's Hercules factory in Pretoria, according to a proposal being considered by the company.

The process has been studied overseas, where it is already in operation at more than 80 plants around the world During trials at the Hercules plant, 10 000 scrap tyres have been successfully burnt.

Burning tyres as a fuel results in a three-way saving it conserves resources of fossil fuels, in this case, coal, it solves a major waste problem; and it recycles energy from a waste product.

"We are confident the process is environmentally acceptable," says Jeremy Gaylard, PPC's technical consultant "We believe Hercules' location is ideal as the greater PWV region generates the largest volume of scrap tyres in South Africa, about 2,5 million a year."

Up to 85 percent of used tyres are unsuitable for retreading and are scrapped. This amounts to some 6 million tyres countrywide.

A very small percentage is used as raw material for the manufacture of rubber-based products, such as heavy-duty mats.

The rest creates a huge disposal problem. Tyres are not biodegradable, and the small percentage which is dumped in landfills hinders compacting

Hazard

Most of the scrap tyres find their way to informal dumps, the veld or rivers Here they remain a health hazard, especially if they catch fire They burn at a relatively low temperature and pour black smoke containing sulphur and carbon from incomplete combustion into the air Burning tyres also discharge zinc, iron, tars and phenols, posing a threat to surface and ground water.

"Cement kilns provide an environmentally acceptable disposal route which allows for complete combustion to take place," says Gaylard. "Tyres are made up of rubber and steel cord. In the cement kiln, the composite rubber is completely burnt to carbon dioxide and the steel is oxidised, leaving no residue"

(193)

PPC has plan to kiln-burn tyres

B/Day

ROBYN CHALMERS

CEMENT and lime producer Pretoria Portland Cement (PPC) is evaluating a proposal to replace 20% to 25% of the coal used at its Hercules cement factory by burning old tyres.

PPC technical consultant Jeremy Gaylard said tyres would replace coal as a fuel in the cement kiln Each year, about 6-million tyres were scrapped in SA of which 2,5-million were in the PWV 13/7/94

"The proposal offers an environmentally acceptable disposal route for tyres Approximately 80% of cement factories worldwide use scrap tyres as a source of energy"

PPC had studied the process overseas and conducted various trials on kilns within the group Its Hercules factory in Pretoria had successfully destroyed 10 000 scrap tyres during these trials (193)

"We are confident the process is environmentally acceptable We believe Hercules's location is ideal as the greater PWV region generates the largest volume of scrap tyres."

Gaylard said many scrap tyres found their way to informal dumps where water collected in them, providing a haven for mosquitoes which posed a serious health hazard

Although cement kilns were a safer disposal route in terms of the environment, significant capital investment was required in the process Gaylard said PPC would need to install a tyre feed and control system linked to the kiln

Cement report out soon

ROBYN CHALMERS B/Day

THE Competition Board will issue a report within 10 days on yesterday's meeting with cement industry representatives about the controversial cement cartel

Competition Board chairman Pierre Brooks said no decision was taken on the fate of the cartel The industry gave reasons why the monopoly should continue 11/8/94

"The board will analyse the views of industry representatives and compile a report This will be submitted to Public Enterprises Minister Stella Sigcau and should be made public as soon as possible," he said

The board granted the cartel permission in 1988 to operate legally Members Anglo Alpha, Blue Circle and Pretoria Portland Cement fix prices and market share but are not privy to tariff protection or state handouts

The existence of the cartel was questioned recently by Trade and Industry Minister Trevor Manuel (193)

The reconstruction and development programme called for collusive practices to be eradicated Further, National Housing director-general designate Billy Cobbett had stressed that building costs had to be kept as low as possible to aid government's housing programme.

National Housing Forum consultant Moss Ngoasheng said the industry faced no immediate capacity constraints to meet the demand for homes, but cement prices could negatively affect the housing programme

Competition Board meets cement cartel

ROBYN CHALMERS

CEMENT industry representatives will meet Competition Board and Trade and Industry Department officials today amid speculation that a decision scrapping the industry's cartel is imminent BIDay

The speculation was fuelled by Trade and Industry Minister Trevor Manuel's recent statement that the cartel would have to be reviewed Critics believed members Anglo Alpha, Pretoria Portland Cement and Blue Circle appropriated most of the benefits of lower costs, he said

Sources said yesterday other government departments were calling for the cartel to be dissolved, in line with the reconstruction and development programme's opposition to market collusion A Trade and Industry spokesman said a special adviser to Manuel would attend today's meeting. A final decision on the cartel was unlikely to be made at the meeting, which sources said would be largely an information gathering session

Industry representatives were expected to put their case for the continued existence of the cartel to Competition Board chairman Pierre Brooks 10/8/94

The release of the board's report on its 14-month investigation of the the cartel, expected in April, was delayed as political and other constraints necessitated further inquiries (193)

The cement producers have remained staunchly in favour of the cartel's continued existence, arguing that there were no artificial barriers to entering the local industry and the sector received no tariff protection or government handouts

In its latest annual report the SA Cement Producers' Association said the cartel had helped "encourage competition between manufacturers to become the lowest cost producer" Breaking up the cartel could lead to higher prices and cement shortages as risks in an unmanaged market would be too great for further investment.

Anglo-Alpha figures flatter off low base

B/Day 1/8/94

SAMANTHA SHARPE

CEMENT manufacturer Anglo-Alpha continued to benefit from productivity plans introduced in 1992, with attributable earnings soaring 47,3% to R36,22m for the six months to June

But the group's directors cautioned that although the percentage increase reflected a significant movement, the results were calculated off a low base

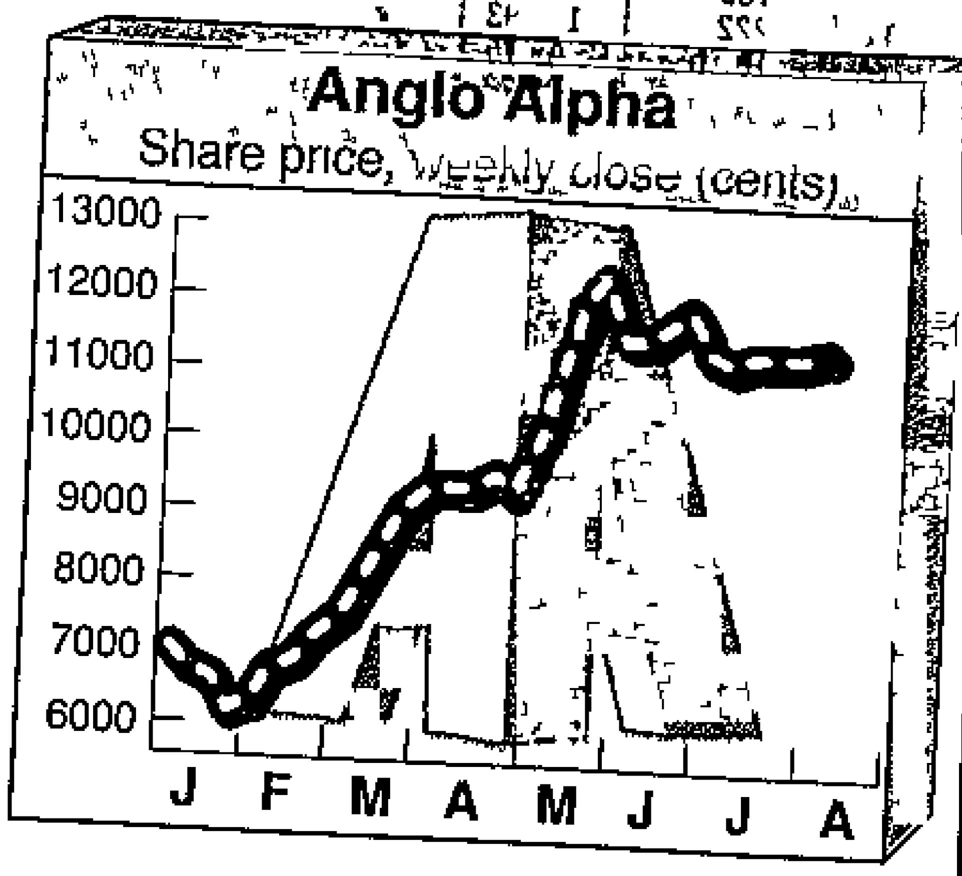
Turnover rose 23,8% to R501,09m, with positive post-election business confidence and the subsequent increase in demand for the group's products much improved from the year before

The group reported a 12,5% increase in operating profit to R99,84m, with income from investments up 86,4% to R10,8m. This was largely due to improved dividends from investments and interest income

Earnings a share roared ahead almost 48%, with an interim dividend of 55c declared. This resulted in a dividend cover of 2,2 times on a current cost basis

The group warned against expectations of earnings for the year rising more than 20%. But finance director Trevor Wagner said the discrepancy between the expected earnings increase for the year and the first half gains did not indicate a potential slowdown in growth in the next six months

First half growth had been distorted, given



the subdued performance in the first half last year

(193)

Activity in the industry picked up in the second half of last year and the results for the year would reflect a more accurate picture of growth

The group was expecting an uptick in activity in the second half of the year compared with the six months to June

Group MD Johan Pretorius said the group still had some way to go in achieving its weighted average cost of capital of 18%, with the return on net assets up only 13,9% Anglo-Alpha's cash flow declined 6,9% to R81,1m because of a substantial increase in tax payments

Anglo Alpha ups earnings 47%

AUG 4/8/94

MARC HASENFUSS (193)
Business Staff

CEMENT group Anglo Alpha performed soundly in the half year ended June, reporting a 47 percent increase in attributable earnings to R36 million

The group's interim dividend payout was pushed 10 percent to 55c a share

Directors stressed the improved results were off a low base as industry growth had been inadequate for some years

"Sales are still below 1989 levels"

They noted that demand for the group's products had increased since the election, boosting sales 24 percent to R501 million Productivity improvement plans introduced in 1992 also bolstered sales

Anglo Alpha's operating profit was up 12,5 percent to R100 million because margins were squeezed by the inclusion of the results of Pioneer Ready Mix Concrete (following the acquisition of the remaining 50 percent of the group in late 1993)

Bottom line, however, was fortified by a near doubling of investment income to R10,8 million, a drop in borrowing costs and a modest increase in the group's current cost adjustment

Anglo Alpha's profit growth was led by a 26 percent increase in operating profit by the industrial division, a 25 percent increase from the Stone and Ready Mix Concrete division and 11 percent from the Cement division

Directors expected demand for the group's products to continue rising "Consequently earnings for the year as a whole are expected to improve by about 20 percent," they said

■ **Control Instruments** showed an impressive 48 percent growth in attributable earnings to R5 million for the year ended June — but limited the increase in dividend payouts to 10 percent at 2,2c a share

Dividend cover has increased from 2,5 times to three times

Directors said this step was taken to enable the group to use its internal resources "to take advantage of a number of exciting opportunities being presented"

Turnover increased 36 percent to just over R100 million, with improved margins pushing operating profit up 40 percent to R7,2 million for the period under review

The interest bill showed a seven percent increase to R1,8 million, while taxation increased dramatically to R360 000 (R52 000 previously)

Directors said Control Instruments continued to introduce new products, which further consolidated the group's market position

They said exports of automotive electronics and industrial instrumentation increased again in the year under review The group also successfully entered the cellular telephone market

■ Industrial group **Toco Holdings** intends issuing about 8,6 million shares at R3 to raise cash of about R26 million to fund working capital requirements to expand exports in its Park Plus vehicle parking division

The issue of new shares represents about 10 percent of the issued shares of Toco

The financial effects of the proposed issue (considering it was in effect from April, 1993) would have seen earnings for the year ended March, 1994, increase 0,6c a share to 27,8c

In addition, Toco's net asset value would have increased 15,1c to 155,7c a share

COMPANIES

Cementco hit by hard times

AMANDA VERMEULEN

CEMENTATION Company (Cementco) reported a 66,7% decline in net attributable income to R501 000 in the year to September as a result of an unstable sociopolitical environment and the sale of loss-making subsidiary Barracuda Granite Tile.

Earnings a share dropped to 5,6c (16,8c) and no dividend was declared.

Turnover increased 11,4% to R300,3m but net income before interest paid and tax slumped more than 47% to R4,2m.

Interest of R2,6m (R3,2m) left pre-tax income 67,2% down at R1,5m, while after-tax income decreased 57,7% to R1,3m.

Net attributable income of R501 000 (R1,5m) was further reduced by an extraordinary item of R3,1m which left a net loss for the year of R2,6m

The group's activities were affected negatively by the unstable sociopolitical climate prior to the elections and the sale of its share of Barracuda.

But the board said the second half of the year had seen a turnaround, reflected in the year-on-year turnover increase of 11%

As a result the attributable loss recorded at the interim period was converted to a profit for the full year This was in spite of bringing to account a number of problematic accounts which were completed towards the end of the year B/Day

The group bought 70% of specialised engineering design and marketing company Techno Arms in January, and in February registered wholly owned subsidiary GFC Mining and Construction in Ghana.

Its share of the trading loss suffered by Barracuda during the first half was more than R1m The group disposed of its share in March, resulting in the extraordinary loss of R3,3m. 7/11/94

The 17% increase in the order book over the year, albeit with tight margins, the rationalisation and consolidation of business units, and the increasingly stable socioeconomic situation led the board to believe that there would be satisfactory growth in profits in the year ahead (193)

PPC has plans to expand

Bidsey

SAMANTHA SHARPE

THE substantial increase in cement demand since the April elections had forced cement cartel member Pretoria Portland Cement (PPC) to focus on future capacity expansion plans, PPC group MD John Gomersall said in the latest annual report.

He said estimates of cement demand growth could see the re-opening of PPC's Dwaalboom plant in Northern Transvaal within two to three years. 25/11/94

The recent acquisition of a limestone deposit in the Beestekraal area would provide a deposit close to the PWV and surrounding markets. (193)

He said projects aimed at increasing the production capacities of two factories in the Western Cape were under way

PPC overcomes the odds

Star 4/11/94

BY DEREK TOMMEY

Despite cement and lime prices rises below the inflation rate, Pretoria Portland Cement (PPC) increased its earnings by 25 percent in the year to September from 299,6c to 375,1c a share

Group managing director John Gomersall said yesterday the improved performance was rooted in better trading conditions in the core business Turnover rose 20 percent to R1,33 billion

PPC is paying a final dividend of 185c a share, making a total of 250c for the year — a 16 percent advance on last year

Shareholders can elect to take 2,2776 new shares for every 100 held in place of the final dividend

Net pre-tax income rose 15 percent to R254,7 million

But a lower tax charge resulted in net taxed income rising 26 percent to R153,7 million

Gomersall expected continued improvement in trading in 1995

"Sales figures for the current quarter indicate national cement volumes are up 13 percent, compared with a year ago"

The decision by the Ministry of Trade and Industry to phase out the cement cartel in the next two years, coupled with rising demand, should assure a smooth transition of the industry to a free market system

PPC's position as the leading producer, and the investments it had made in the past two years in its marketing and distribution infrastructure, should stand it in good stead

(193)

PPC recognised that as the leading national producer it had a responsibility to play an active role in the success of the RDP, and had made a commitment to keep cement price increases below inflation for the next three years

Cement cartel to be disbanded in 2 years

BDay 4/11/94

SAMANTHA SHARPE

TRADE and Industry Minister Trevor Manuel yesterday told the cement industry he had accepted the recommendation of the Competition Board to disband the cartel within two years

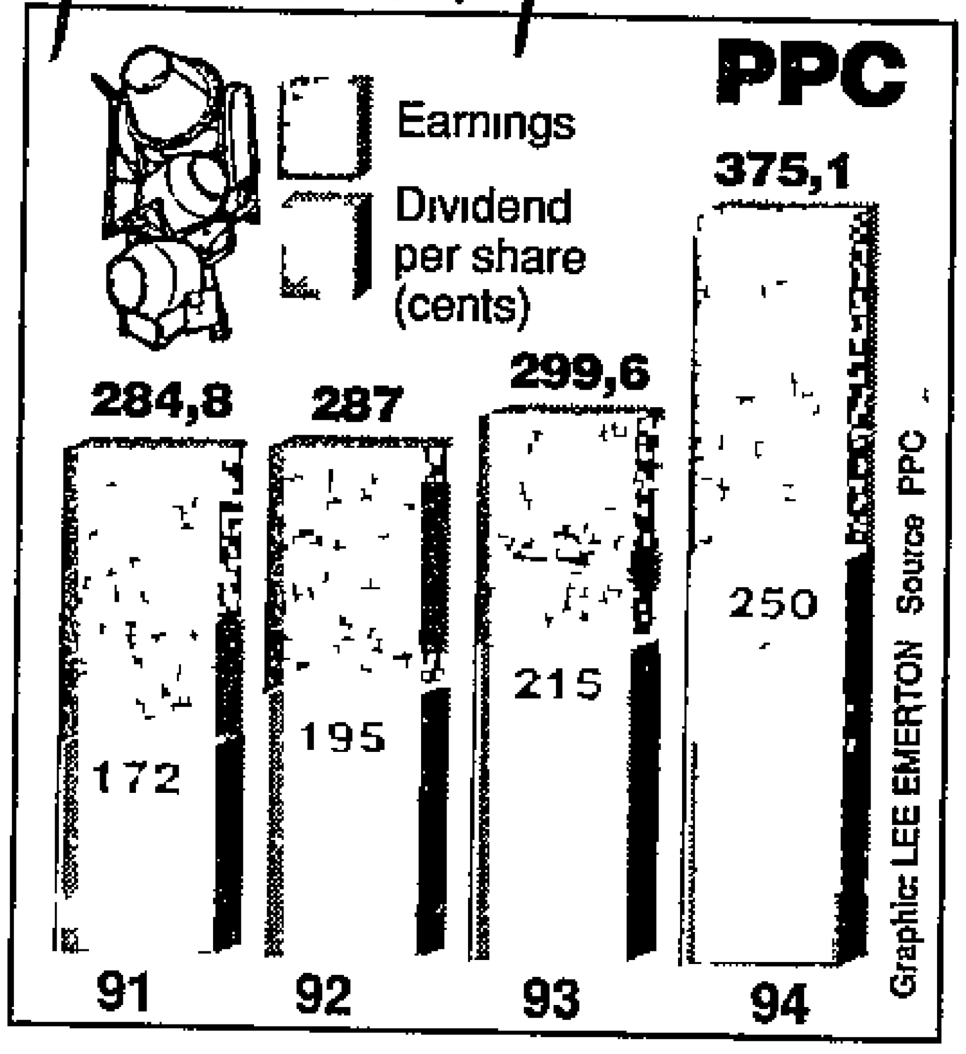
Cartel member Pretoria Portland Cement (PPC) group MD John Gomersall said PPC had received confirmation that the cartel was to be dissolved, a decision the industry had been expecting since the board's findings late in September (193)

Gomersall said the Minister's decision in favour of a gradual phasing out of the cement cartel over the next two years, coupled with rising demand, should ensure a relatively painless transition for the industry to a free market system

He said that his group's results, posted on the same day as the Minister's decision was conveyed to the industry, reflected a pleasing improvement in the group's trading environment.

While the year ahead would continue to show improvements, changes in the cement market arrangements had made it more difficult to forecast the company's financial performance

He said PPC would play a role in the success of the RDP through its commitment to keep cement prices below inflation for the next three years



"This means that improvement in our financial performance will have to come from increased volumes and improved competitiveness," he said

Despite subinflation cement and lime prices, PPC posted a 25% rise in earnings to 375,1c a share for the year to September

An improved trading environment helped lift turnover 20% to R1,33bn, with net income before tax up 15% to R254,7m.

A reduction in the tax charge, which included the secondary tax on companies,

☐ To Page 2

Cement

B/Day 4/11/94

☐ From Page 1

the 5% transition levy and the effect of the reduced taxation on deferred taxation, helped towards a 26% increase in net income after tax to R153,7m

The 25% rise in earnings a share was accompanied by a 16% increase in dividends to 250c a share PPC said it would give shareholders the choice of taking new shares in place of a cash dividend (193)

Turnover in PPC's cement division rose 33% to R948,3m, spurred by a sharp rise in exports and an increased share of the cement distribution market

However, the substantial growth in the distribution and export activities, conducted at relatively small profit margins, translated to a decline in average cement and group operating profit margins.

PPC Lime benefited from a 2% increase in sales volumes, with turnover and earnings up 11% for the year

Rising demand boosts PPC

Star 6/5/94

BY STEPHEN CRANSTON

A two percent increase in domestic cement consumption helped Pretoria Portland Cement (PPC) report a 22 percent rise in earnings per share to 151,7c in the six months to March. (193)

The interim dividend is up 30 percent at 65c

There was a small increase in volumes from PPC Lime, while production efficiency enabled it to report a strong improvement in results

But group MD John Gomersall does not expect the rate of increase to continue in the second half, in the light of expected increases in energy costs

Other investments showed significant improvement, which was the result of the sale of its investment in loss-making Parem Enterprises and better results from distribution activities and associate companies

PPC acquired all of M Fihrer & Son, a cement distribution company, for R12 million

Group turnover rose 16 percent to R612,1 million and operating profit by the same percentage to R110,4 million

But a lower tax rate and better investment income ensured that taxed profit rose 22 percent to R62,1 million

Gomersall expects cement sales to increase by three to four percent, but remains cautious about any further significant short-term improvement

He does not believe that real benefits from the ANC's Reconstruction and Development Programme will be felt in the second half

The silo and palletising projects at the Hercules and Slurry cement factories, aimed at improved customer service are almost ready

PPC has had a strong run over the last twelve months with the share price up from R37,50 to R95

It looks well-placed to benefit from any infrastructural development

PPC ready to invest R750m in east Cape

B/Day 25/5/94

Own Correspondent

PORT ELIZABETH — Cement company Pretoria Portland Cement (PPC) is ready to invest R750m in the Eastern Cape — the single largest capital project in the region for many years

The investment will be in the form of a new cement kiln at the Port Elizabeth factory Such a move would add an additional 600 000 tons capacity to the current 265 000 tons

But the potential investment rests on PPC finding an acceptable source of limestone in the region — an issue which caused concern when the company first announced that they were investigating a new source

At the time PPC identified two possible alternatives These were a conventional limestone deposit at Oudeboschkloof, near Hankey, and the sand dunes of Hougham Park/-Schelmhoek near the Sundays River

Evaluation of the feasibility of mining the dunes at Sundays River went ahead despite protests Opposition lobbies then said they would wait for the outcome of the studies before reaffirming their position

During the past 15 months, studies to assess these alternatives have been proceeding under the direction of the Cape Town Univestity's evaluation unit, while Port Elizabeth University's Institute for Coastal Research has been working on an environmenal impact report

The report is not yet complete, but PPC says an acceptable source would assure the long term future of the Port Elizabeth factory and create the possibilty of a new kiln (PPC)

PPC Group Communications Manager Mark Drewell said benefits to the Eastern Cape were (193).

- It would ensure that all the cement required for the reconstruction and development of the region would be manufactured locally;
- An expanded cement facility would have surplus capacity in the early years of its existence, and this could create export opportunities,
- A 600 000 ton a year cement kiln and associated infrastructure would cost around R750m and would be a major boost to the local economy.

He said limestone for the Port Elizabeth factory was sourced from PPC's Loerie quarry at present and railed to the factory. The Loerie quarry had a limited life

Drewell said the PPC argument was based on the fact that a desperate need existed for houses and schools in the East Cape region.

Cement which could not be produced in the Eastern Cape would have to be sourced from the Northern Cape "This is creating jobs and wealth outside the East Cape region," he said

PPC not ready to invest yet

BDay

ROBYN CHALMERS

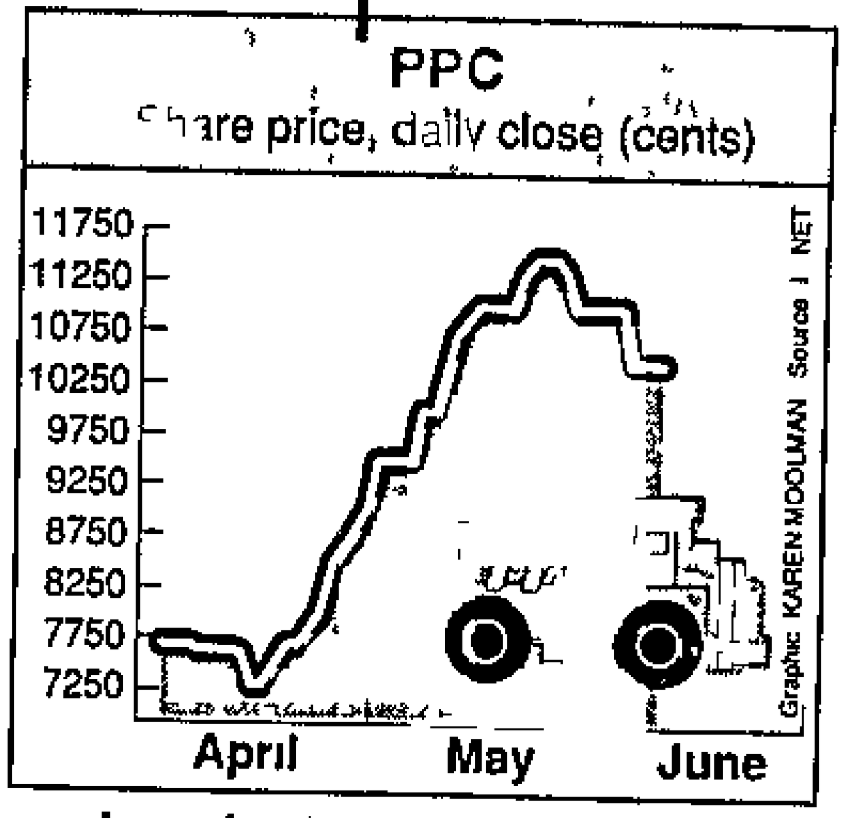
CEMENT giant PPC has dubbed as premature suggestions that it was to to embark on a R750m investment programme in the Eastern Cape.

The PPC counter lost R10 over the past month, to close at R105 yesterday. Analysts attributed this to concern over funding for the envisaged scheme and a downward correction to the counter which has more than trebled since last June.

PPC spokesman Mark Drewell said an investment would only be considered once acceptable limestone reserves were found, and even so, there would be no capital expenditure before 1998 8/6/94

He said the group was at the early stages of identifying a replacement for dwindling reserves at the Loerie Quarry which supplies PPC's Port Elizabeth factory

"Cement consumption in the Eastern Cape is currently about 420 000 tons a year PPC, the only company manufacturing cement in PE, can



produce about 265 000 tons a year and the balance is imported from the Northern Cape" (193)

A major expansion of PPC's operations in the Eastern Cape would require a new kiln Cement kilns typically had a capacity of 600 000 tons a year and cost about R750m

PPC's share price slipped 300c or 2,6% to R110 at the end of May. Rival Anglo Alpha's price showed a similar pattern, down 700c or 5,8% in the past month to close at R115 yesterday.

Cartel's critics 'wrong'

(193) ARG 8/3/94

Business Staff

IT is ironic that while other African countries are offering incentives in the form of tax holidays, tariff protection and soft loans to establish or rehabilitate cement manufacturing plants, critics of the local industry have called for an end to the cement cartel, says Anglo-Alpha chairman Peter Byland.

Writing in the annual report for the year to December, Mr Byland argues that many other countries can rely on neighbours for cement in times of shortage, but South Africa is remote from those countries with the capacity to supply

Imported cement, particularly in inland markets such as the PWV, would be extremely expensive and would consume large amounts of foreign exchange

Cement industry expects growth

B/Day 22/3/94

THE cement industry is expected to move to sales growth this year for the first time since 1988, says SA Cement Producers' Association (Sacpa) executive producer Vincent Bray.

Bray said Sacpa had forecast a 3% growth in sales during 1994 after having been on a downward spiral between 1988 and 1992 Sales were largely stagnant last year, which was the first sign of an improvement

The latest Sacpa figures show sales increased by 6% during January to 478 173 tons from 451 606 tons during January last year Sales for this year were expected to rise to 7,38-million tons compared with 7,17-million tons in 1993

Bray said the increase in sales this year could exceed 3% if the next government's housing and other infrastructural initiatives were not hindered by politics or violence

He said the provision of housing for millions of disadvantaged people would have a profound effect on cement sales This was borne out by preliminary research conducted by the Building Industries Federation of SA (Bifsa), which was doing a survey of building material needs

Bifsa's research showed an extra 430-million concrete blocks and 30-million sacks of cement, among other building materials, would have to be produced to build 300 000 houses annually, he said

These figures were based on a simple house with no ceiling, carpets or internal walls They did not include the materials needed for the infrastructure that would spring up

ROBYN CHALMERS

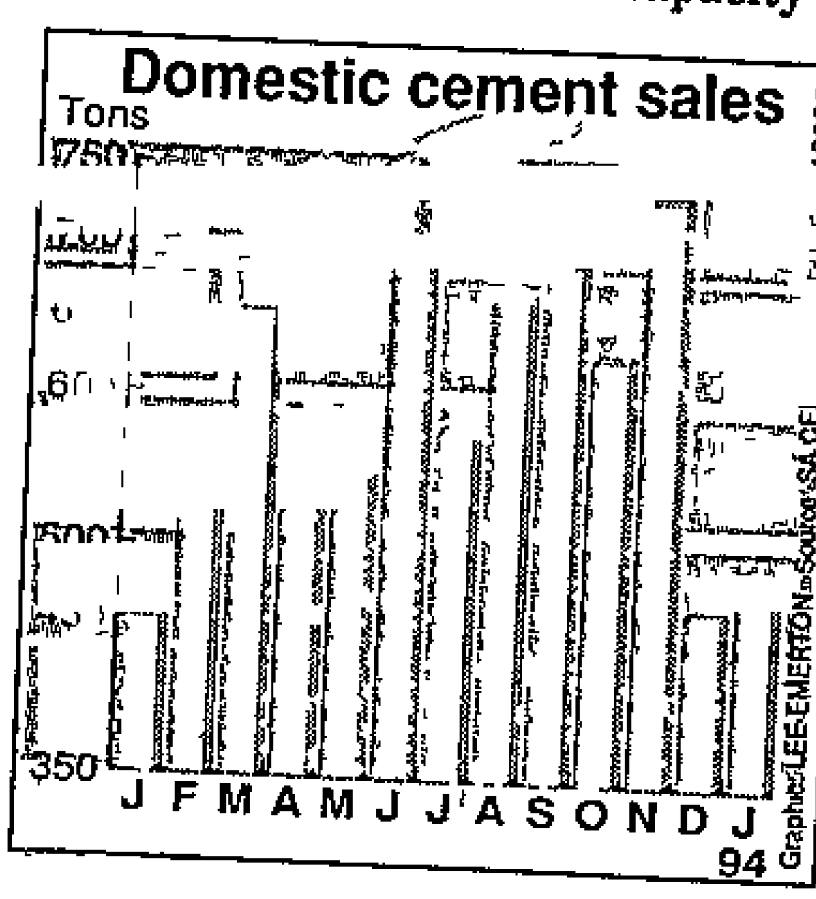
around new housing areas such as schools, community centres, offices and business developments (193)

A report from SA's largest cement producing company, Pretoria Portland Cement, estimated that cement sales could increase by R400m a year once the infrastructural initiatives got under way

Analysts said government spending of R8bn a year on housing would create about 600 000 new jobs in the construction sector and about 900 000 new jobs in the rest of the economy

An analyst said this level of spending constituted only 2,4% of GDP, which compared poorly with other developing countries such as Mexico and Venezuela, where spending averaged about 4,6% of GDP

However, he said, cement producers would welcome higher levels of gross domestic fixed investment as they were currently operating at about 60% of their total capacity



ANGLO-ALPHA

Fm 11/3/94 (193)

Still waiting for volume growth

Activities: *Produces cement and related products*
Control: *Holderbank and AVI through Altur Investments (54,8%)*
Chairman: *P Byland, MD J G Pretorius*
Capital structure: *30,1m ords Market capitalisation R2,26bn*
Share market: *Price 7 500c Yields 2,3% on dividend, 5,6% on earnings, p e ratio, 17,8, cover, 2,4 12-month high, 7 500c, low, 3 100c Trading volume last quarter, 245 000 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	15,2	45,6	38,3	55,6
LT debt (Rm)	82,2	137,2	160,2	125,0
Debt equity ratio	0,14	0,23	0,19	0,15
Shareholders' interest	0,71	0,70	0,65	0,67
Int & leasing cover	13,0	7,1	5,4	8,9
Return on cap (%)	18,5	14,1	14,3	16,8
Turnover (Rm)	691	728	757	877
Pre-int profit (Rm)	177,3	148,7	162,2	214,5
Pre-int margin (%)	24,4	19,0	19,9	23,6
Earnings (c)	350	343	331	422
Dividends (c)	132	152	152	175
Tangible NAV (c)	2 262	2 453	2 609	2 850

Successful cost-cutting and tight asset management have helped underpin cement giant Anglo-Alpha's profits in the year to December, despite a general decline in demand (roughly 2% on average) for its products

EPS climbed 27% to 421,5c, after three years of decline — the cumulative fall in historic cost earnings has been confined to 3,5% from a peak of 367c in 1989 to 1992's 331c Operating profit rose almost 37% on sales up less than half this, by 16% to R877m The operating margin widened from 19,3% to 22,7%

Pre-tax profit was up 44%, helped by lower interest rates Borrowing costs fell by a fifth to R24m Lower capital allowances saw the effective tax rate up to 33% (25%) Net gearing improved to 14,6% from 1992's 19,2%

MD Johan Pretorius points out the performance was rising off low base — sales volumes for the year remained below those of 1989 and the group has some way to go to achieve the targeted returns on net assets and equity The time it takes to achieve these will depend partly on volume growth

The continued existence of SA's cement cartel — comprising Anglo-Alpha, PPC and Blue Circle — is again in question, though management says it was unaware that the Competition Board was reviewing the exemption Chairman Peter Byland says the selling arrangements, which have been in place for about 20 years, have improved efficiency in the industry and ensured that no customers have been prejudiced by their location in times of shortage

It has, he says, helped reduce the risk of what is traditionally a high risk business, the benefits being passed on to customers

Anglo-Alpha's Pretorius
returns still below target

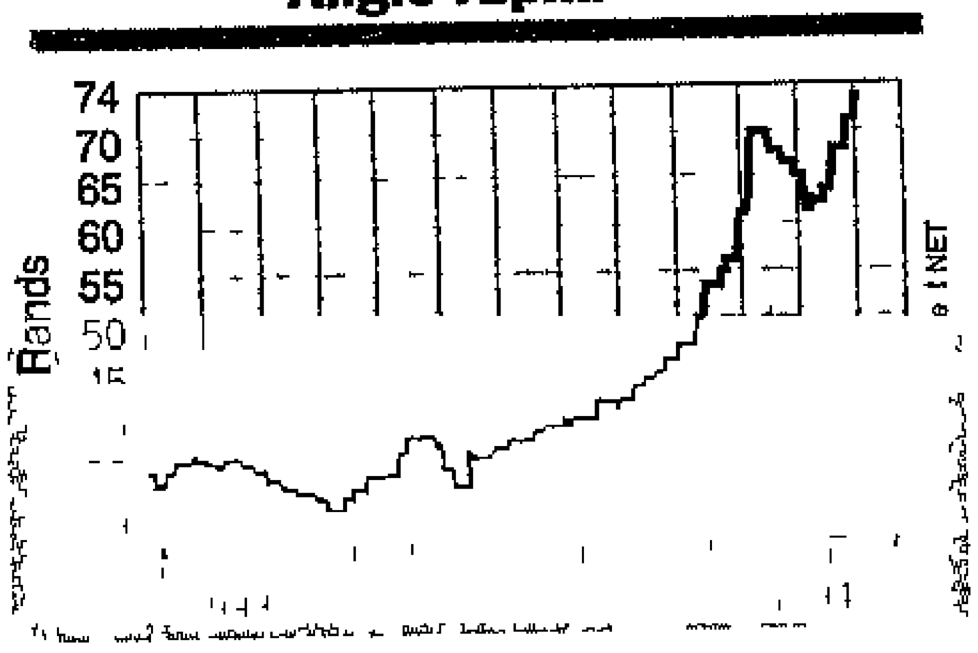
through lower selling prices "If this system were to fall away, overseas experience shows that more powerful customers would succeed in negotiating even larger discounts at the expense of smaller operators," he says

Cement's contribution to total operating profit fell to 70% (75%), despite an 8% increase in sales to R448m The division strengthened its distribution base by establishing distribution facilities in key markets and by expanding its transport capability Though some large projects, including the Columbus Stainless Steel plant and Alusaf project, will come on stream in 1994, management expects demand for cement during the first half of the year to remain sluggish, with a small increase in sales volumes evident only in the last quarter

The industrial division (lime, industrial minerals & packaging) lifted operating profit by a fifth to R54m on sales of R286m, contributing just over a quarter of group operating profit Markets served by the division are expected to reflect marginal growth in the current year

Rationalisation and an iron grip on costs in the stone and concrete division turned 1992's R6,7m operating loss into a R9,2m profit Sales revenue increased 49% to R183m, mainly because of the first-time inclusion of Pioneer Ready Mixed Con-

Anglo-Alpha



crete's results and a favourable sales mix of aggregates

With no new contracts of equal size available to replace those at an end and the generally pessimistic view of the market situation, sales volumes are not expected to increase this year However, the inclusion of Pioneer Ready Mixed Concrete should increase sales of ready-mixed concrete significantly

Ongoing cost controls and action plans to generate savings are expected to improve earnings in the next few years, though management concedes much depends on a pick-up in economic activity Real earnings growth is, nevertheless, forecast, though cash flow is expected to decline by 3% on higher tax payments

At R75, the share has been sharply rerated over the past year and is discounting prospects well into the future Any further increases in the near-term are likely to be muted *Marylou Greig*

Cement cartel in dark about what's in store

Star 6/9/94

BY THABO LESHILO

With only about three weeks left before the cement industry comes under review, the much-maligned cement cartel is in the dark about its future.

"We have absolutely no idea what the future holds," Johan Pretorius, MD of Anglo-Alpha, said at the weekend.

The two other members of the cartel are Pretoria Portland Cement and Blue Circle.

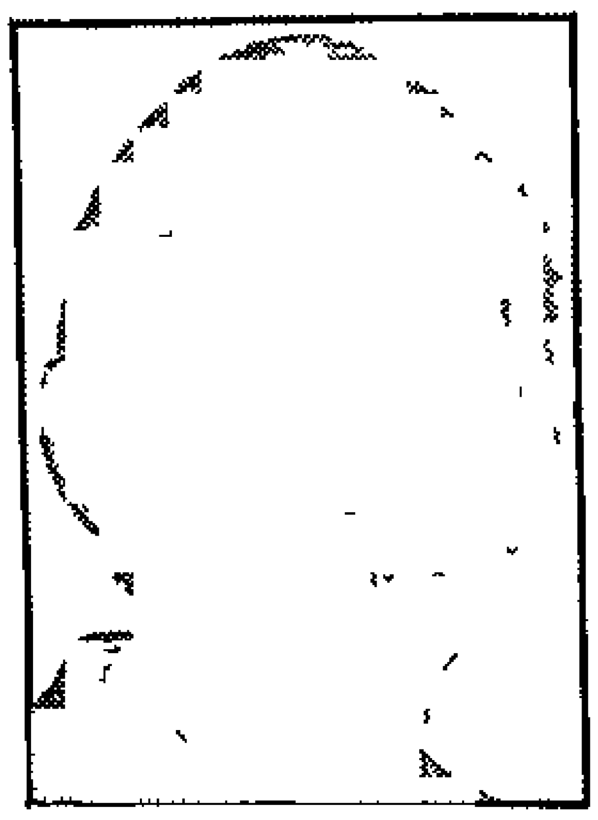
A spokesman for the Competitions Board would not reveal the contents of the draft assessment to be put before it three weeks from now

Thereafter, the board would recommend to Trade and Industry Minister Trevor Manuel whether to disband the cartel or not

The cartel was formed 20 years ago to fix prices and market share among its members

The aim was to improve efficiency and prevent customers in remote areas from paying exorbitant prices

Critics of the cartel, however, say it is self-serving and appropriates most of the benefits of lower costs to itself



Johan Pretorius . . . demand could rise.

It has also been suggested that the price of cement outstripped other building materials by up to three percent from 1972 to 1990

(193)

For its part, the cartel says cement makes up only 5 to 8 percent of the cost of an average house (about 40 square metres)

It says increases have been kept well below the consumer price index (CPI) and most other building material price increases since 1986

Figures from the Cement Producers Association show local cement to be cheap by world standards

One of the major benefits of the cartel is said to lie in its distribution network, Cement Distribution SA (CDSA), which avoids cross haulage Each member of the cartel owns a third of CDSA.

Another feeling in the industry is that political expediency, rather than economic sense, lies behind the call for change towards full-blown market forces

The idea stems from doubts that other companies can enter the capital-intensive industry, leading to increased competition and even lower prices It costs about R1,2 billion to set up a factory.

Ironicaly, the cartel's possible demise coincides with an expected boom in demand for cement because of the RDP's mass housing projects

Pretorious estimated a compound annual growth in turnover of 8,5 percent, or R1,6 billion, in today's terms.

He said demand for cement could rise 11 percent, or 800 000 tons, in the first year of the project

This could rise to 2,8 million tons in the last year, if the RDP's target of a million houses in five years is achieved.

Cement industry will heed board

BiDay 27/9/94

ROBYN CHALMERS

THE cement industry has made it clear that while it is concerned about the ramifications of a Competition Board proposal to scrap the cartel, it will abide by any decision to go this route

SA Cement Producers' Association (Sacpa) chairman Johan Pretorius said the industry had not yet had the opportunity of assessing the full implications or consequences of the board's recommendations

But he said the industry believed the reasons for the exemption being granted in 1988 were as relevant now as they were then

"However, we as an industry are committed to playing a proactive role in the reconstruction and development programme and will support and abide by any final decision which is in the best interests of all cement consumers and the country as a whole."

(193)

The industry was expecting to hold further discussions with the board and Trade and Industry Minister Trevor Manuel on the details of the board's recommendations

The board has proposed that the cartel — Pretoria Portland Cement (PPC), Anglo Alpha and Blue Cirle — be disbanded as soon as practicable, but put the deadline at two years

PPC group MD John Gomersall said that should the report be ratified, the organisation would work together with Manuel and the board to ensure a smooth transition

Sacpa's stoical reaction to the recommendations belied an earlier submission to the board, which argued strongly that the cartel be retained

"The cement producers' position is that the current marketing arrangements regarding price, capacity utilisation, centralised distribution and flexible sourcing are in the best interests of the public, consumers and the industry

"The industry requires the tenure of a planned, controlled and stable environment to manage investors' risk to acceptable levels, the consumers benefit from assured supply at satisfactory prices," it said

Sacpa stated that the benefits derived by the industry due to reduced rail rates, price stability and consistency of quality amounted to about R266m a year This meant the average selling price of cement was lowered by about R40/ton or 22%

However, analysts believe all the major producers saw the writing on the wall when the ANC came into power and was strongly against collusive practices in business

Cement giant cool on cartel's demise

(193)

ARGUS 27/9/94

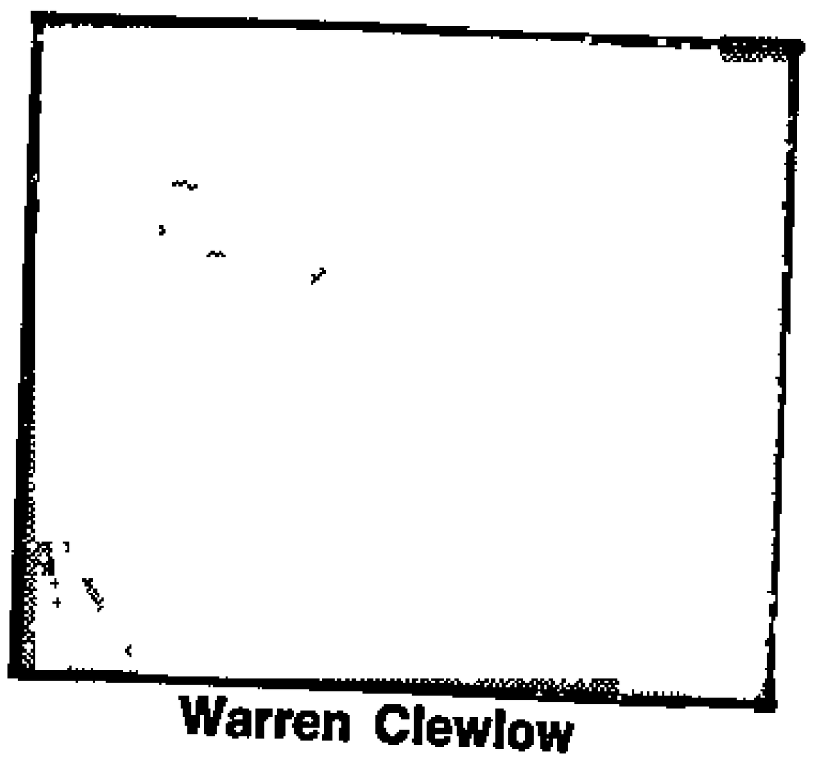
Business Editor

The scrapping of the cement cartel "will not make any difference" to the country's biggest producer, Pretoria Portland Cement (PPC), according to its chairman, Warren Clewlow

Mr Clewlow , who was opening the company's new office block (all built from concrete) at the Montague Gardens industrial estate last night, said the cartel had been a good thing for South Africa in the years it had existed

"It was also good for the users."

The cement cartel was strongly criticised by Competition Board chairman Pierre Brooks in a report published last week



Warren Clewlow

The report, which recommends that the cartel should be phased out over the next two years, is with Trade and Industry Minister Trevor Manuel for a final decision

Mr Clelow said PPC had sold a fair product at a fair price and would continue to do so

"The company has undertaken to hold its price increases at sub-inflation levels until 1997"

He said PPC was the only cement company to operate nationally

It had the largest spare capacity, the best distribution capability and in most areas the lowest delivered cost to the customer

"It is therefore well placed to take advantage of the expected changes in the market once the cartel is officially disbanded"

Board rules on cement cartel

(193) CT 21/9/94

From ROBYN CHALMERS

JOHANNESBURG — The cartel that fixes prices and market share in the R1,4bn-a-year cement industry should be scrapped, the Competition Board has ruled

The decision — which has sent shock waves through the building materials industry — is understood to have [illegible] pressure from Trade and Industry Minister Trevor Manuel and Public Enterprises Minister Stella Sigcau

It is a major blow for cartel members Pretoria Portland Cement, Anglo-Alpha and Blue Circle Cement Analysts believed it could lead to sharply diminished profits.

The board's long-awaited report was handed to Manuel last week following a 15-month investigation. He is expected to make a ruling on the board's recommendations within weeks Manuel and Sigcau's opposition to the cartel is in line with the reconstruction and development programme's opposition to market collusion

Competition Board chairman Pierre Brooks said a number of factors were considered. The investigation was conducted with the co-operation of the SA Cement Producers' Association (Sacpa)

"Some of the arguments advanced by Sacpa were contradictory For example in arguing for the retention of the status quo it points to the capital intensive nature of the industry and the high risk involved and modest return on investment At the same time, it d[illegible] there are substantial barriers to entry."

Cartel members were consistently able to make profits and achieve returns on investment that were better than most other capital intensive companies. This was despite operating at about 62% of their collective capacity countrywide and despite the economic recession.

Sacpa argued that Cement Distributors of SA (CDSA) which is owned by the three cartel members led to cost savings

Brooks said the benefits of the transportation model, when assessed in relation to the industry's size, were not significant and did not justify continuing the exemption.

Blue Circle Cement chairman Graham Hardy said the organisation did not agree with the board's recommendations but the exact import of the report was not yet clear

"If the recommendations are ratified by Manuel, there could possibly be adverse implications for certain cement consumers and industry associate employees."

The industry subsidised the price of cement transported to rural and distant areas This might no longer be possible

Anti-cartel proposals see cement shares slip

BDay 22/9/94

ROBYN CHALMERS

THE share prices of cement producers Pretoria Portland Cement (PPC) and Anglo Alpha both lost ground on the JSE yesterday, following the Competition Board's recommendation that the cartel controlling their industry be scrapped.

PPC's share price fell R1,50 to R96,50 yesterday against a one-year high of R115 achieved in May, while the Anglo Alpha counter slipped R1 to close at R100. This compared with a 12-month high of R125 in May.

Analysts said the sharply lower share prices were fuelled by market fears that the proposed disbanding of the cement cartel over a two-year period could lead to diminished profits for producers

The Competition Board's proposals still had to be ratified by Trade and Industry Minister Trevor Manuel, but there was a high level of expectation that he would agree with the Board's 67-page report.

The report showed that cartel members PPC, Anglo Alpha and Blue Circle Cement had made profits and achieved returns on investment that were better than most other capital intensive listed companies.

This was despite operating at about 62% of their collective capacity countrywide and the lengthy recession in the building industry.

In 1992, Anglo Alpha showed a return on shareholders' interests of 15,8%, Blue Circle 12% and PPC 19,4% against Grinaker's 8,8%, Group 5's 6% and Murray & Roberts' 12,5%

Analysts said there were a number of scenarios which could develop should the cartel be dissolved. These included higher prices as a result of increased risk, additional capital and marketing expenditure and reduced investment in additional capacity

But one analyst said higher competition among cement producers in a bid to gain market share could reduce prices in the short term

193

The SA Cement Producers' Association pinpointed a number of further possible scenarios in a submission to the board It said regional monopolies could be created as not all producers would be able to serve every market.

"The absence of the flexible source procedure and the rail distribution optimisation model will cause delivery times to extend. Some cost distortions will also result from cross haulage into competitive markets"

Wine boom is over — KWV

THE boom since 1990 in wine exports has levelled out and more normal growth can be expected in increasingly competitive markets, says KWV

The co-operative said in its annual report, total natural wine exports rose 12,2% last year to 2,58 million cases from 2,3 million

This was a smaller increase than in the previous year "mainly as a result of worldwide recessionary conditions and the large European crops of 1992, which all but saturated the distribution channels in the international markets" it said

This indicated that the 'exceptional growth' of the early '90s after the first lifting of sanctions against SA had now levelled out and more normal growth could be expected from now on, it said

Exports to Britain reached a peak of more than one million cases, an increase of 50% Competition in this market was stiff, mainly from Eastern Europe and South America, it said

All sanctions were finally abolished in 1993 It said 1994 sales potential was promising, particularly in Canada, Sweden and Norway

The "massive over-production of fruit" in 1993 in the Northern Hemisphere led to the over-production of fruit concentrate This coupled with weak domestic demand resulted in the co-operative reporting sharply reduced net income of R29,5m in the year to December 31, 1993 compared with R55,5m the previous year

KWV paid bonuses totalling R77,1m to grape juice producers compared to R38,2m the previous year — Sapa

CT 9/4/94 (3) WINE

1.3 Clothing and Textiles in South Africa

Taking one industry as a case study offers a 'two-sided' advantage On the one hand, a general statement regarding the causes of increasing concentration cannot be relevant to all manufacturing industries. On the other hand, a study at the micro level allows for an analysis of the 'strategic groups' which Porter abandons for lack of sufficient data (Porter 1973) A study of one sector may offer clues leading to a more general understanding of the barriers to mobility. Working from the specific to the general may offer a more effective methodology.

Hence, this thesis is developed with respect to the Textiles and Clothing sectors for the period between 1951-1979.8 These sectors were chosen since they are commonly favourable to small business growth. In particular, the minimum efficient scale of production in Clothing is low as a result of capital divisibility and the degree of product differentiation (Zeitlin 1989, Marais 1964). 9 In South Africa, Clothing and Textiles account for the largest proportion of manufacturing establishments. Together, they have accounted for 12% to 18.5% of the total number of plants (Census of Manufacturing). Furthermore, these industrial groups have been selected because of their relatively large contribution to manufacturing employment. Over the period studied, Clothing, Textiles and Footwear have provided between 17.6% and 20.2% of manufacturing employment (McCarthy 1988).

This study uncovers radical increases and generally high levels of ownership and plant concentration in these

PPC Fm 23/12/94

High expectations

Activities: *Produces cement, lime and related products*
Control: *Barlows (59,4%)*
Chairman: *W A M Clewlow MD J E Gommersall*
Capital structure: *41,1m ords Market capitalisation R4,36bn*
Share market: *Price 11 000c Yields 2,3% on dividend, 3,4% on earnings, p e ratio, 29,3, cover, 1,5 12-month high, 11 500c, low, 5 100c Trading volume last quarter, 217 915 shares*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	1,7	—	22,7	24,0
LT debt (Rm)	36,0	30,0	70,1	63,1
Debt:equity ratio	0,04	(0,02)	(0,11)	(0,08)
Shareholders' interest	0,62	0,60	0,56	0,56
Return on cap (%)	20,7	20,1	18,7	20,1
Turnover (Rm)	736	810	1 102	1 328
Pre-int profit (Rm)	195	198	220	250
Pre-int margin (%)	22,6	22,8	19,5	18,3
Earnings (c)	258	266	300	375
Dividends (c)	172	195	215	250
Tangible NAV (c)	1 435	1 459	1 611	1 705

In driving the share price to R110, the market has set PPC management quite a demanding task if investor expectations are to be met.

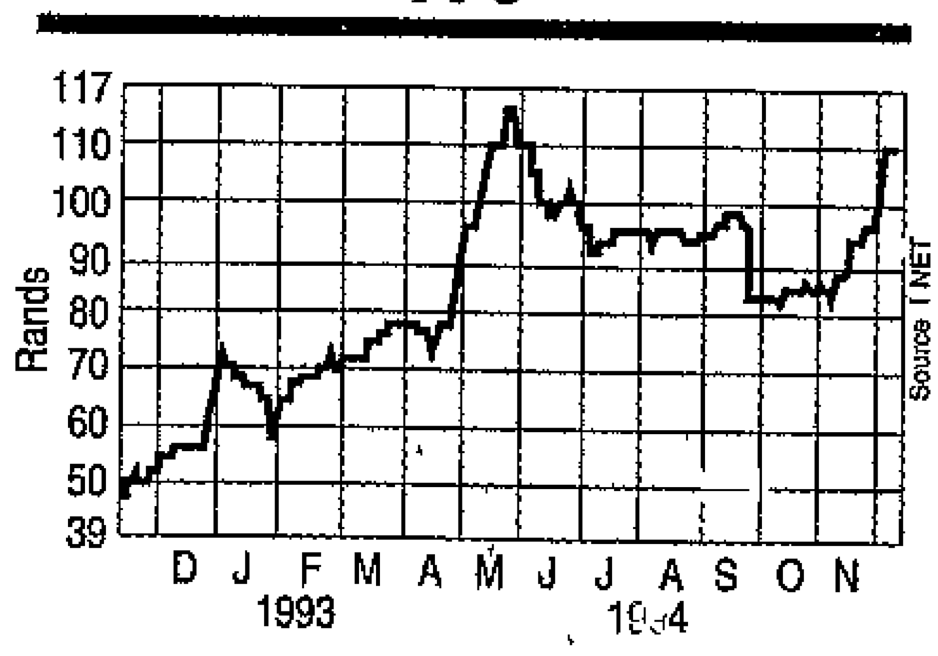
When a year ago the *FM* identified PPC as being underpriced, it was not envisaged that the share would double from its then high of R54 It has streaked ahead of the industrial market as a whole, from a parity p e-relative rating in December 1993 to a premium of 49% now. Correspondingly, the discount based on relative dividend yields has reduced from 40% to 26% — the difference compared with the earnings-based rating being because PPC's current dividend cover of 1,5 is exactly half the industrial market's (193)

The underlying reason for PPC's spurt is, of course, the realisation that the next major growth phase of the economy will be spelled GDFI (gross domestic fixed investment) It also recognises that PPC is an exceptionally well-managed company and, with adequate spare capacity, stands to benefit handsomely from expenditure associated with the RDP programme

Expectations built into the current share price nevertheless provide an interesting background against which to assess the 1994 annual report. Comparisons with years before 1993 have been complicated by a change in accounting policy, whereby joint ventures are now consolidated proportionally instead of being equity-accounted as was the case previously

Except for 1993, the historical data stream has not been restated, and one is, therefore, to some extent comparing apples with pears in that the operations now consolidated were less profitable and financially weaker than the rest of the group. So while EPS have not been affected by this change, the same is not true for the rest of the income statement and balance

PPC



sheet, where restatement of the 1993 financial statements has produced an all-round deterioration

So as a first observation, it is pleasing to note that PPC has held or improved upon most of its 1992 profitability ratios Gross return on total assets, for example, is back up to 1992's 20,1% after dipping to 19% (restated to 10,7%) in 1993 Return on equity, thanks to a lower tax rate, has climbed to 22% from 18,6% and 18,2% in 1993 and 1992 respectively

It had less success, however, with the trading margin which, at 18,3%, has continued to decline from 1993's restated 19,5% (originally 22,5%) Here, apart from consolidation of the lower-margin joint ventures, the ratio has been affected by a higher proportion of exports, the acquisition of a third cement distributor, and the fact that a fair proportion of last year's capex was directed at improving customer service which does not necessarily produce significant short-term returns

What is interesting here, however, is that it underlines the extent to which PPC has been preparing itself for the dismantling of the cement cartel over the next two years and the inevitable increase in competition that this will bring with it PPC's position in this regard is likely to be complicated by the fact that it already supplies about 45% of the domestic cement market But the recent recovery of the share price to within 4% of its 1994 high (R115) is at least an indication that the soothing noises from the company have been heeded by the market

Part of the reason for this, no doubt, is the rapid growth in the cement market expected during the phasing-out period of the cartel, and beyond PPC is operating at 72% of "active" installed capacity, up from 64% a year ago Its first line of defence, as demand increases, is to recommission Dwaalboom which has 600 000 t of clinker capacity lying idle This, according to management forecasts, will become necessary within two to three years, and would increase effective capacity by 14% at relatively low cost

If these demand expectations are met, it will not take the group long to work its way through the additional capacity from Dwaalboom as well, as it is probably not too early to start considering the impact of another heavy capex phase

As things stand, PPC is ideally placed

Fm 23/12/94

with a completely ungeared balance sheet and close to R700m in equity funds Nevertheless, the days of being able to distribute two-thirds of earnings must be rapidly drawing to a close, and the probability is that any acceleration of earnings growth will be accompanied by an increase in dividend cover Scrip dividends, as introduced with effect from the 1994 final dividend, will offer some relief in terms of cash commitments but, even so, the future distribution pattern (as in 1994) is likely to settle somewhere between inflation and the annual rate of EPS growth (193)

Regards 1995, chairman Warren Clewlow is fairly noncommittal and merely forecasts "a further satisfactory improvement" From the divisional reviews it is clear that at this stage the best relative performance is expected from the lime division, but as its 1994 pre-interest profit contribution was only 26% of the group total, this may not be all that significant in terms of overall results

For the cement division, as for the group, the forecast is a bland "satisfactory growth" — the problem here being that last year's results, at least in terms of turnover, were significantly boosted by exports No repeat

PPC'S DIVISIONS

Pre-interest profit

	1993 Rm	1993 %	1994 Rm	1994 %
Cement	141,0	64	154,9	62
Lime	58,5	27	65,0	26
Investments*	20,4	9	30,4	12
Total	219,9	100	250,3	100

* Excludes interest received on liquid funds and loans of R16,6m (1993 R11,6m)

is expected in 1995 and the outlook therefore depends largely on the extent to which the currently envisaged 8% growth in domestic sales will be exceeded

Given the extent to which last year's results were enhanced by tax, it seems the group will do well to maintain its 1994 growth rate of 25% Whether this will be enough to satisfy a hungry market remains to be seen

Brian Thompson

New cement division to focus on govt plan

ROBYN CHALMERS

CEMENT maker Pretoria Portland Cement (PPC) has formed a new business development division in response to government's call for SA business to support its reconstruction and development programme (RDP). B|Day

PPC MD John Gomersall said yesterday the group believed it had a major role to play in realising the programme

The new division would look at a broad spectrum of opportunities in the emerging construction market, he said

It would not look only at grassroots issues but at the full spectrum, including black businesses needing help in expanding their small- and medium-sized concerns

Gomersall said the company had drawn in staff from associate companies to form the business unit 28|6|94

A team was already in place and would continue its discussions with key players in the RDP arena, especially black entrepreneurs, he said (193)

"We are totally committed to the RDP We are running at half our capacity and have the room to supply cement to meet the expected demand"

Domestic cement sales increase 7%

BDay 5/9/94

ROBYN CHALMERS

DOMESTIC cement sales grew more than 7% in the six months to July, putting the industry on target for the first real annual increase in sales in more than five years.

Analysts said at the weekend that higher cement sales were indicative of a general upturn in the building and construction industries, and were fuelling fears that huge price hikes in building materials were on the cards

SA Cement Producers' Association executive director Graham Mitchell said the figures indicated the cement industry was coming out of its five-year trough.

Association figures showed domestic sales had risen from 3,99-million tons during the first six months of last year to 4,27-million tons for the same period this year.

The biggest rise was recorded in May, when a 13,14% increase was achieved as more than 624 652 tons of cement were sold against 552 101 tons in the previous period

Mitchell said the statistics indicated that domestic sales could grow 10% this year "However, much of the present upturn is being generated by major projects which are peaking in terms of their demand for cement These include Alusaf, Columbus and the Lesotho Highlands projects"

Analysts believed that once demand from major projects dissipated, government's reconstruction and development programme (RDP) should kick in, boosting sales figures towards the beginning of next year

Anglo-Alpha MD Johan Pretorius estimated that the RDP should boost cement sales 8,5% on an annual average compound basis over the next five years. This would increase manufacturers' total revenue R1,6bn

Industry players have agreed to recent calls from government for a voluntary social compact between building materials and construction companies to keep price hikes to a reasonable level.

But analysts feared that the upward pressure on prices due to higher demand could not be ignored by an industry which had been devastated by the longest recession since the Second World War

Cracks have already begun to appear in the compact, with signs that smaller manufacturers are preparing to introduce price increases — a move which would seriously damage the RDP

(193)

The trend towards higher prices could be seen in figures released by Stellenbosch University's Bureau for Economic Research They showed that building costs rose 12% in the second quarter of this year compared with the same period last year

NEWS IN BRIEF

Gqozo on Sebe 'scum'

THE Bisho Supreme Court heard a tape recording yesterday of an interview in which Brig Oupa Gqozo said that, by killing Charles Sebe, his soldiers had "rid the world of a scum" Gqozo was interviewed by Sunday Tribune reporter Yogin Devan a week after the 1991 shooting.

In the interview, Gqozo said the soldiers had not arrested Sebe and Col Onward Guzana at the roadblock because they were on an operation to wipe out his soldiers "We just had to shoot them."

Asked if they could not have tried to take the men alive, Gqozo responded: "No, that was not our plan, completely."

Asked why they could not have arrested a man who was hurt, who probably did not have weapons and who was on the run — why he was "shot in cold blood" — Gqozo said "I don't call it cold blood. This man took his chances and he knew it was win or lose, live or die, and he would have done the same if it was him."

Masterbond hearing

THE Masterbond group, experiencing "liquidity problems" in 1984, used investors' funds to finance a loss-making situation, the Nel commission heard in Cape Town yesterday.

No word from NSB

NATIONAL Sorghum Breweries is silent on what action it is considering following corruption and nepotism allegations made against it in Tribute magazine.

Debt judgments up

CIVIL judgments for debt increased 5,1% to 152 796 in the 1993 third quarter, the Central Statistical Service said yesterday.

BBC freelancer

IN Media Spot yesterday, David Gyimah was described as BBC SA correspondent. He is, in fact, not employed by the BBC, but is an occasional freelance contributor. Business Day regrets the error.

REPORTS. Business Day Reporters, Sapa, Own Correspondent.

Academics slam cement cartel

BIDay 1|12|93

BLOEMFONTEIN — SA's cement cartel, which operates even in Namibia, can no longer be justified, say two academics.

Bloemfontein economics professor Frederick Fourie and Stellenbosch economics lecturer Andrew Smith made the submission in a joint paper delivered at the Economics, Business Economics and Manpower research conference yesterday. (193)

The cement market was dominated by a Competition Board-sanctioned cartel comprising Pretoria Portland Cement, Anglo-Alpha and Blue Circle.

The three companies accounted for 95% of the country's cement production, they said.

However, most of the smaller companies were controlled by the big three, which also had a controlling interest in the largest producers of the slag and fly ash necessary for producing cement.

The three largest cement merchants and retailers were owned by PPC and Anglo-Alpha.

The big three had entrenched their position in the market through regional monopolies and vertical integration which extended into the building industry itself

The cartel had been in place for 20 years and there had been no new entry into the market since 1934 because of "formidable structural barriers", they said

Attempts to import cement were countered by the big three by undercutting the price or by filing complaints with the Board of Trade and Industry, claiming "unfair dumping"

Against this evidence it was unlikely that local rivals would be able to make serious inroads into the market, they said

With competition eliminated, the average profit rates in the cement industry had been "roughly twice that of the building materials industry and four times that of the manufacturing sector" between 1972 and 1990, the two academics said

The Competition Board could no longer justify the cartel, given the important socioeconomic role the cement industry would play in addressing the national infrastructure and housing backlogs

Various structural features pointed to monopoly abuse "The evidence made a very strong case that cement prices are set in excess of their marginal cost, with the normal monopolistic misallocation of resources Evidence of supra-normal profit rates and rates of return in the face of declining productivity in the industry strongly supports this case."

However, even if the Competition Board did prohibit the cement cartel, the industry would not automatically become more competitive, because of structural deficiencies

"Unless these structural features are addressed the cartel may simply continue in another, tacit form"

The Competition Board was reassessing the cartel. — Sapa.

Telecommunications forum launched

MELANIE SERGEANT

THE National Telecommunications Forum was launched yesterday after major compromises by all sides.

The forum's 23-person management committee elected Centre for the Development of Information and Telecommunications policy director Lyndall Shope Mafole as forum chairman. BIDay 1|12|93

The Posts and Telecommunications Department declined the two seats offered on the management committee

The forum, through 10 working groups, plans to provide a platform for all players in the telecommunications industry to discuss issues and influence national policy

Telkom said it recognised the forum as representing its full range of customers. Telkom donated R600 000 "in kind" to the forum secretariat for administration costs

Telkom 'must get going on affirmative action'

BIDay 1|12|93

BLOEMFONTEIN — A new government was unlikely to accept Telkom in its present form, with government as sole shareholder and most skilled and management positions occupied by whites, Unisa's Prof B Erasmus and Telkom's Delano de Witt said at the annual Economics, Business Economics and Manpower Conference yesterday.

Discussing affirmative action, they said it was essential for Telkom to keep abreast of changes.

Telkom's management board supported affirmative action because of shifting political pressures, the possibility of a new government imposing quotas on companies to appoint blacks and other disadvantaged people to skilled and management positions, and the shifts in the company's customer base. An affirmative action policy was in the interests of a company's long-term success and assured its legitimacy, they said

Telkom's approach was to balance a top-down approach with a participative, bottom-up approach. While some supported aggressive recruitment of people from disadvantaged groups, others, while supporting equal employment opportunities and non-discrimination, considered active recruitment of blacks to be reverse discrimination. Given Telkom's urgent need to make progress, the management board would have to play a directive role in getting affirmative action off the ground. — Sapa

Manuel to move on cement cartel

CT 4/11/94 (193)

From SAMANTHA SHARPE

JOHANNESBURG. — Trade and Industry Minister Trevor Manuel yesterday told the cement industry he had accepted the recommendation of the Competition Board to disband the cartel within two years.

Cartel member Pretoria Portland Cement (PPC) group MD John Gomersall said PPC had received confirmation that the cartel was to be dissolved, a decision the industry had been expecting since the board's findings late in September

Gomersall said the Minister's decision in favour of a gradual phasing out of the cement cartel over the next two years, coupled with rising demand, should ensure a relatively painless transition for the industry to a free market system.

He said that his group's results, posted on the same day as the Minister's decision was conveyed to the industry, reflected a pleasing improvement in the group's trading environment

While the year ahead would continue to show improvements, changes in the cement market arrangements had made it more difficult to forecast the company's financial performance

He said PPC would play a role in the success of the RDP through its commitment to keep cement prices below inflation for the next three years

Despite subinflation cement and lime prices, PPC posted a 25% rise in earnings to 375,1c a share for the year to September

An improved trading environment helped lift turnover 20% to R1,33bn, with net income before tax up 15% to R254,7m

A reduction in the tax charge, which included the secondary tax on companies, the 5% transition levy and the effect of the reduced taxation on deferred taxation, helped towards a 26% increase in net income after tax to R153,7m

The 25% rise in earnings a share was accompanied by a 16% increase in dividends to 250c a share PPC said it would give shareholders the choice of taking new shares in place of a cash dividend

Turnover in PPC's cement division rose 33% to R948,3m, spurred by a sharp rise in exports and an increased share of the cement distribution market

However, the substantial growth in the distribution and export activities, conducted at relatively small profit margins, translated to a decline in average cement and group operating profit margins

PPC Lime benefited from a 2% increase in sales volumes, with turnover and earnings up 11% for the year.

Cement 'in danger of price hikes'

S1 Times (Buss)

By CIARAN RYAN

THE government's approval this week of Competition Board recommendations to dissolve the cement cartel has opened the way for price competition between the country's three producers

However, the Free Market Foundation warns that a forced break-up of the cartel could lead to higher prices

"If the cartel breaks up, prices could drop for a while but in the long term there is a danger they will rise," says Eustace Davie, a director of the foundation

"This amounts to government intervention in a free-market arrangement Unlike the fuel industry, this cartel was fairly benign from a consumer point of view Because the three producers did not compete on price, there was a saving which was passed on to consumers. There is no evidence of monopoly pricing"

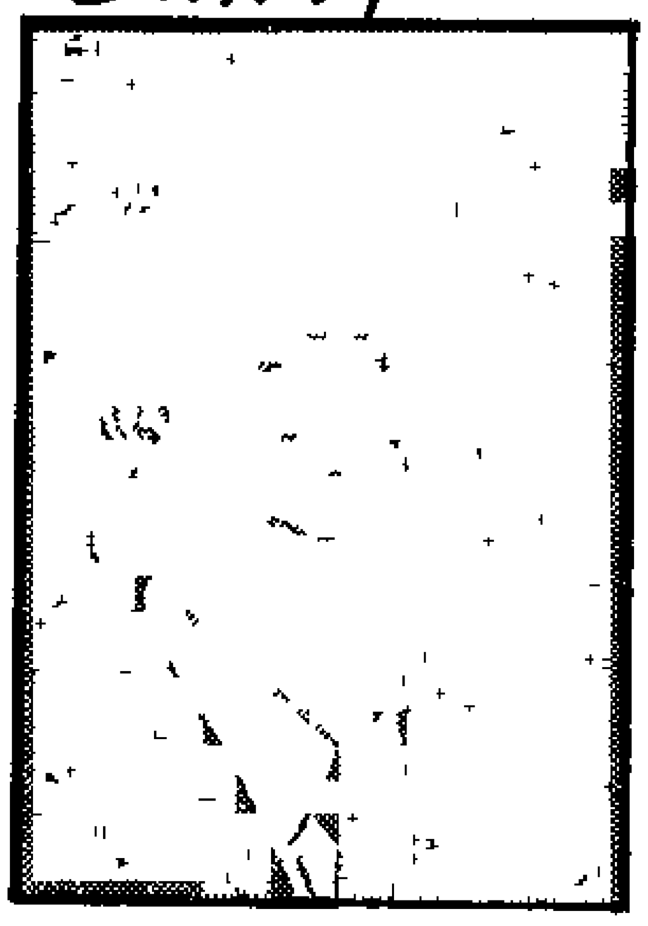
Mr Davie says that in a free market environment, cement producers would seek geographical exclusivity by buying and selling plants to achieve dominance in certain areas, but it is unlikely the Competition Board would permit greater concentration High transport costs might dissuade competitors from entering distant markets.

The foundation says the cartel was a free market arrangement between producers whereby they agreed not to compete on price or across geographical boundaries

The three producers are Pretoria Portland Cement (PPC), in which Barlows has a 60% stake, Anglo-Alpha, owned by Anglovaal and Holderbank, the Swiss multinational, and Blue Circle, owned by Murray & Roberts A fourth producer, Natal Portland Cement, is jointly owned by PPC, Blue Circle and Anglo-Alpha

John Gomersall, PPC's managing director, says "Obviously, we have consid-

6/11/94



JOHN GOMERSALL

ered the implications of a break-up of the cartel for some time and have developed various strategies to deal with the situation

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"There has been an upturn in demand for cement this year which we expect to continue as the economy recovers, and this would also ease the transition."

The market-sharing agreement covers about 70% of cement sales in South Africa, with PPC holding 40,75% of the market, Anglo-Alpha 35,75% and Blue Circle 23,5% Natal Portland Cement produces 15% of the country's cement sales, mainly in the Natal coastal region, and PPC subsidiary, Cement Sales, produces a further 15% in the Western Cape, where it is the sole supplier.

PPC is the dominant player, with a total market share of about 48% It also has the best geographical spread of plant and the lowest unit costs in the industry

The foundation says there are no tariffs on cement imports and no barriers to entry. South Africa imports relatively little cement because of discounting by local producers.

"Critics of the cartel claim that high capital costs are a barrier to entry," says Mr Davie. "This is true if we are talking about the man in the street entering the industry, but it would not prevent well-capitalised companies such as Anglo American setting up a cement plant."

Professor F C Fourie of the University of the Orange Free State and Andrew Smith of Stellenbosch University argue that the cement producers, by backward integration, have monopolised the country's commercially viable lime deposits, creating another barrier to entry

This is disputed by some in the industry who claim that large, independently owned limestone deposits create openings for new entrants Iscor has been mentioned as a possible new competitor because of its large limestone deposits

The industry has the capacity to produce about 12-million tons of cement a year, but is currently operating at 60% capacity because of the slump in the construction sector

Cement cartel probe warning

ROBYN CHALMERS

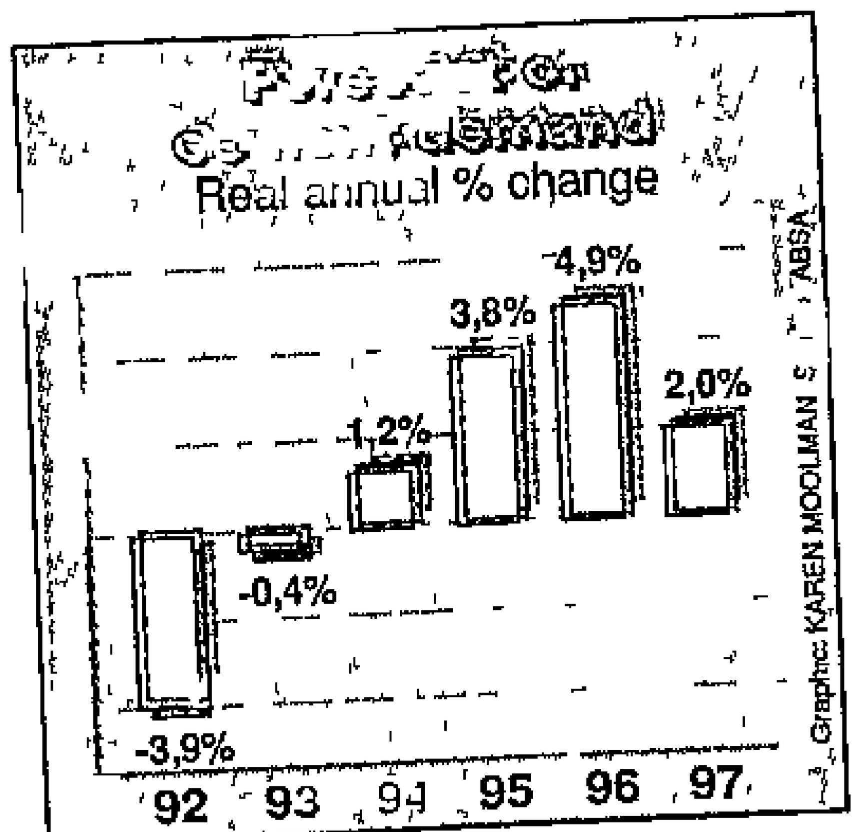
CEMENT sales could be hit if the controversial cement cartel was dissolved, SA Cement Producers' Association (Sacpa) executive director Graham Mitchell said in his annual review (193)

Mitchell said domestic sales should rise 3% this year, showing growth for the first time since 1989

Sales have been on a downward spiral over the past four years as building activity has been negatively affected by falling gross domestic fixed investment (GDFI) GDFI reached an all-time low of around 16% of GDP last year against an estimated 28% in the early 1980s

But the tentative upturn could be stunted if a current Competition Board investigation ruled that the cartel be partly or fully dissolved

Although prices could come down in the short term, the influence of higher risk which demanded higher returns, together with additional capital and individual marketing costs, could push prices up The risks of investing in an unmanaged market would be too great at the current selling price, potentially leading to longer-term cement shortages



Regional monopolies could be formed which tended to result in higher prices, and the absence of a flexible sourcing policy and higher transport costs could cause delivery times to extend

"A quality race could result in the rapid depletion of the country's high-grade raw materials," Mitchell said

These factors could ultimately have an effect on the ability of cement producers to meet demand

"There are no artificial barriers to entry to the local industry and secondly, the sector receives no tariff protection or government handouts

"Despite this, there have been no new entrants into the industry since 1938 and there have been no significant imports of portland cement This implies that SA cement is competitively priced "

In the short term, Mitchell said there were several factors pointing towards a housing-led recovery for the industry, starting later in 1994

Cement cartel verdict delayed

ROBYN CHALMERS

A DECISION by Trade and Industry Minister Trevor Manuel on the Competition Board's recent recommendation that the cement cartel be scrapped is expected only within a few weeks

A Trade and Industry Ministry spokesman said the report was regarded as a priority by Manuel However, no decision was likely before he returned from overseas in November

The three members of the cement cartel — Anglo Alpha, Blue Circle and Pretoria Portland Cement — have been gearing up for its dissolution 26/10/94

Anglo Alpha financial director Trevor Wagner said the group had anticipated the break-up for a number of years, and had formulated strategies BDay

PPC was also gearing up to provide a full range of services nationally should the cartel be officially dissolved, chairman Warren Clewlow said recently

Anglo Alpha's share price stood at R100 on September 20, the day the report was released, and closed untraded yesterday at its ruling price of R93

PPC's share price was R96,50 on September 20 and had weakened steadily to R86 yesterday (193)

PPC turns in a solid half-year performance

BiDay 6/5/94

AMANDA VERMEULEN

PRETORIA Portland Cement (PPC) reported a 21% increase in earnings to 151,7c a share (125,3c) in the six months to March as a result of improved investment income, maintenance of profit margins and a lower tax rate

To reduce the disparity between the interim and final dividend, an interim dividend of 65c was declared, 30% up on the previous 50c paid.

Taxed profit rose 22% to R62,1m (R51m) while operating profit increased 16% to R110,4m (R94,9m).

Turnover increased 16% to R612,1m (R526,8m), boosted by exports of surplus capacity from PPC's Western Cape factories

PPC Lime showed a small increase in volumes and, thanks also to production efficiencies, reported a marked improvement in results

However, group MD John Gomersall said PPC Lime's rate of increase was not expected to continue in the second half in the light of expected increases in energy costs.

Other investments showed significant improvements following the sale last year of the company's investment in loss-making Parem Enterprises and better results from distribution activities and associate companies.

The group also acquired 100% of the issued share capital of cement distribution company M Fihrer & Son for R12m (193)

Gomersall said cement sales in the next six months were likely to be 3%-4% above last year's volumes but was cautious about any further significant short-term improvement

He said real benefits from the ANC's proposed reconstruction and development plan would not be seen in the next half, as it would take the new government some time to implement the programme.

"With a new democratic government and the emphasis on reconstruction and development, there is no doubt PPC has an important role to play."

Company shares traded on Wednesday at a new high of R95 a share, ahead of today's results.

Cement makers consider Mozambique

BDay

PETER GALLI

SA cement companies are considering tendering for a majority stake in the soon to be privatised Mozambican company Cementos de Mozambique 1 9/4/94

The Mozambique government wants $18m for the 51% stake, but tenders will be allowed for individual plants

The company has three plants Matola near Maputo, Dondo near Beira and Nacala in the north of the country

Blue Circle Cement MD Piet Strauss said yesterday the Matola plant was being upgraded, while the Dondo facility was almost unoperational and Nacala was operating on a limited basis

The plants were using imported clinker — semi-processed cement — to make cement and were operating far below capacity But the cost-effectiveness of increasing production had to be considered

"We are conducting a feasibility study before making any final decision about whether to tender, what to tender for and how much to offer," Strauss said

Anglo Alpha deputy MD Ron Searle said the company was investigating the offer and the refurbishment costs, and had until mid-June to submit its tender (193)

PPC MD John Gomersall said the company was considering the matter

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SA cement companies in bid for Maputo deal

193

Own Correspondent

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CT 20/4/94

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Cement producers flourish

BDay 29/3/94

ROBYN CHALMERS

THE share prices of cement companies Anglo Alpha and Pretoria Portland Cement (PPC) have soared to seven-year highs over the past month, bolstered by an expected boom in the construction industry this year

SA Cement Producers' Association executive director Vincent Bray forecast 3% growth in cement sales this year, the first increase since 1988.

He cited a general improvement in economic conditions and the next government's expected housing and infrastructural initiatives

Expected spin-offs from state-driven housing and infrastructural plans have boosted the confidence of local and foreign investors

Anglo Alpha's share price has gained R18 to R91 this month. PPC's counter has increased by R7 to R77

Market analysts said the PPC rise was based on expectations and a solid profit history rather than the group's performance in the year ended September 1993.

Faced with falling industry cement sales and poor building conditions, PPC posted 13% growth in earnings a share to 299,6c (265,5c) on a 9% rise in turnover to R884,6m (R809,9m)

The group's cement sales dropped 5% to 2,8-million tons. Plants operated at 56% of capacity (1993)

Operating in the same environment, although off a low base, Anglo Alpha was helped by rigorous cost-cutting and tight asset management to boost earnings a share by more than a quarter to 421,5c (331,3c) for the year ended December 1993 Turnover rose 16% to R877,2m (R756,9m)

The chairmen of both groups were optimistic about the future in their 1993 reports.

Anglo Alpha chairman Peter Bryland said he expected the group's profitability to increase "slightly in excess of the inflation rate".

PPC chairman Warren Clewlow said he was optimistic earnings would rise by at least the rate of inflation this year. Sustained economic improvement was likely to "translate to real growth in earnings and dividends"

Anglo-Alpha defends keeping cement cartel

B/Day 3/3/94

MUNGO SOGGOT

SA's cement cartel should remain intact as it offered stable prices and kept expensive imported cement offshore, Anglo-Alpha chairman Peter Bryland said in the company's 1993 annual report

He said the cement industry's "selling arrangements" had been authorised 20 years ago when it was granted an exemption from the Competition Act "There has been no change to justify a review of this exemption."

The cement cartel includes Anglo-Alpha, Portland Cement and Blue Circle The Competition Board is expected to publish a report on the cartel in April Market analysts believe it could be disbanded or have its powers curtailed (193)

Bryland said if the current pricing system was to fall away the more powerful customers would be able to squeeze out smaller cement suppliers by negotiating larger discounts

"The cartel's selling arrangements also reduce the risk of what is traditionally, because of its capital intensity, a high-risk business."

"The current system had been designed to ensure that customers were not prejudiced by their location during periods of possible product shortage

Analysts said the Competition Board had found that the cartel's restrictive practices were not against the public interest and doubted whether its disbandment would affect the industry But the worldwide swing against cartels would have to be taken into consideration

Meanwhile, Bryland said that as the sector was largely dependent on mining, "certain suggestions on the future ownership and exploitation of SA's mineral wealth would seriously impact on the viability of the building material supply industry"

He said Anglo-Alpha was forecasting a modest increase in sales. With successful cost containment, profits would stay slightly ahead of inflation

Cement sales may rise R400m a year

B/Day 7/12/94

ROBYN CHALMERS

CEMENT sales could increase by R400m a year if the new government goes ahead with plans to reduce the estimated 1,4-million housing backlog by building 300 000 low-cost houses a year.

A Pretoria Portland Cement (PPC) study on cement demand and housing shows that 2,1-million tons of cement would be needed to build the required number of homes.

This translated into R8bn a year being spent on housing — about 2,5% of the 1992 GNP

This scenario, which analysts regarded as highly feasible, would be good news for the beleaguered construction sector and the cement industry in particular

Figures from the SA Cement Producers Association show that sales have been on a downward spiral since 1989 Domestic cement sales totalled 7,463-million tons in 1991, fell 3,7% to 7,184-million tons in 1992 and were expected to drop marginally to about 7,179-million tons last year

SA's three cement producers, Anglo Alpha, Blue Circle and PPC, have been operating at about 60% of their capacity

The drop in demand was reflected in the falling level of gross domestic fixed investment This has decreased sharply since the mid-1980's, when the fixed investment figure was at about 28% of GNP, to its current level of about 16%

The PPC scenario showed that domestic cement consumption would have to grow at an annual rate of 4,1% until 2005 if producers were to reach their full production capacity of 12,8-million tons.

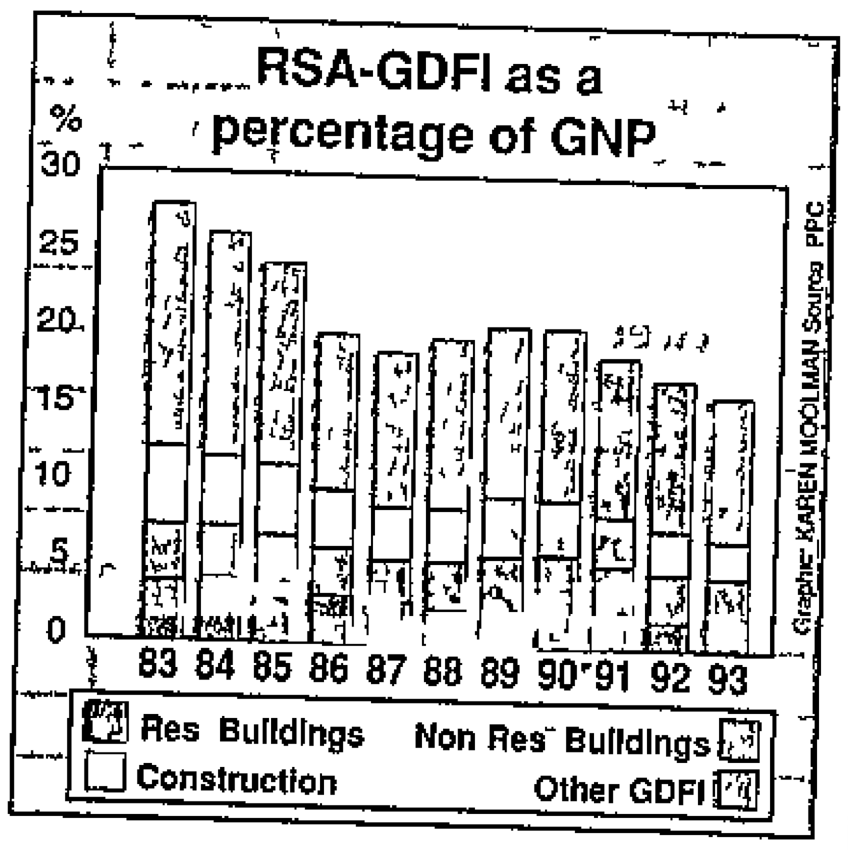
Analysts said government would have to increase their spending on infrastructure and housing in particular if the required consumption levels were to be attained

"Government is currently spending 2,4% of GDP on the construction of houses This compares poorly with other so-called developing countries such as Mexico, Singapore, Greece and Venezuela where the spending averages about 4,6% of GDP," an analyst said

(193)

The producers' association's executive director Vincent Bray said the provision of affordable housing was the most likely area for a break in the construction industry trend One of the spinoffs would be the release of a pent-up demand for cement and cement-based products

Not only would associated industries benefit from the housing initiatives, but employment figures would receive a boost and communities would become empowered through skills training and delivery mechanisms



Probe could sink cement cartel

BIDay 22/2/94

ROBYN CHALMERS

THE Competition Board's report on the cement cartel is expected in April, with market analysts predicting it could be disbanded, or its powers curtailed, before the next government takes office

Competition Board chairman Pierre Brooks said an investigation into the cartel — comprising Pretoria Portland Cement, Anglo Alpha and Blue Circle — had been under way since last April and had been given high priority

Brooks declined to say what the board's recommendation would be However, JSE analysts said there was a possibility that the cartel could be disbanded even though there were economic arguments to support it.

One analyst said it had made economic sense to maintain the cartel in the past, largely as a result of the long distances cement had to be transported and the disadvantageous volume/value ratio of cement.

But, given the importance of cement in alleviating the national infrastructure and housing backlogs, there could be pressure to dissolve the cartel "There is a strong core of opinion that it can no longer be justified," he said.

Analysts were dubious about the effect disbandment would have on the cement industry. They believed it was unlikely that such a move would result in casualties among the three players and doubted that new players would enter the market in the short term

(193)

An analyst said the Competition Board had undertaken numerous investigations into the cartel and had found on each occasion that restrictive practices were not against the public interest

"But SA's political environment has changed and there is a worldwide swing against cartels which will obviously have to be taken into consideration," he said

Another analyst said returns realised by the three companies — which produce 95% of SA's cement — had remained above the construction industry average for more than 20 years.

In a joint paper submitted to the Economics, Business Economics and Manpower research conference in Bloemfontein last year, Stellenbosch economics lecturer Andrew Smith and Bloemfontein economics professor Frederick Fourie came out strongly against the cartel

They said the big three had entrenched their market position through regional monopolies and vertical integration which extended into the building industry.

DIAGONAL STREET

Independence spells good times for cement

S/Times (Buss)

30/1/94

(193)

RISING use of cement in African countries after independence gives PPC's John Gomersall grounds for optimism.

Since 1980, Zimbabwe's cement use has grown at a compound annual rate of 6,2% That of Kenya increased at 10% over 30 years and at 24% in the early years Less-prosperous Zambia's offtake has climbed 2,1% a year in the long run, but grew at 14% for the first eight post-colonial years

Use of cement in Mozambique, alas, fell by 6% a year and Angola also went backwards Mr Gomersall says cement sales measure a nation's wealth or poverty

PPC makes cement, lime and limestone, paper sacks and other packaging It supplies nearly half the SA cement market and 60% of the lime business

The JSE tends to agree with Mr Gomersall's optimism PPC's share price has climbed from R37,50 last June to R64, having touched R70 on December 31

PPC earned 300c a share in the year to September 1993 and paid 215c, giving it a historic price-earnings ratio of 21 and a dividend yield of 3,4%.

Group turnover of R884-million was 9% higher than in the previous year, but cement sales dropped 5% to 2,8-million tons — capacity is 5,2-million tons a year

Between 1990 and 1992, per capita use of cement in SA fell by 30kg to 192kg Its lowest in the 1970s was above 230kg and the peaks were nearly 300kg.

Mr Gomersall says that in world production terms, SA is a D-team player at below 10-million tons a year Production in Africa in 1970 was 18,6-million tons, of which SA output was 31% — the biggest single share

But by 1990, when African production had trebled to 55-million tons, SA had only 15%, Morocco, Algeria and Egypt all having jumped in the cement table

Cement is difficult to export because of its high volume and low value Domestically, the baseline sales pattern correlates to the level of gross domestic fixed investment (GDFI), but is heavily influenced by political disruptions

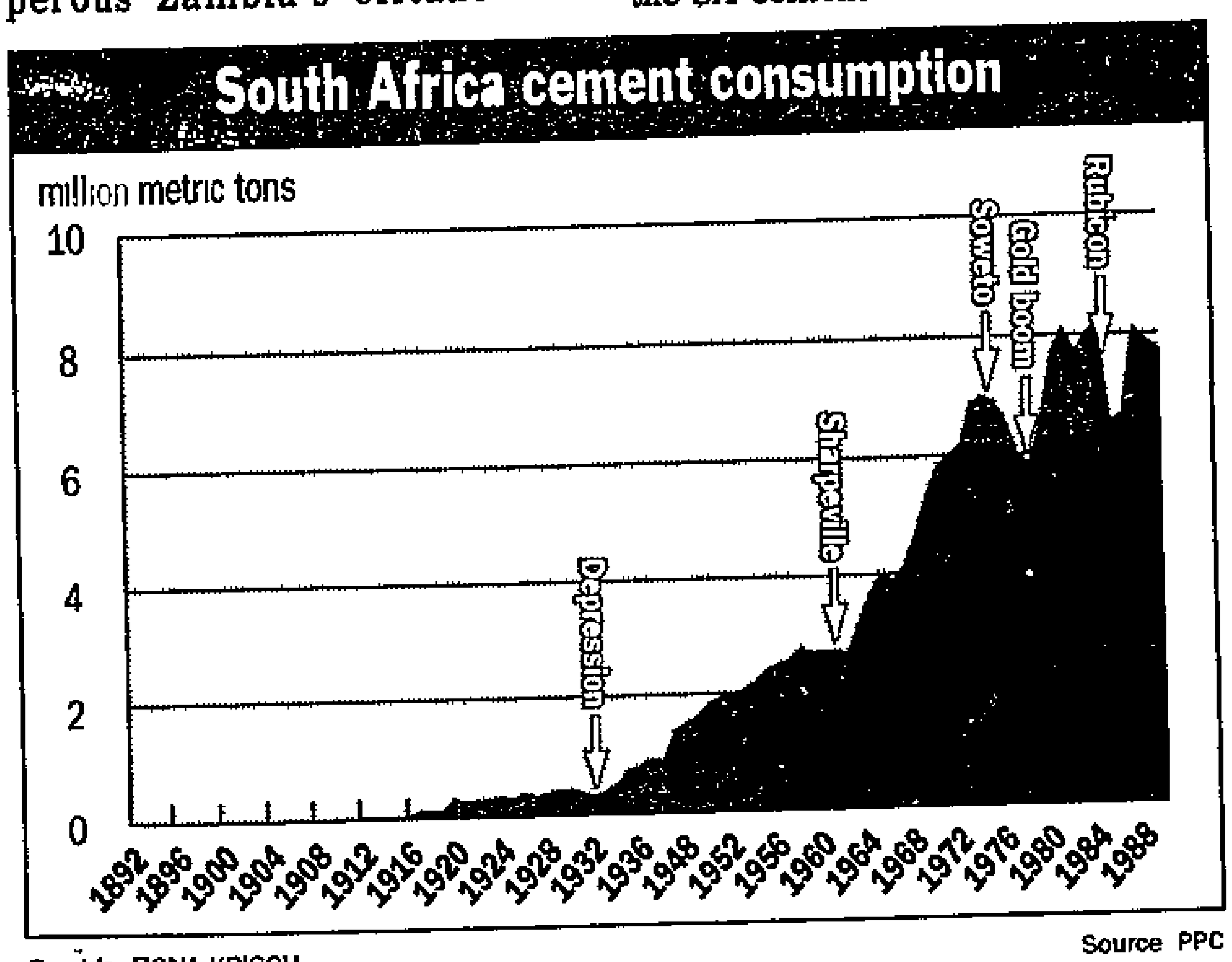
Sales dropped after the Sharpeville and Soweto riots, boomed with the gold price in the late 1970s and crashed with the 1985 Rubicon speech by P W Botha

Mr Gomersall says World Bank guidelines for developing nations such as SA are for GDFI to comprise 25% to 30% of total gross national product (GNP)

SA has achieved this in the past, helped by big projects such as Sasol But it falls short now For SA's GNP level, it should be using 280kg of cement a head every year — nearly half as much again as at present

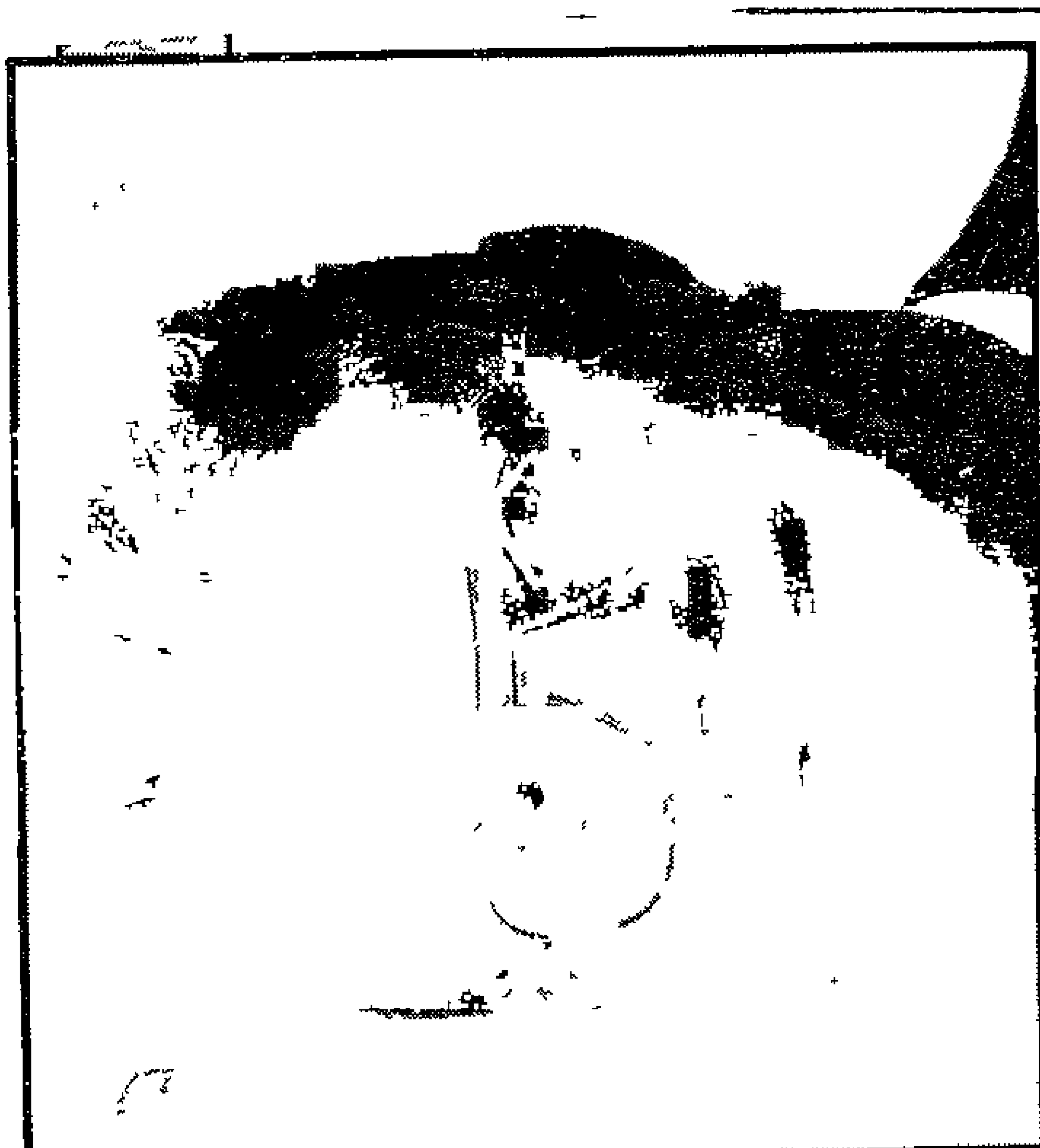
The high-road scenario-planners are looking for an average compound GDFI growth rate of 8,5% until 1999 and 4,1% overall to 2005

SA is well behind in housing, which comprises only 2,4% of GNP, about half the percentage spent by other developing nations such as Singapore, Mexico and Greece and on par with underdeveloped Sri Lanka and Kenya



Graphic FIONA KRISCH

Source PPC



JOHN GOMERSALL what is good for cement is good for PPC

PPC has developed a cement-demand and housing scenario To eliminate the backlog by the year 2000, SA must build 300 000 houses a year

Using simple assumptions, PPC arrives at a housing demand figure for cement of 2,1-million tons a year There is about two tons of cement for a small dwelling and it makes up only 5% of the price of a house

The cement is worth R400-million a year, which translates into R8-billion a year spent on housing The R8-billion is 2,5% of the 1992 GNP figure However, GDFI was only 16,3% of 1992's GNP when it should have been be nearer 30%

If cement use grew yearly by 4,1% until 2005, only then would SA's production capacity of 12,8-million tons be reached

Mr Gomersall says such growth potential is a big carrot for the economy His vision is for development at local level, involving communities, empowering black entrepreneurs and contractors to get behind the "bottom up" housing initiative

PPC has developed a range of cheaper products, extended by such items as Eskom's discarded flyash, slags and milled limestone

Mr Gomersall says cement is available, affordable and reconstruction can be achieved through co-operation

What is good for cement is good for PPC, which will not require much capital expenditure to meet demand

Growing cement sales support upswing forecast

B/Day 11/1/94

(193)

ROBYN CHALMERS

A FURTHER indicator of the predicted economic upswing this year was evident in cement sales, which grew 14,7% during November 1993 over the same period in 1992, according to Cement Producers' Association figures.

Analysts said SA Federation of Civil Engineering Contractors figures showed that important indicators such as tender activity and contracts awarded supported the view that the industry had turned.

Cement Producers' Association executive producer Vincent Bray said the Building Federation of SA and the Federation of Civil Engineering Contractors had both predicted an improvement in building activity this year which would boost cement sales.

He said the government's low-cost housing initiatives were expected to get off the ground this year.

This would aid the cement market, which has been hard hit by falling gross domestic fixed investment and the slump in the construction industry, Bray said.

The Columbus stainless steel project was aiding sales and the Lesotho Highlands Water Scheme was starting to take up small volumes. The R7,2bn Alusaf project should accelerate growth during 1994.

Lacklustre sales during the first half of 1993 pulled down cumulative sales figures for the 11 months to November. They were 0,08% lower than the same period in 1992, but prospects for this year were bullish.

Producers' figures showed total sales for the 11 months amounted to 6,71-million tons against 6,72-million tons in the 1992 comparable period.

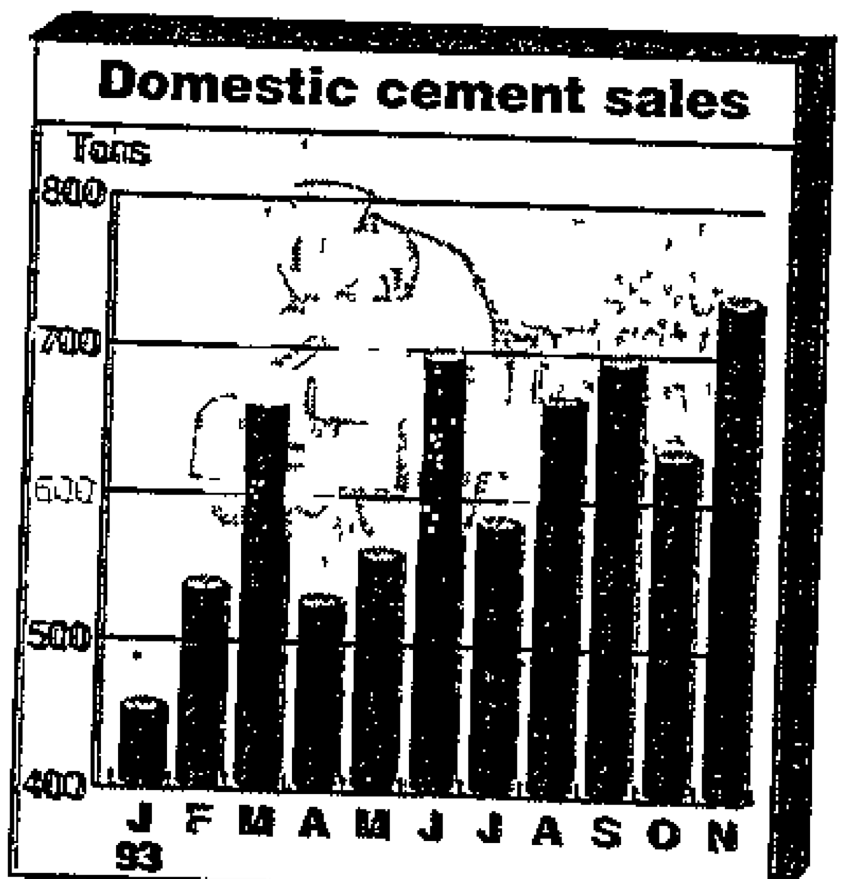
Bray said sales for the first four months of 1993 were below those in 1992, but the deficit had been reduced considerably during the year as sales rose towards the end of 1993.

The increase in November's sales was the second highest recorded last year, surpassed only by a 17,4% rise in August.

The August figure, however, was largely due to a greater number of working days than July.

Association members include the three-member cement-producing cartel of Pretoria Portland Cement, Blue Circle and Anglo Alpha. The shares of both Pretoria Portland Cement and Anglo Alpha have moved up sharply over the past four months, indicating the market's confidence in the cement sector this year.

Pretoria Portland Cement's share price hit a 12-month high at the beginning of this month, trading at 7 000c against a 12-month low of 3 750c in June 1993. It closed at 6 875c yesterday. Anglo Alpha's share price closed at 6 950c yesterday, just below the 12-month high of 7 000c it reached last Friday and well up on the 12-month low of 3 100c in January 1993



Cement price rises at sub-inflation levels until 1997

PPC makes pledge of support for RDP

Star 9/9/94

■ BY JOHN SPIRA

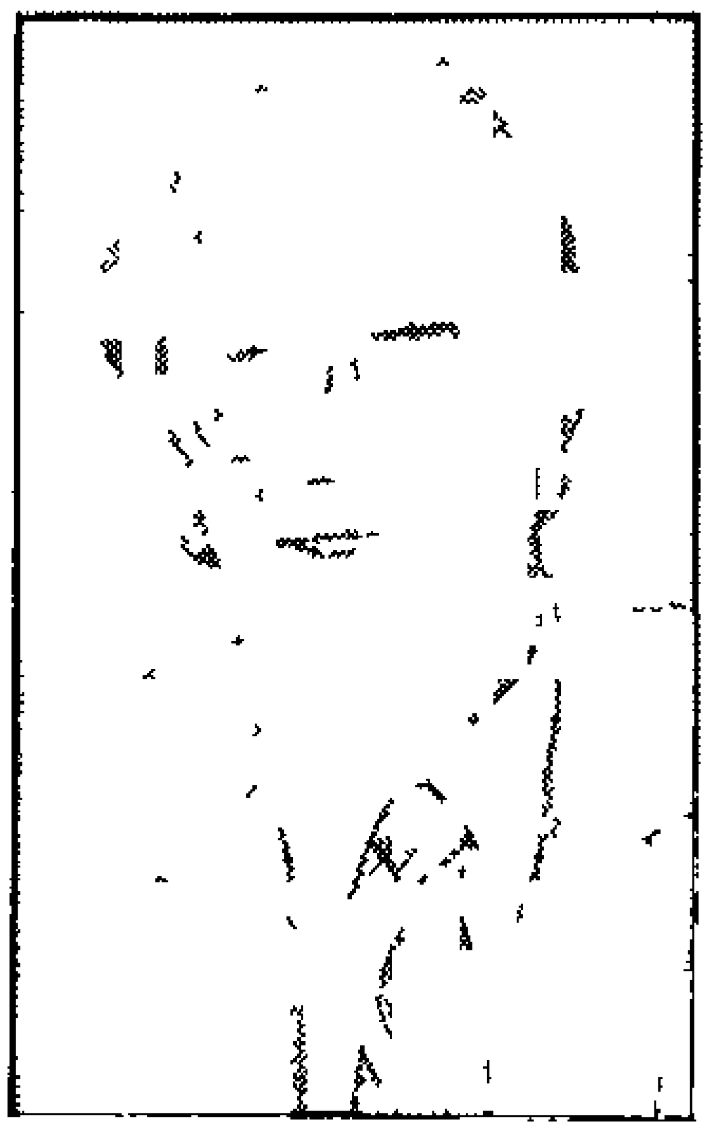
PPC, SA's largest cement producer, has undertaken to hold its price increases at sub-inflation levels until the end of 1997

The initiative can be viewed as a major contribution to keeping a lid on the cost of affordable housing and other building and construction programmes

MD John Gomersall says the undertaking — a social compact with the people of South Africa — is at the core of his group's contribution to the Reconstruction and Development Programme (RDP) to which PPC is fully committed

PPC promises that it will not raise its ex-factory prices at a rate exceeding the rise in either the consumer price index or the producer price index (whichever is the lower) between now and the end of 1997

Although cement comprises only 5 to 8 percent of the cost of an average house, Gomersall hopes that the PPC undertaking will convey a message to other suppliers of building materials



John Gomersall best interests of consumers

"The message reads that by keeping a lid on price increases, SA will be able to build more homes from its limited resources

"For the reconstruction and development process to succeed, a crucial component is the provision of affordable housing on a huge scale and of schools, hospitals, roads, fresh water and sewerage facilities"

Gomersall stresses that PPC's price commitment will stand, whether or not the controversial cement cartel is to be scrapped

"We will compete in any market system As long as there is certainty over the rules, we shall continue to conduct our business in the best interests of our consumers and our stakeholders"

Would not the undertaking to keep prices down impact negatively on the returns of investors in PPC?

"Not at all," says Gomersall "What we might lose in price leverage, we expect to more than compensate for in terms of volume leverage We are already witnessing a heightened demand for cement and we expect that trend to remain in place as growth gains momentum"

The price undertaking aside, PPC has invested much time, effort and money in the realisation of the aims of the RDP

"We are investing in the necessary facilities to widen the availability of more affordable cements aimed at meeting the needs of the RDP But our commitment goes beyond a simple focus on our market

"We are ensuring that all our employees have proper housing, healthcare, schooling for their children, and a cleaner environment in which to live and work

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"And we are empowering and developing our people to play a meaningful role in our business and in the communities in which we operate"

Additionally, PPC has formed a new business development division to bridge the gap between the formal and informal sectors in building and construction

The unit is busy creating a nationwide series of commercially operated development centres containing businesses run by local entrepreneurs

Gomersall explains "These centres will act as focal points for economic empowerment and development in the spheres of brick and block manufacture, the transport and retail and wholesale distribution of building materials, as well as building and contracting

"The centres will provide access to finance, mentoring and the development of business skills"

Cement cartel 'ready to face the competition'

S1 Times (Buss)

(193)

By SVEN LUNSCHE

THE cement industry is preparing for a possible break-up of the cartel agreement that for years has enabled the three producers to fix prices, control production and share the market

The Competition Board is handing the government and the industry its recommendations this week after a plenary board meeting on Wednesday Early indications are that the cartel's life will not be extended

"We are not aware of the recommendations that the Competition Board has made, but we are confident that we can compete in any market structure," says Clive Tasker, PPC's director for cement marketing and distribution

Johan Pretorius, managing director of Anglo Alpha, adds "We have been preparing ourselves for the worst-case scenario by measures such as staffing up our marketing departments"

Industry sources say the impact of a possible break-up will depend on whether the government will go for complete deregulation or only partial measures, such as allowing the jointly controlled Cement Distributors of South Africa (CDSA) to continue

"The government has committed itself to strong anti-trust policies and they will want to be seen to deliver," says Mr Pretorius

Critical to the government's decision will be the impact on cement prices, particularly as its housing programme is about to kick-off

Industry sources do not expect a major change in recent cement price trends although they admit the initial impact of a break-up could lead to a fall in prices

11/9/94

CLIVE TASKER

Mr Pretorius goes further "There might be a price war for a short period, but in the longer term companies will not be willing to expand if they lack the security of the cartel"

Recent price increases have not been excessive, the industry claims Over the past few years ex-factory prices of cement have consistently been lower than the CPI.

However, it is the steeper increases of prices at the retail level — over which the producers have little control — that is worrying the authorities

While cement accounts for only between 5% to 8% of total material costs of a house, the National Housing Forum recently expressed concern at the impact of high cement prices

"Price and availability of cement will be crucial over the next two to three years and we are examining a number of ways of keeping down costs," says Mr Tasker

Options include a "low-price" social compact and shortening the route from the time the cement bag leaves the factory to the building site

This week PPC committed itself to keeping cement prices at sub-inflation levels until the end of 1997 irrespective of the market structure Anglo Alpha is considering a similar move

While the break-up of the cartel could turn out to be a financial headache for the companies it could also develop into an administrative mess

In the extreme scenario the three producers could be forced to break up all ventures they jointly control

The most crucial one would be the CDSA, which, according to the industry "provides cost-effective and rational distribution of cement"

A break-up of the CDSA would represent a financial setback, forcing producers to establish new distribution and marketing networks Transport costs account for about 35% of the price of cement and this could rise if the CDSA is removed

Other joint ventures in the industry include Ash Resources and Slagment, two feedstock companies, cement producer Natal Portland Cement, the Portland Cement Institute which provides technical and training services to industry customers and the SA Cement Producers' Association, the industry's umbrella body

Analysts say large price hikes after the break-up will be avoided simply because the industry is operating at only 65% capacity

Annualised first-half sales figures suggest a market of about eight-million tons, a rise of about 10% on 1993 Yet industry capacity is 13,5-million, enough to absorb the estimated rise of 8% to 10% in demand during the first part of the housing programme

Cement cartel to be disbanded

Star 21/9/94

BY THABO LESHILO

The cement cartel is to be disbanded within two years, says Competitions Board chairman Pierre Brooks

"At a meeting held on September 14 1994, the Board decided that the exemption granted to South African cement manufacturers in September 1988 in respect of price fixing, market sharing and collusion on conditions of supply, which are all practices prohibited in terms of Government Notice 801 of May 2 1986, should be withdrawn," he said yesterday

Brooks said the decision followed a thorough assessment with the full co-operation of the SA Cement Producers Association (SACPA), made up of PP Cement, Anglo-Alpha and Blue Circle

The Board's report makes the following important points

- Price fixing, market sharing and collusion on conditions of supply are unlawful and the credibility of competition policy requires that grounds on which exemptions are granted be narrowly circumscribed and consistently applied
- The agreement creating the 20-year old cartel places it in a monopoly situation, linking the three conglomerates in "a pact not to compete"
- The SACPA believes it is an efficient organisation and that consumers benefit appreciably from the cartel's computerised transportation model However, the benefits are insignificant when assessed in relation to the size of the industry
- The principal beneficiaries of the exemption were the cartel itself, with benefits to consumers being less obvious
- Some of the arguments advanced by the SACPA were contradictory

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Brooks said "The Board's decision remedies a situation that was at variance with its view that a competitive environment is the most effective way of ensuring the proper allocation of a country's resources and the efficiency and international competitiveness of local businesses"

Industry sources said that the Big Three had been expecting the scrapping of the cartel and had prepared contingency plans to handle the situation How it all panned out, however, remained to be seen

Initially, additional investment would be required to help expand market coverage

But in the longer term, sources felt the industry as a whole would benefit, with the more efficient emerging leaner and with a larger market share.

Fm 23/9/94 (193)

CEMENT INDUSTRY

Fm 23/9/94

Day of reckoning

(193)

The Competition Board bared its teeth this week and ended the exemption that allowed cement producers to fix prices and determine market share as a legal cartel

Cement producers are still digesting the 67-page report They could well decide to petition the Ministry of Trade & Industry on the board's findings

But the news isn't all bad The board hasn't ordered a restructuring of the industry and has given producers two years to implement its recommendations This means Natal Portland Cement — a joint venture of the three cartel members, PPC, Anglo-Alpha and Blue Circle — is not affected and co-operation that is not anti-competitive isn't ruled out

The board's report states "If, following the withdrawal of the exemption, there is clear evidence of inter-firm competition, this may well suffice to show that the industry does not require restructuring" Rejecting arguments that forbidding express collusion would lead to tacit collusion, the board notes that express collusion is an offence while tacit collusion is not

Similarly, it discarded arguments that dismantling the cartel would lead to spatial monopolies "This reasoning ignores the fact that the cartel is now a monopoly that covers the entire country From a competition point of view, it is preferable to have some spatial monopolies and inter-firm competition in the rest of the market, particularly since spatial monopolies would be vulnerable to import competition"

The board was also clearly unconvinced that cement producers are sacrificing profits in return for being allowed to operate in an almost risk-free environment "Comparing the return on assets of the cement industry with that of other capital-intensive industries, the cement industry yields returns that are more stable than that of other industries and tend to be on the higher end of the spectrum," the report says

Producers argue that no legal barriers to entry exist The board disagrees "Even the few companies with the resources to enter the industry would be reluctant to confront a conglomerate-linked cartel that covers virtually the entire market The present exemption can be justifiably seen as an important and decisive factor in discouraging new entrants" Rejecting arguments that the cartel is an "effective monopoly that keeps prices down through lower input costs because of industry certainty," the board notes that the principal beneficiaries of the cartel are the three members

Couched within the report is also a warning to industry that market force manipulation won't be tolerated "There are those who oppose government regulation of the economy or any tampering by it with market forces but who, apparently, are comfortable when such tampering is done by private sector firms" ■

PPC to build cement and fly ash plant in Botswana

BD 30/8/94 ROBYN CHALMERS

PRETORIA Portland Cement (PPC) has joined forces with the Botswana Development Corporation (BDC) to build a R28m cement and fly ash blending and packaging plant in Gaberone, PPC said yesterday

The move is the first step toward establishing a fully-fledged cement industry in Botswana.

PPC group MD John Gomersall said a joint venture company, Cempak Botswana, based in Gaborone, had been set up by the two groups

It would be managed by PPC and the first cement products were expected in June 1995.

Gomersall said the company's slurry factory had been supplying cement to Botswana for many years

PPC would supply the cement for the plant from its slurry factory, with fly ash supplied by the Botswana Power Corporation's Morupule Power Station. 193

"The development of a cement industry in Botswana is expected to generate additional employment opportunities, enhance the growth of satellite companies and develop local skills," he said.

BDC MD Michael Molefane said a number of local industries would benefit from the venture, including cement bag manufacturers and Botswana Rail.

RDP 'to boost cement sales'

B/Day 19/8/94

ROBYN CHALMERS

GOVERNMENT's reconstruction and development programme (RDP) should boost cement sales 8,5% on an annual average compound basis over the next five years, increasing manufacturers' total revenue R1,6bn, Anglo-Alpha MD Johan Pretorius said yesterday

Pretorius said these figures related largely to government's aim of building a million low cost homes in five years

"While these figures are rough estimates, they signify that cement manufacturers are expecting a large increase in demand over the next few years

"Companies are gearing up for greater demand, and Anglo-Alpha is considering building another kiln at its Dudfield plant. We will have to decide whether or not to go ahead within eight months so the kiln can come on stream by 1998," he said

Pretorius said future expansion by the cement industry to meet higher demand could be adversely affected if the Competition Board's investigation into the controversial cement cartel recommended that it be disbanded

Board chairman Pierre Brooks is expected to submit recommendations on the cartel to government within three weeks. Pretorius said there had been no indication on the direction of the proposals

(193)

"Neither do we know with any certainty what will happen if the government decides to disband the cartel. There are a number of possible scenarios, including a price war where prices could decrease in the short term and then rise sharply.

"Most producers are operating on capital returns of between 10% and 13%, which they can live with because the cartel reduces risk But if it is done away with, producers will be looking for returns of at least 18%, and prices will rise as a result"

SA Cement Producers' Association figures showed local cement prices were relatively low SA's prices were in the bottom five out of 14 countries surveyed.

Pretorius said cement producers would be prepared to sit on a forum to discuss the best method of keeping price increases reasonable to assist the RDP.

The end of protection? FM 26/8/94

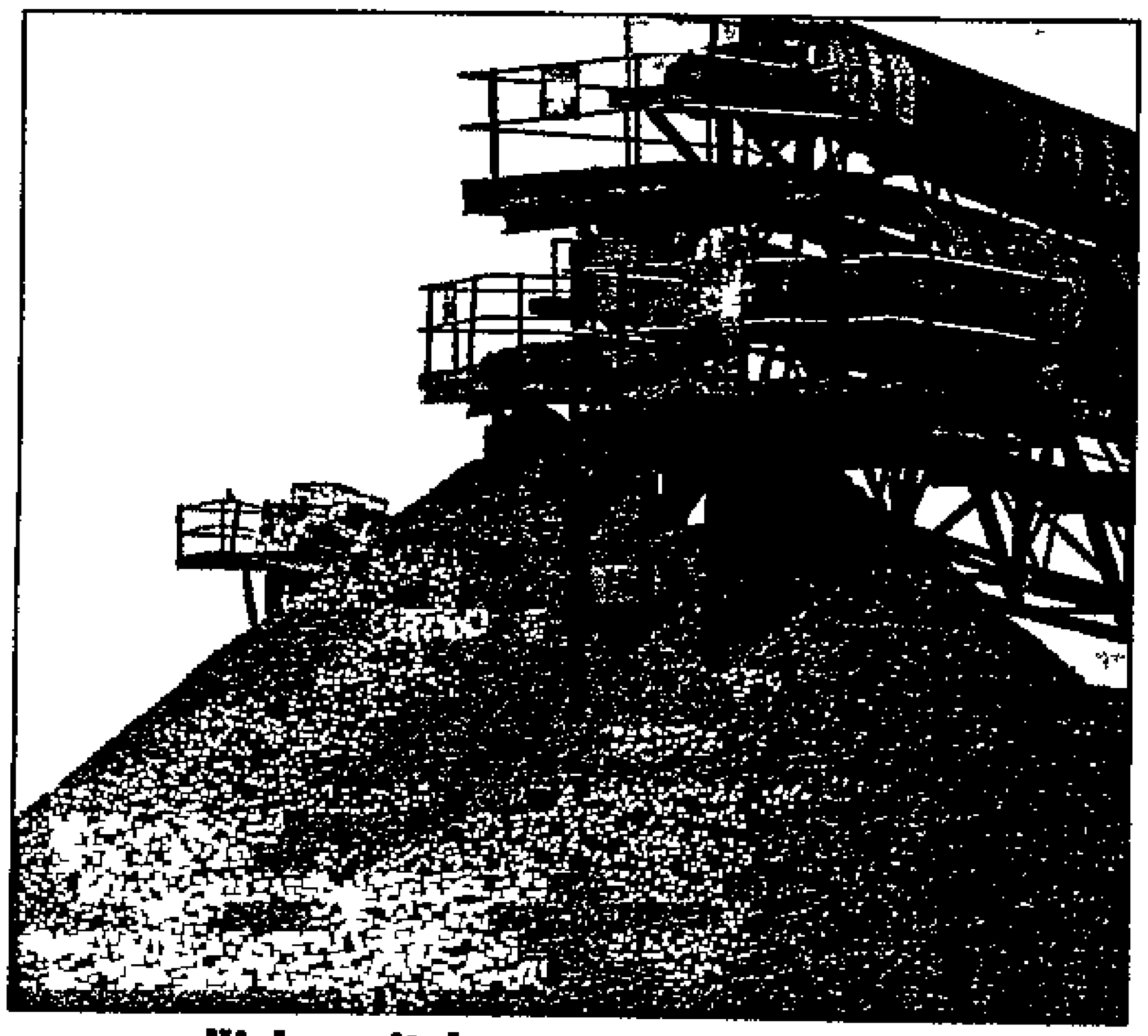
The Competition Board is unlikely to extend the life of the cement cartel later this month if consistency in competition law is a priority. Cartels were outlawed in the Eighties but the three cement producers — Pretoria Portland Cement, Anglo-Alpha and Blue Circle — continued to operate as one because of an exemption granted by the board in 1988. At the time critics argued that this type of concession smacked of crony capitalism.

After an extensive international investigation of the industry, the board decided that cement producers should be allowed to fix prices, control production and share the market to bring stability to an industry that requires high capital inputs and large operating volumes to ensure a constant supply of cement at affordable prices. At the time the board was also influenced by international practice that tended to allow industry co-operation — albeit with informal government sanction. Where deregulation had ended these arrangements, as was the case in Chile in the early Eighties, the board found that market share and prices had tended to remain constant despite an initial period of price cutting. Also in the cartel's favour was an absence of tariff protection and a lack of formal barriers to entry — conditions the cartel still claims foster competition.

Of course, all these arguments could apply increasingly to a number of other capital intensive industries, particularly as tariff protection is phased out. Why should paper giants Sappi and Mondi, for example, also not benefit from an exemption? 193

There have been no new entrants to the cement industry since 1931, despite the availability of large limestone deposits. The cartel suggests that the large capital amounts involved don't offer investors sufficiently lucrative returns and that it would take four years to build a new production facility. So why, critics ask, do producers need continued legal protection if entry is so unattractive?

The board will have to consider to what extent a legal cartel has deterred newcomers. Substantial spare capacity — now mothballed — also serves as a deterrent.



High capital costs *a deterrent?*

Competition law doesn't rule out monopolies and a certain amount of co-operation between competitors, but it does prohibit price-collusion and market fixing.

The cartel — through its exemption — determines prices at the manufacturing level and decides on a specific return on investment for the industry. The cartel claims that price fixing ensures efficiencies, particularly since capital expenditure is generally lower. Certainly, cement prices have kept a constant 1% to 2% lower than the CPI for the past five years, and SA cement prices are among the lowest in the world.

But only market forces can truly ensure real efficiencies. If the board ends the cartel and prices stay the same notwithstanding market forces this is surely preferable to prices set by a cartel. Price fixing always subverts market forces.

Anglo-Alpha MD Johan Pretorius suggests that goverment-imposed price disciplines would be preferable to allowing market forces to govern. He says: "A lack of co-operation on prices and production could start a price war, but it would only last a short time. Prices would soon rise again because no-one will be willing to expand capacity in an uncertain market. Shortages will result and we will become dependent on imports." He adds that price controls, imposed by government between 1978 and 1984 had little effect.

Of course, one could argue that producers could effectively continue to decide prices without government sanction, though with the threat of prosecution hanging over their heads. Proving a charge of price-fixing in terms of the Promotion of Competition Act is extremely difficult since the test is proof beyond a reasonable doubt. Indeed, the board has yet to successfully prove a case of price fixing. It's a shortcoming Competition Board chairman Pierre Brooks acknowledges. Perhaps, he suggests, the remedy is to replace criminal punishment with administrative fines.

Cement producers argue forcibly that the cartel ensures efficiencies through economies of scale. But if the cartel is abolished there would, technically, be little to stop them from merging. From a policy point of view, this is perhaps preferable to legally sanctioned collusion.

It is probably too simplistic to accuse the cartel of raising prices and restricting the supply of cement, a charge made recently by Free State professors Frederick Fourie and Andrew Smith. Fear of government intervention has probably held off abusive business practices.

Criticising Fourie's and Smith's evaluation, Wits economics senior lecturer Dan Leach (who was commissioned by the cartel) argues that conglomerates or cartels shouldn't be prohibited simply because they are large. The test, he stresses, should be whether they manage to keep down prices to consumers — put simply — are they efficient enterprises?

He concludes that the cartel is efficient: "There are no imports because the local market effectively discounts any potential cheaper imports," says Leach.

He adds that cement is not protected from competition from other substitutes.

If this is true, members of the cartel have nothing to fear — except inconvenience — if the cartel is ended. Anglo-Alpha financial director Trevor Wagner says an end to the cartel wouldn't be catastrophic, though costs would be added to marketing, sales and distribution.

Pretorius says if the Competition Board decides to break up the cartel once it ends the legal exemption, it will have to guide the industry on how to restructure. "In practice we sit on many boards together and co-own distribution facilities. Changing this arrangement will take time."

FM 5/8/94 (193)

CEMENT CARTEL

Big needn't be bad

The cement industry should learn this month whether it will be allowed to continue as a cartel The Competition Board is expected to rule whether an exemption granted by the board in 1986, allowing the industry to operate as a legal cartel, is still appropriate.

Just what caused the board to re-evaluate its decision isn't certain A spokesman says simply that exemptions are reviewed periodically However, there is speculation that government is worried about the effect of high building costs on its Reconstruction & Development Programme.

A report of Free State University economics professors Frederick Fourie and Andrew Smith says· "There might be justification for claims that monopolistic conditions prevail in the building materials industry By raising prices and restricting supply, monopolistic constraints could limit the effectiveness of any reconstruction programme"

However, while the report accuses the industry of making huge profits, cement prices have kept to a constant 1%-2% lower than the CPI for the past five years Criticising Fourie's and Smith's evaluation, Wits University senior economics lecturer Dan Leach argues the special conditions that justified the board's exemption to the industry in 1986 still exist — high and fixed and capital costs and competitive forces. Leach's rebuttal was commissioned by the cement industry, but he has argued before that conglomerates or cartels shouldn't be prohibited simply because they are large The test, he stresses, should be whether they manage to keep down prices to consumers

The market is controlled by Pretoria Portland Cement, Anglo-Alpha, Blue Circle Cement and jointly-owned Natal Portland Cement Market share is enforced by Cement Distributors SA (CDSA), owned by the producers

Leach claims there is no necessary relationship between the concentration of industry and monopoly power. Vertical integration of the industry, he says, has come about because of economies. He challenges Fourie's and Smith's assertion that the cartel, through this integration, has managed to monopolise the country's commercially viable limestone deposits (cement's chief component), thus barring any newcomer to the market. He says Iscor is probably the most likely new entrant because it owns deposits of unexplored limestone.

Fourie and Smith assert that the "derived" nature of demand keeps the cement price inelastic and makes the supplier less vulnerable to buyer discipline. Leach dismisses this, asserting that cement is not protected from competition from substitutes

Smith and Fourie argue that peak profits in the industry were earned between 1979 and 1984 in an environment of declining productivity and rising labour costs — hardly conditions under which superior efficiency can account for higher profits But Leach points out that earlier in their report, they claim the building industry, nevertheless, enjoyed a boom period during this time ■

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SUGAR PRODUCTION

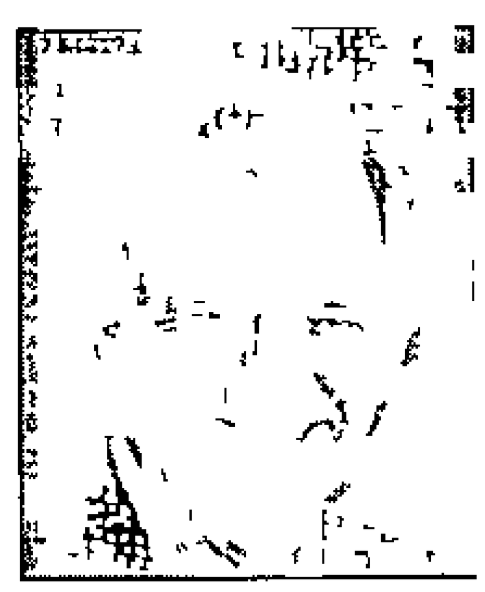
In need of go

Fm 5/8/94

Sugar producers, after a season in which production fell to a 25-year low, see signs for cautious optimism No-one predicts a major recovery but industry officials now expect better results

Last season's 1,2 Mt crop — well below normal — couldn't have come at a worse time The drought-hit crop occurred as international markets were opening up to the industry and the world price has shown more buoyancy and stability

Even so, says Sugar Association chairman Dick Ridgway, the industry has gone ahead with a top-to-bottom reorganisation and deregulation exercise which should enable it to be internationally competitive even under the latest Gatt rules



Ridgway

Ridgway says the combination of two years of drought, reorganisation and the need to adjust to the new political dispensation, made the 1993-1994 season the most difficult and complicated

Last season's drought caused production to drop to 1,2 Mt compared with a normal year which yields about 2,2 Mt

Over the past two seasons, adds Ridgway, production was more than 1,7 Mt down on the norm

This season, industry estimates suggest production will be limited to just under 1,7 Mt with good rains

Output blow

Ridgway says domestic demand has remained stable and the industry continues to meet international commitments Once again, though, diminished production has hurt potential export earnings, coming as international sugar prices hold above US12c/lb because of depletion of world stocks over the past two years

With Gatt looming, Ridgway says the sugar industry realises it must contain costs That is one reason why in April the sugar industry took its first steps towards deregulation

The most significant offered free access to the industry through phased abolition of the quota system Other measures, though agreed on, have still to be implemented

Ridgway says the changes give growers and millers greater freedom and responsibility for managing their own affairs and the ability to improve efficiencies and cut costs ■

Future of cement cartel in balance

Star 25/7/94

BY CLAIRE GEBHARDT

The cement cartel could soon come under review, says Trade & Industry Minister Trevor Manuel.

Manuel says in an interview in Engineering News that the three members of the cartel — Pretoria Portland Cement (PPC), Anglo Alpha and Blue Circle — are exempted from the provisions of the Maintenance and Promotion of Competition Act on the grounds that they benefit consumers.

"Some critics argue, however, that the producers appropriate most of the benefits of the lower costs.

"One study shows that cement price increases each year between 1972 and 1990 were one to three percent higher than increases in other building materials."

Manuel says a careful balance is required when considering the trade-off between regulation and full-blown market forces.

"On the other hand, the Reconstruction and Development Programme (RDP) also refers to the need to take firm action against collusive activities which undermine the drive to achieving a competitive industrial economy.

"If the criticism that the industry appropriates most of the benefits of lower costs is true, then this will be cause of great concern to us."

Manuel says the sanction of

Trevor Manuel . . . action against collusive activities.

the operation of a cartel in one sector creates an unfortunate precedent which encourages lobbying in others.

Historically, the cement cartel was implemented with the approval of the authorities some 20 years ago.

It was designed to improve efficiency and to ensure that customers would not be prejudiced because of their location in periods of shortage.

The cartel, which fixes prices and market share, had its collusive practices legitimised in mid-1988 by the Competition Board, which held that the cartel was in the public interest, as well as in the interest of producers.

Interviewed over the weekend, Competition Board chairman Pierre Brooks said a draft assessment of the current situation had been made, which would go to board members in two to three weeks' time.

"The crucial decision will be whether to continue with the exemption or to suggest its phasing out." (193)

In the latter case, various legal implications would have to be taken into account, he said.

"If the removal of the exemption is finally recommended, it will probably be necessary to phase it out."

Brooks said though there might be opposition from the cartel, circumstances warranted a major review.

The question of the profitability of the cartel in relation to other industries would be crucial.

"If it is found that even during the recession this industry made substantial returns on investment while everybody else suffered, it wouldn't look good."

Brooks said the exemption was given in a specific set of circumstances when the country was in an economic decline and faced world sanctions.

"In certain systems there is provision, on a temporary basis, for cartels where particular economic circumstances require that parties work together through a period of recession or depression.

"When that cycle changes, the situation is reviewed."

Brooks said the board had, in a number of cases, granted exemptions and then subsequently phased them out after consultation with the affected industries on a realistic timespan.

Specific examples were the baking, stone and coal industries, he said.

The weekly Charting the Markets feature by Metastock has been held over until tomorrow.

Cementing hopes for SA's growth

CT 11/1/94 (193)

Own Correspondent

JOHANNESBURG — A further indicator of the predicted economic upswing this year was evident in cement sales, which grew 14,7% during November 1993 over the same period in 1992, according to Cement Producers' Association figures

Analysts said SA Federation of Civil Engineering Contractors figures showed that important indicators such as tender activity and contracts awarded supported the view that the industry had turned

Cement Producers' Association executive producer Vincent Bray said the Building Federation of SA and the Federation of Civil Engineering Contractors had both predicted an improvement in building activity this year which would boost cement sales

He said the government's low-cost housing initiatives were expected to get off the ground this year This would aid the cement market

The Columbus stainless steel project was boosting sales and the Lesotho Highlands Water Scheme was starting to take up small volumes The R7,2bn Alusaf project should accelerate growth during 1994

Lacklustre sales during the first half of 1993 pulled down cumulative sales figures for the 11 months to November They were 0,08% lower than the same period in 1992, but prospects for this year were bullish

Producers' figures showed total sales for the 11 months amounted to 6,71-million tons against 6,72-million tons in the 1992 comparable period

Bray said sales for the first four months of 1993 were below those in 1992, but the deficit had been reduced considerably during the year as sales rose towards the end of 1993

The increase in November's sales was the second highest recorded last year, surpassed only by a 17,4% rise in August

The August figure, however, was largely due to a greater number of working days than July

Association members include the three-member cement-producing cartel of Pretoria Portland Cement, Blue Circle and Anglo Alpha The shares of both Pretoria Portland Cement and Anglo Alpha have moved up sharply over the past four months Blue Circle was delisted last year

Pretoria Portland Cement's share price hit a 12-month high at the beginning of this month, trading at 7 000c against a 12-month low of 3 750c in June 1993 It closed at 6 875c yesterday Anglo Alpha's share price closed at 6 950c yesterday, just below the 12-month high of 7 000c it reached last Friday and well up on the 12-month low of 3 100c last January

COMPANIES

Anglo Alpha raises sales by 16%

ROBYN CHALMERS

CEMENT and industrial minerals group Anglo Alpha overcame the poor construction climate to increase sales 16% to R877,7m (R756,9m) for the year to end December, albeit off a low base. 8/2/94

Group MD Johan Pretorius said productivity improvement plans introduced in 1992, which included organisational restructuring, helped boost operating profit by more than a third to R199,3m (R145,9m).

Borrowing costs slipped by a fifth to R24,2m against R30m during the 1992 financial year as a result of lower interest rates. This led to a 44% rise in pre-tax profit to R190,4m (R132,2m).

The tax bill almost doubled to R63,5m (R32,4m), which Pretorius attributed to higher profitability and an increase in the effective tax rate. 10/2/94

Preference dividend payments were substantially lower at R63 000 (R168 000) which resulted in post-tax profit before current cost adjustment up at R126,8m (R99,7m).

Current cost adjustment rose marginally to R50,1m (R47,6m) and left attributable profit up 47,3% to R76,7m (R52m).

This translated into earnings of 254,9c (173c) a share on a current cost basis, and 421,5c (331,3c) on a historical cost basis.

The group declared a 17,9% increase in the final dividend to 125c (106c), bringing the total dividend up to 175c (152c) a share.

Pretorius said it was important to bear in mind that although the percentage changes reflected a significant improvement, the results were off a low base. The group reported declining earnings between 1989 and 1992. (193)

"However, the group remains financially sound with cash available from operations reflecting a 42,4% increase to R205m (R144m), due mainly to the improved profitability and effective working capital management," said Pretorius.

Cement industry sales inspire new confidence

BIDay

ROBYN CHALMERS

CEMENT sales remained largely stagnant during 1993, signalling an improvement on the past four years in which sales fell steadily. 17/2/94

Figures from the SA Cement Producers Association showed that sales last year amounted to 7,17-million tons against 7,18-million tons during 1992. The sales figures were better than predicted

Market analysts were bullish about the industry, saying domestic sales would benefit considerably over the next few years as a result of the next government's focus on infrastructural development

The association's executive producer Vincent Bray said the provision of housing to millions of people would have a profound effect on cement sales

Government funds to be spent on roads, schools and other educational centres as well as electricity and telecommunications infrastructure would boost cement sales by an estimated R400m a year

Analysts said the downward spiral in cement sales over the past four years had largely been a result of the falling level of gross domestic fixed investment (GDFI) This had dropped from about 28% of GNP in the mid-1980s to its present level of about 16%

Lower levels of GDFI were evident in domestic sales, which dropped 2,3% in 1988 to 8,2-million tons (193)

Association figures showed the continued decline in sales. They fell 5% to 7,8-million tons during 1990, dropped sharply to 7,5-million tons in 1991 and declined 3,5% to 7,2-million tons in 1992.

Analysts said SA's three cement producers, Pretoria Portland Cement, Anglo Alpha and Blue Circle, reduced their output as a result and were operating at about 60% of their capacity last year

Bray said approximately 59% of available production capacity was used in 1992, differing slightly from 58% utilisation the previous year Actual capacity used in 1992, excluding mothballed kilns, represented 88% of available capacity, was unchanged from 1991

Anglo-Alpha hoists profits

Anglo-Alpha lifted taxed profit by 47,3 percent to R77 million, equivalent to earnings of 254,9c a share, in the year to December. Star

A final dividend of 125c raises the year's total to 175c — 15,1 percent up on the 1992 distribution 10/2/94

The 1,5 times dividend cover is lower than the group's target of 2, but the directors view it as justified "because of the expected high level of cash flow and low level of capex over the next five years"

As a result of productivity improvement plans introduced in 1992, the operating margin rose from 19,3 to 22,7 percent to reflect an operating profit of R199 million (R146 million) on sales which rose by 15,9 percent to R877 million (193)

"It is important to note, however," says MD Jan Pretorius, "that although the percentage increases reflect a significant improvement, the results are off a very low base"

The group reported declining earnings from 1989 to 1992, while sales volumes are still below 1989 levels

Minaco plans to expand after record orders

BDAY 2/9/92

MATTHEW CURTIN

(193)

MINACO Granite plans to increase its output of beneficiated stone for export markets in a R4m to R11m medium-term expansion programme, chairman Fred Coetzee says in his review for the year ended December 1991

Expansion in the past year and Minaco's record order for local and export beneficiated products "has placed the group in a position to achieve substantial growth in the next few years", he said

However, in view of constraints placed on the group by its expansion, "the directors have deemed it prudent to conserve cash resources and not to declare any dividends for the year," Coetzee said.

Minaco's long-term borrowings rose to R8,5m at December 31 1991, compared with R2,4m the year before Interest payments jumped to R2,1m in the year ended December 1991 from R670 000 in 1990, denting an 18% increase in operating income to R6,1m (R5,2m)

Minaco's drive for export orders took place against stiff competition which also gave substantial extended credit terms to overseas clients Minaco had to expand its export business because of uncertainty in local markets, although domestic business was at record levels

Coetzee said a "high level of activity" led to an increased debtors' book and higher stocks, which doubled to R9,1m from R4,5m By reducing creditors, Minaco improved its current ratio, with current liabilities more than three times covered by current assets

Minaco, which increased its stake in Prairie Granite in a R3,1m deal earlier this year, has closed its own quarries, and become dependent on selling and processing Prairie's production of Belfast Black and Ebony Black granite Coetzee said dividends received from Prairie, which was proving increasingly profitable, had been reinvested in the company

He said that in the year-ended December 1991, Minaco achieved satisfactory results in what was "a very difficult period" Earnings a share, calculated on an after-tax basis before abnormal items and after payment of preference dividends, fell to 16,3c from 17,2c a share

Shares in Minaco have not traded since November last year and were offered at 85c on the JSE yesterday

British Coal heads for further decline

LONDON — Britain's once powerful coal mining industry appears headed for another big round of job cuts and mine closures, marking another chapter in its long decline

BDM 21/9/92

The tally of miners at state-owned British Coal could fall to 10 000 or less from 41 000 as a result of a deal for coal supplies expected soon with the country's two main private electricity generators, industry sources say When it was nationalised in 1947 it had 718 000 miners on its payroll

Up to 80% of British Coal's coal sales now go to National Power and PowerGen but that figure is likely to be slashed under the new five-year agreements

The power companies, which want to buy cheaper imported coal, are expected to reduce their British Coal tonnage from the current 65-million to 40-million for the first two years and 30-million or less in the third and subsequent years

That means British Coal's 48 deep mines would fall to 12 or less within the next two years British Coal would also have to accept a 19% price cut to reflect cheaper world prices

None of the parties will comment on the talks But sources close to them say the pact will be a trade-off between the interests of the generators, the 12 regional electricity companies which distribute power, and the government

The government has been pushing hard for a deal to allow introduction of a Bill late this year to privatise British Coal It is not expected to reap big returns from the sale But the government, which has soaring borrowing requirements, also wants to sell its remaining 40% holdings in the generators Cheaper fuel for the generators would boost their profits along with the worth of the government's stakes, currently valued at £2bn — Sapa-Reuter

'Disastrous' year-end expected from Marlin

BDM 21/9/92. (193)

MATTHEW CURTIN

MARLIN Corporation, one of the world's leading producers of black granite, would turn in disastrous year-end results, analysts said at the weekend The company is expected to report a significant attributable loss in the year ended June 1992, later this month

Analysts said fierce competition in the international granite trade was taking its toll on all SA producers, but Marlin had been hit severely because of its weak balance sheet, exposure to black stone and production problems at some quarries

The company is currently trading at a huge discount to its net asset value

All granite shares have slumped in the past year, but the slump in Marlin stock has been particularly rapid The shares sank to a low of 15c early this month, but finished unchanged at 20c on the JSE on Friday That is 130c lower than they were a year ago, at 150c a piece, representing a loss in market confidence which has cut the company's market value to R9m from R70m in a year

At year-end 1991, Marlin's net asset value stood at 300c a share

Executive chairman Peter Gain declined to comment in detail ahead of the group's results, but said Marlin suffered "a tough year" and results would be "poor"

Gain said in September last year "There are reasons to expect that the current slow upturn in demand for granite blocks and products in world markets will gather momentum either within a few months or in early 1992" Marlin passed its 1990/1991 dividends, but Gain said payments would resume after demand reached "more normal levels", with an associated reduction in granite stocks

Finance director Ian MacMillan added at the weekend that there was pressure on Marlin's balance sheet and there had been difficulties at its quarries in the year

At the interim stage, Marlin reported a R1,3m attributable loss compared with a R7,7m profit the year before MacMillan said depressed markets, particularly affecting Marlin's UK-based subsidiary, and local production problems were to blame

Analysts said large amounts of black granite blocks on railway sidings in Belfast was evidence of the problem Marlin was having in moving its stock Stock rose to R28m at June 30 last year from R19m the year before

One analyst believed that while demand for black granite was sustained in general by demand for tombstones, consumption in the construction industry had fallen away as customers opted for cheaper stone He said any investor planning to buy granite shares should "exercise extreme caution"

Another said Marlin's poor level of disclosure, its overly optimistic market forecasts, and failure to meet predicted earnings targets had hit the company's rating

Batepro plans further growth

EDWARD WEST

PROJECT management and engineering group Bateman Project Holdings (Batepro) is expanding its extensive international operations, executive chairman John Herselman said BDM 21/9/92

Batepro is a leader in diamond, precious metals, coal and sugar handling technology and operates in Africa, Australia, Canada, Colombia, Europe, Israel, the US and UK

Herselman said the group recently formed an international development division

Bateman Engineering Pacific in Vancouver was established, and its Australian operations have been enhanced by an agreement with engineering group Kinhill

EXECUTIVE SUITE

Federated-Blaikie closing 14 branches

Finance Staff 30/9/93

Federated-Blaikie is to close 14 of its 56 FT Building Supplies branches and four joinery manufactruing operations. The closures will begin to take effect from September 25.

MD Dick Pratt says the decision has been taken with reluctance and deep regret, but has been forced upon the company by the depressed state of the building industry, particularly for housing.

He says customers likely to be affected by the closures will be serviced by the remaining FT branches — Wardkiss HomeCare centres and Federated-Blaikie's other distribution companies.

He says the trade unions representing the nearly 1 300 employees nationwide likely to be affected have been fully informed and all reasonable steps will be taken to help them find alternative employment.

29/9/93 STAR

Federated-Blaikie to close 14 branches

EDWARD WEST

BARLOW Rand subsidiary Federated-Blaikie yesterday announced it was to close 14 of its FT Building Supplies branches and four joinery manufacturing operations The company has 56 branches

The company said the closures, which were due to begin next Friday, had been forced on the group by the depressed state of the building industry, particularly in housing BDAM 22/9/92.

Federated-Blaikie MD Dick Pratt said "This decision has been taken with reluctance and deep regret" (193)

He said customers affected by the closures would be serviced by the remaining FT Building Supplies branches, Wardkiss HomeCare centres and Federated-Blaikie's other distribution companies

Most of the closures were on the East Rand and in the southeastern Transvaal

About 1 300 employees were likely to be affected and steps would be taken to find alternative employment, he said

Boumat equity figure dives 58%

BIDAY 30/10/92.

(193)

PETER GALLI

BUILDING materials supplier Boumat has been hit hard by deteriorating conditions in the building and construction industry, posting a 58% plunge in equity earnings to R3,26m in the six months to end-September from R7,7m in the comparable period last year

The dividend was waived as the level of earnings for fiscal 1993 was not expected to exceed 20c a share and the board felt any dividend declaration should be deferred to next June

Earnings fell to 10,5c a share (30c previously)

"Sales dropped by 1% to R609,2m (R615,1m), but in real terms this is closer to 13% chairman Sidney Borsook said

"The gross income margin dropped by less than a percent and operating expenses, including bad debt, rose by 6%," he said

"However, the combined effect reduced the operating margin by 2,3% to 2,1%"

Operating profit was more than halved to R12,82m (R27,01m), while lower interest bearing debt and lower rates saw interest paid fall 44,4% to R6,54m (R11,77m)

"Focused attention to asset management has reduced total assets from R425m at the end of March to R418m by the end of September, while total debt also fell by R10m during this period," he said

CEO Adam Klein said the group had taken active steps to rationalise its operations and had "flattened the organisation structure and lowered costs"

"We have also retained consultants to review our present strategic positioning and to assist management in developing our longer-term strategy in anticipation of the upturn," he said

Minaco still granite-solid

BIDAY 22/10/92

JONO WATERS

MINACO Granite's subsidiary and associated companies have secured valuable sales for the coming months, despite poor market conditions, says chairman William Robinson

Subsidiary Marble Lime had been awarded a R10m contract for Bank City, the contract for the new mosque in central Johannesburg and other contracts in Midrand, Illovo and Cape Town.

Robinson said Marble Lime's order book was "healthy" with over R35m in committed sales

However, Minaco was not insensitive to movements in the market and he was worried about price volatility.

(193)

Minaco's objective was to achieve more than 40% of its turnover in overseas sales compared to 1989's 5%. Orders from overseas customers have amounted to over R5m this year

Sowetan, 30/10/92 (193)

The U Build Total Homemaker Plan

A STRONG COMMITMENT TO THE COMMUNITY

The launch of the U Build Total Homemaker Plan represents a strong and meaningful commitment to the community, according to Cashbuild chief executive, Mr Gerald Haumant.

"We have identified a real market need and come up with a package that provides reassurance, support and advice to home builders or those improving the value of their homes through additions and renovations," he said.

"In addition, we are doing so at prices that are highly competitive, realistic and affordable."

The U Build concept in the stores in Jabulani and Soshanguve is aimed squarely at the home improver, the informal builder, and home self-help markets.

"I am confident that the community will find the plan an invaluable ally in their efforts to create improved housing," he said.

"In addition, I hope that the new Homemaker Plan stimulates new entrepreneurs and existing entrepreneurs to create new jobs and contribute to the desperate need for more housing in the community."

Cashbuild has an enviable record of employee empowerment in the business it operates, and is renowned for its leading edge management philosophies.

CUSTOMER DEDICATION

The manager of the U Build store in Jabulani, Mr Abel Motlhamme, told *Sowetan* that the Total Homemaker Plan had been born because customers needed a total programme to help them build their homes.

"They have been let down too many times, and they are put off by the complications and traps that lie in their way. It was obvious to us that they needed a trustworthy and professional support programme for their building and renovation needs.

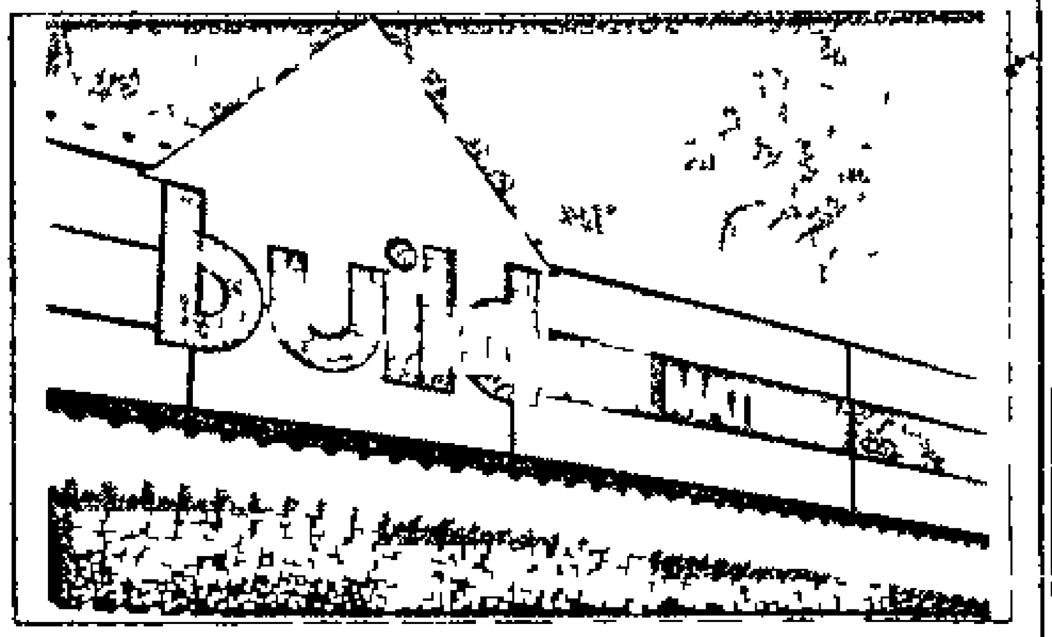
"From the top down, we at U Build Jabulani are committed to doing the best deals for our customers, providing the best materials at the best prices, and supporting our customers through the whole process.

"The Homemaker Plan starts with the belief that we don't only sell building materials. We sell a professional service that looks after our customer from the planning stage to the completion of the entire project, and in order to do that we guide them through the complications they will come up against.

"Our philosophy is that a sale is more than a sale. It is the beginning of a total building and renovating relationship."

He said that housing was probably the major problem to be solved in a new South Africa, and that its urgency did not allow time for mistakes.

"Our customers don't have the time to learn the hard way, and the U Build Total Homemaker Plan ensures that they don't have to. It provides professional backup in the crucial area of housing."



THE QUALITY OF SUBCONTRACTING

The best house plan in the world, built with the best materials, will be a long-term disaster if it is completed using subcontractors with inadequate skills and an incomplete commitment to quality building, according to Mr Bushy Moloi.

Mr Moloi is in charge of the U Build subcontracting unit, part of the U Build Total Homemaker Plan.

"It doesn't make sense for a customer to buy high quality materials from U Build, only for them to be used by unqualified subcontractors. The result will be a house that could develop leaks, cracks or any of a host of defects that will require expensive repair and maintenance.

"That is why we see the subcontracting service as an invaluable add-on service to the supply of building materials. We only endorse and use proven reliable and high quality subcontracting for work our customers want us to get done on their behalf, and we do so at highly competitive prices."

He said that U Build subcontractors covered the whole range of services needed in the building or renovation of a home, and they were chosen with a great deal of care.

READY MADE TRUSSES

The new U Build Total Homemaker Plan includes the only ready made roof truss manufacturing unit in Soweto.

Run by experienced draughtsman and truss manufacturer, Ben Dihutso, the unit uses sophisticated computer programmes to custom design roof trusses to suit customers' house plans.

The manufacture of the trusses takes place, and the completed trusses are delivered to any building site in Soweto.

Up to now truss manufacture has only been available in surrounding areas.

"We work to the uncompromising standards of quality and workmanship demanded by any division in the Cashbuild group," said Mr Dihutso.

A NEW HOMEMAKER SERVICE

Shoddy building, unreliability rip-offs and plain developer fraud have been characteristics of parts of the home building and home improvement sector in Soweto. Because of this many prospective home builders and people wanting to upgrade their homes have become suspicious of suppliers.

In addition, many people simply do not have the know-how in the intricacies of having plans drawn and passed, arranging finance for their homes and supervising the building operation to protect themselves from poor materials and workmanship.

Realising this Cashbuild subsidiary, U Build, has put together a comprehensive package known as the U Build Total Homemaker Plan.

"The plan provides homemakers with a complete range of services that cover every aspect of building or renovating Sowetans with reassurance that they will get what they pay for," said U Build general manager Mac Leaf.

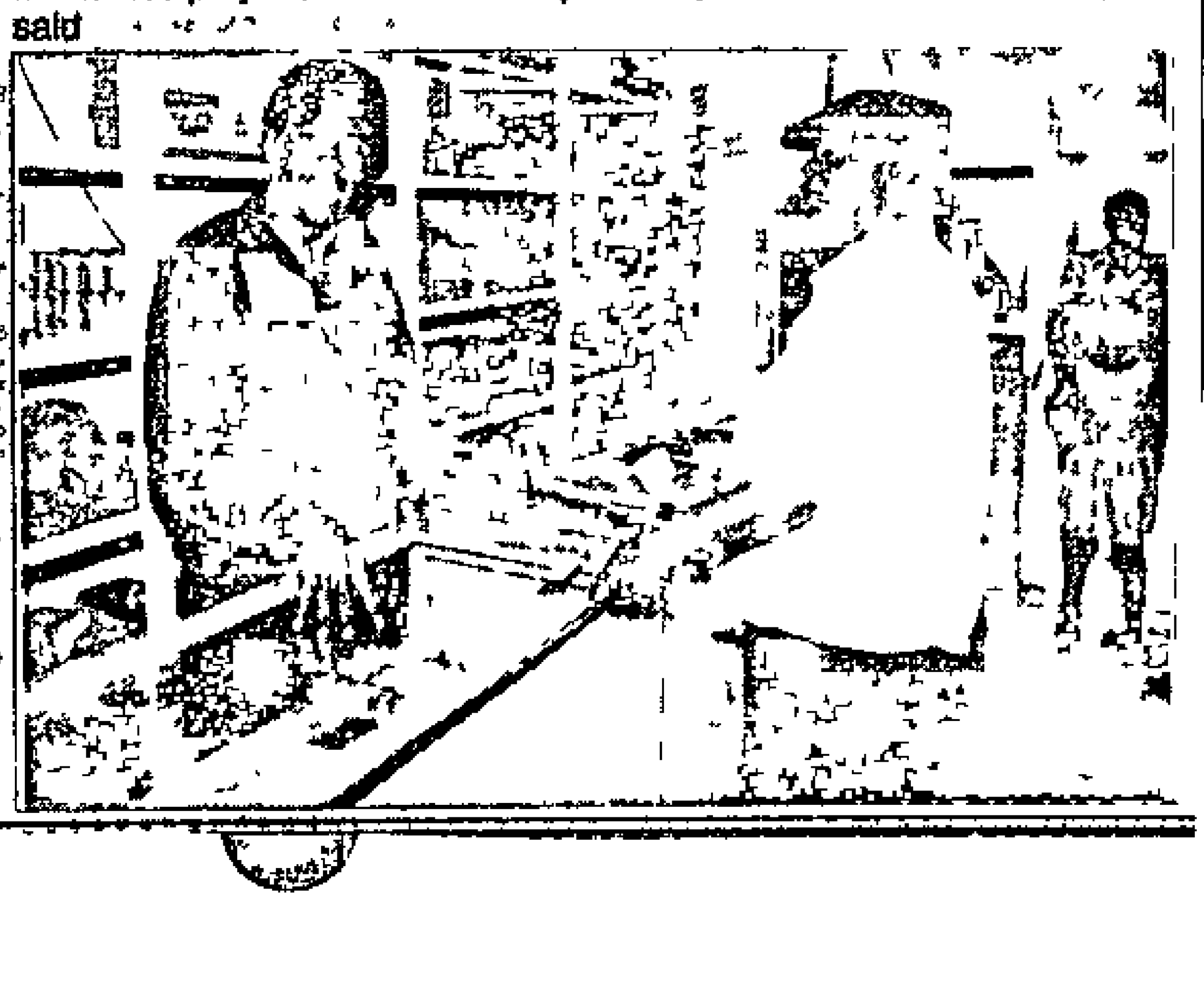
"The package starts with the design and drawing of plans and as a start, we have over 200 new house plans a homemaker can choose from. We also provide low-cost home options, and options that enable home owners to improve their homes by adding rooms, paving and many other improvement applications.

"We are able to identify, list and supply all the materials that will be required, as well as help prospective homemakers to arrange the finance they will need.

"But the plan doesn't stop there. Once approval of plans and financing has been achieved, we are able to use subcontractors (who have been approved for quality and reliability by us) in the completion of the project, including jobs like the building of roof trusses."

He said that the new concept, recently launched at U Build in Jabulani and Soshanguve, fulfilled a vital consumer need in the townships and meant that prospective builders or home improvers no longer needed to feel unsure of themselves when thinking about building or renovating their homes.

"All they have to do is go to U Build at Jabulani or Soshanguve and speak to one of our homemaker advisers and we will then guide them through the whole project. Whatever the problem, we will have a solution," he said.



Kelgran 'is well placed to improve'

MATTHEW CURTIN

A SHARPLY lower tax bill and stringent cost control, involving production cutbacks, limited the fall in interim earnings at granite producer Kelgran to 8% in spite of the slump in the granite business

However, the company passed its interim dividend in a bid to conserve its cash resources

193

BDAY

Kelgran, the Keeley group's operating company, reported earnings of 11,5c a share in the six months ended August, compared with 12,5c in 1991

Director Rob Brown said the group was "extremely well placed" to take advantage of any improvement in the granite trade, as it had "comfortable" stock levels and could raise output quickly to meet any sudden increase in demand

Intensive prospecting had led to the production of two new granites, which had been received favourably by the market so far

Chairman Fred Keeley said "It is essential to note that it has been a long-standing policy to write off quarry development costs against income as and when incurred" Rival producers Marlin and Kudu reported bottomline losses earlier this year after extraordinary write-offs of such costs

16/10/92

Kelgran's turnover fell 5,5% to R93m from R98m

Brown said the international granite trade had contracted in 1992, a victim of the depressed building and construction industries in the developed world

SA producers had been hit particularly badly Their customers in countries which processed raw stone, of which Italy was the most important, were taking lower volumes

Brown said that "strict cost control throughout the group" had enabled Kelgran to increase its pre-tax profit by more than 9% to R7,9m (R7,3m), equating to an improved pre-tax operating profit margin of 8,3% (7,4%)

Kelgran's bottom line was boosted by an adjustment in its tax provision to R292 000 from R1,2m, reducing the fall in after-tax profit to 3% at R8,2m (R8,5m) Attributable earnings fell 8,3% to R8m from R8,8m

Brown said the group found it hard to account for the collapse in Kelgran and Keeley share prices in the past year Kelgran closed unchanged at 65c yesterday, but the stock has fallen nearly 40% in the past month, and stood at 510c a year ago Keeley rose 5c off its low to 70c, compared with its 1991 high of 525c

OK shares' downward spiral hits 14-year low

B/DAY 12/10/92

MARCIA KLEIN

OK BAZAARS' shares tumbled to a 14-year low last week, closing untraded on Friday at 600c

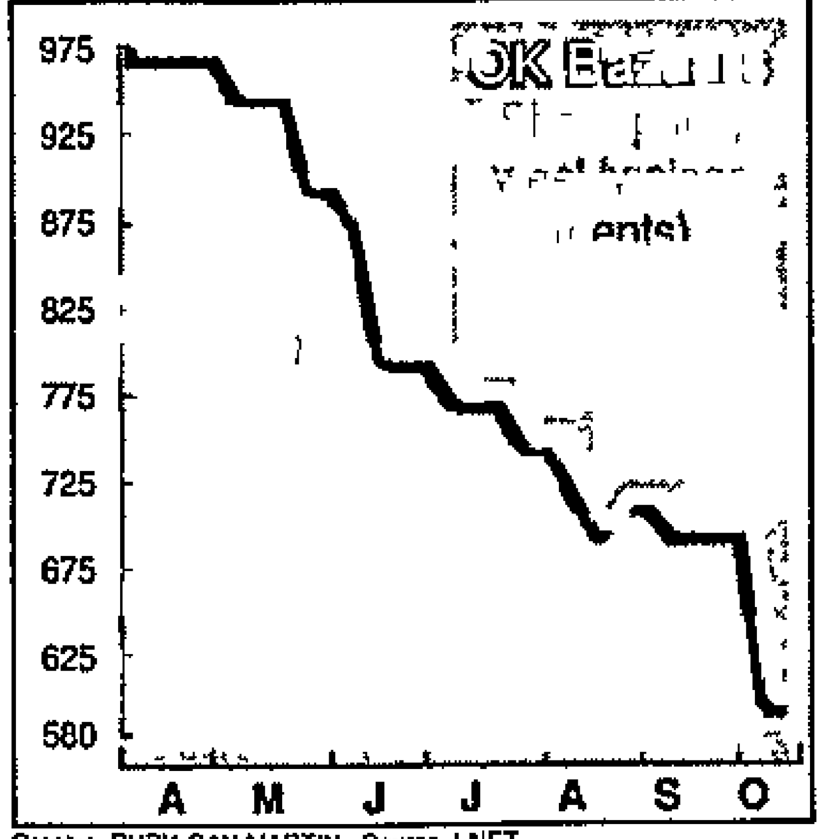
Market sources said at the weekend that the company would show a loss of nearly R35m for the full year to end-March

The OK, which will report its September interim results at the beginning of November, last traded at 600c in 1978, falling from R21 in 1969 The share rose to R27 in 1983, and was trading at almost R20 at the beginning of 1990, when it began its most recent downward spiral

In the past financial year OK reported a 37% decline in attributable earnings to R9,4m from turnover of R5bn Operating income of R43,2m was eroded by a R46,8m interest bill, but a R13,5m tax write-back saved earnings at the bottom line

Interest cover was reduced to 0,9 times, and gearing rose to 111% from 72% Operating margins were just 0,9%, against the previous year's 1,4%

Earnings of 75,3c a share and dividends of 37c were the lowest in at least a decade In 1982 the group earned 306,9c a share and paid dividends of 142c a share



Graphic RUBY GAY MARTIN Source I NET

Analysts said they expected a substantial loss for the full year as earnings had been dropping since 1989, and there were no signs of any upturn in consumer spending, which was critical to the OK's success

In his 1992 annual review, CE Gordon Hood made no forecasts for the year ahead He said closures of small, obsolete branches and their replacement by strategically placed, dominant stores and Hyperamas placed the group well for an improvement in the economy, "which must surely eventually materialise"

But analysts said this improvement had not happened in the six months to end-September, and was unlikely to happen by end-March

Mass action had affected black consumer spending in particular, and the OK had a huge black market exposure

The OK, which is 69%-held by SA Breweries (SAB), contributed nearly 28% of SAB's turnover to end-March but made a minimal 1,1% contribution to attributable earnings An analyst said the OK was "a big operation with big sales, but it generated no income for the group"

The split into Hyperamas and OK stores had helped to some extent, but analysts believed this split could have helped Hyperama at the expense of the OK stores

Although Hyperamas were trading profitably, analysts said many of the OK stores were "trying to be all things to all people", and were carrying too many different lines. The only area where the OK was saving on costs was in advertising

Cullinan winning battle to balance brick supply

B/DAY 12/10/92 (193)

PETER GALLI

DEMAND for bricks was unlikely to increase before next year, and could still drop further by then, Cullinan Holdings group executive director Rod Stewart said at the weekend

In spite of this, Cullinan Brick had nearly succeeded in its battle to match supply with demand, and its R35m brick factory had almost overcome its teething problems of the past two years It was producing well, he said

"This has taken longer than we originally expected but is not unusual for the commissioning of a plant

"Initially we experienced problems with the mechanical handling equipment," he said

Yield

Another problem was that as production capacity was increased, the quality of bricks produced deteriorated, resulting in major adjustments to kiln equipment

The tunnel kiln was producing at 75% of capacity, and in August and September the yield of high-quality product was at required levels, he said

The original budget for the tunnel kiln was R35m, but the capitalisation of some finance charges and commissioning costs had added another R5m to this "About R2m was spent on upgrading the clay preparation facility, and we expect to spend more on this in the medium term Our stockpile is less than 25-million bricks, and stocks will have to be substantially reduced before production is increased"

National sales manager Schalk van Wyk said that in spite of the 40% drop in demand for bricks from the residential market and the 60% fall in demand from the commercial and industrial markets during the past three years, face bricks remained popular

"The trend has been away from the glass-and-aluminium structure craze three years ago towards low-maintenance face brick While this is initially more expensive, its maintenance-free quality offsets the initial expense within 10 years"

A strength of the company was that it was able to produce a full range of colour products at its Midrand factory Most of its clay deposits were on site It had opened offices in Natal and Bloemfontein

In its drive to improve profitability and deal with market conditions, the Cullinan Group had reduced staff levels by about 50% to 3 000 in the past three years, Stewart said

The brick division now had a total staff complement of 285, from 760 three years ago This would be trimmed to 265 under its phased retrenchment programme

Audiodek posts R844 000 loss

DUMA GQUBULE (191)

AUDIO importer and distributor Audiodek suffered a loss of R844 000 in the half-year to end-June B/DAY 12/10/92.

MD and chairman Monty Tolkin said trading conditions had been the most difficult since the company was listed in 1987.

Although the group maintained market share, turnover and margins had been under constant pressure. Turnover declined 9% to R24,6m (R27,2m) A squeeze on margins resulted in an operating loss of R411 000 compared with a profit of R1,2m in the same period last year. Interest payments absorbed R478 000 The attributable loss came to R844 000, or 4,25c a share Last year interim earnings came to 1,67c a share

Tolkin said the group had returned to profitability in the three months since June Barring any further deterioration in the economy, he expected the interim losses to be wiped out by the end of the year. On the balance sheet, long- and short-term debt was reduced to R5,3m from R8m.

The company's shares have fallen 10% or 2c to 18c in the past month Audiodek is trading at a discount of more than 50% to its net asset value of 40,4c a share. The company's market capitalisation has fallen to R4m.

BUSI

Marlin in red as granite market sags

(193)

STAR 7/10/92

By Sven Lünsche

Granite producer Marlin has announced a rigorous cost-cutting programme to reduce costs and the scale of its operation after reporting a 11,5c a share loss in the year to-end June

The loss represents a 34c decline from the previous year's profit of 22,8c and has forced it to pass its dividends

The group operated in an extremely depressed granite market, leading to a drop in turnover from R120,7 million to R90 million and a fall in operating profits to R2,5 million (R17,1 million).

Quarry costs were seriously affected by production problems at Marlin's Belfast quarry

The directors say these problems were overcome in July this year, but they have set aside R17,3 million as an extraordinary item comprising mainly the write-off of quarry development costs in the past few years

Taking into account the current uncertain economic climate, the group is reducing the scale of quarry operations to match demand

Marlin plans drastic restructuring in bid to regain profitability

MATTHEW CURTIN (193)

GRANITE producer Marlin tumbled into the red in the year ended June 1992, reporting an attributable loss of R5,4m before write-offs worth R17m. Marlin turned in attributable profit of R11m in 1991

The group did not declare a second interim dividend — its year-end has changed from June to December in 1992 — after passing its first in June.

However, Marlin has undertaken a drastic restructuring programme, slashing staff and production by at least 30% to enable it to weather the depressed conditions in the granite business. BDay 7/10/92

Chairman Peter Gain said yesterday that, in a significant change in strategy, Marlin was now "living from hand to mouth".

In the past, Marlin sought to benefit from economies of scale, running its quarries at full production and building up large stocks in expectation of a turnaround in market conditions Marlin took that course in the run-up to the Gulf War, but a post-war recovery in the granite trade never arrived

Marlin's turnover fell 25% to R90m from 121m, reflecting a drop in sales. The recession in the UK construction industry hit its British subsidiary, whose order book was almost empty MD Graham Treagus said prices for Rustenburg Grey stone were "unnecessarily low", with the market for black granite hit by large amounts of cheap Zimbabwean material.

Consolidated operating profit after tax crumpled to R2,5m (R17m). Gain said quarry costs were hit by production problems associated with faulting at Marlin's main Belfast quarry but the difficulties had been overcome by July when costs began to fall

Net finance charges nearly doubled to R5,6m from R2,9m, and Marlin reported a loss of R3,1m (R14m profit) after tax and finance charges The group's attributable loss was equivalent to 11,57c a share, compared with earnings of 22,8c a share in 1991.

Gain said subsidiaries Barracuda Granite and stone processor Marble Pentelic were also operating in line with demand The group had decided to write off all quarry development costs and a provision for the reduction in value of the Marlin Staff Share Trust because of the collapse in Marlin's share price.

Easy, cheap to transport to the site

S/Times (Buss) 4/10/92.

(193)

EFFICIENT distribution and service are two important issues in Harvey Roofing Products' national network.

Marketing manager Eddie Arendse says that moving products in a cost-effective way and having them professionally installed are the consumer's key concerns

"Harveytile sells particularly well in rural areas because it is cost effective to transport Its lightweight construction means more can be carried for a single amount of money"

Mr Arendse says "For example, on a flat-bed truck, for every single conventional roof that can be loaded, about six Harveytile roofs can be packed

"Compact design makes Harveytiles easy to store

"Over distance, economy of scale comes into play — the farther the product has to be transported, the more cost effective it becomes when measured against the cost of carrying other forms of roofing.

"Harveytile is sold mainly by distributors throughout the country because of the ease and reduced costs of transport The main thrust of sales is in the Transvaal, Botswana, the Free State, Swaziland and Lesotho

"Once the product is on site, it is important to have reliable contractors who have a proven record to install it. For this reason we devised the licensed Harveytile roofing contractors (LHRC) scheme

"A national network of about 60 LHRCs is in place as a safeguard for consumers These contractors are trained to install Harveytile to the highest professional standards.

EDDIE ARENDSE Compact

"In 1981, the home-improvement market took off — people had money and interest rates were low This boom attracted many fly-by-night contractors and a great number of consumers were taken for a ride," says Mr Arendse

"In 1984, South Africa went into a recession which continued through to 1986 and the home-improvement market slowed

"At that point we devised the LHRC scheme

"In the early 1980s re-roofing constituted about 40% of Harveytile's market, but now makes up about 25%. The rest is dedicated to new projects

"Traditionally, roofing is not a high priority in home improvements This market has been affected by the loss of investment confidence for social, economic and political reasons

"However, people do realise that their homes are and are always likely to be their biggest single investment There is no better way to improve on this investment than to replace the highly visible and vital component — the roof

"Often people make the mistake of not worrying about the roof until something goes wrong"

Strong brand image the aim

A STRONG marketing strategy is in place at Harvey Roofing Products and the company regularly undertakes extensive advertising campaigns to attract and maintain market share as well as strengthen brand awareness

Eddie Arendse says "In the last five years we have been brand building our products to users — creating awareness of our range of roofing products

"Traditionally, South Africans are house-proud, but they tend to disregard the roof until problems occur

"The vehicles we've used to create this product awareness include television, radio, newspapers as well as trade and consumer journals

"We advertise in areas we are able to serve and to those where we see a need for our products exist

ST Times (BUSS)

Colourful

"Because Harveytile is versatile, we are able to sell the same product to different markets, stressing the unique features applicable to each.

"In the urban market, the focus is on aesthetics and waterproofing In rural areas, the emphasis is on durability and maintenance-free aspects.

4/10/92.

"Our three primary goals are brand building, reaching the vast black market and the promotion of licensed Harveytile roofing contractors In addition to Harveytile, which makes up about 90% of our sales, we promote and market additional roofing products in some exciting new markets

193

"An aluminium Coastal Tile developed for use in areas with excessive corrosion rates can be used in new roofs or, like Harveytile, be placed over corrugated iron or asbestos cement sheeting

"Tuffspan, a coated S-rib sheeting, is ideal for use in mass-housing developments, high on the list of South Africa's priorities

"It is a colourful roofing alternative for affordable housing developments and has also proved acceptable to specifiers looking to capture the traditional appearance of corrugated steel in commercial developments and domestic dwellings

Quest for export markets

S/Times (Bus) 4/10/92 [redacted] (193)

INTERNATIONAL trade doors have opened for South African companies in the past few months and Harvey Roofing Products is promoting exports.

According to the company's export manager, Louis Ferreira, now that sanctions have been lifted, many opportunities have presented themselves and the growth potential of the export market is exciting.

"For the high-quality management of the manufacturing process, we have been awarded the SABS 0157 mark of approval which in export terminology is called the ISO 9002 — the worldwide quality standard."

Mr Ferreira says: "We export to countries around the world under the brand name Tufftile

"We're sending products to the UK where there is a large industrialised building systems market Houses are built in factories and loaded on trucks for delivery

"This industry lends itself to a lightweight product and Tufftile is an ideal solution.

"The home renovation market, particularly council houses and flat complexes, is an attractive market for our products.

"Elsewhere in Europe, in countries like France, Belgium and Germany, there are many old houses and again the home improvement market has considerable potential

"We receive many orders from these areas

"Israel is a country where there is an influx of people and many houses are being built. In settlement areas there are many Harveytile roofs

"Our division negotiates daily with new markets and inquiries are coming from Greece, Poland and countries in South America.

"We are exporting to the Ivory Coast, Malawi, Burundi and Zambia. In the Indian Ocean islands, our products go to Mauritius, the Seychelles, the Comoros and Reunion

"We're looking at new regions to improve company performance in the export market"

Tiles to cover the populace

S/Times (Buss) 4/10/92. (193)

HARVEYTILE has become as South African as sunny skies in the past 25 years To mark its 25th anniversary in SA and its steady rise to a business worth more than R50-million a year, GREG GORDON looks at this operating arm of Abertech Industries, in turn a fully-owned subsidiary of Standard Engineering

A QUARTER of a century after beginning operations in South Africa, Harvey Roofing Products is a company that has positioned itself as a leading manufacturer and distributor

Managing director Ted Jarvis says Harveytile sales account for about 90% of products sold

Offices

They have been installed in more than 250 000 residential, commercial and industrial sites in SA

Mr Jarvis says "The light, steel-based Harveytile, was developed in New Zealand in the early 1950s by manufacturer LJ Fisher & Co

"The new roofing system was found to resist weathering Once the name was firmly established, market horizons for the product broadened

"In South Africa, Brickor negotiated a licence for manufacture By 1967, the first Harveytile plant was operational at Elandsfontein

"In 1972, Abercom Investments acquired the entire share capital of Brickor Group, including the Harveytile operation

"By 1973, Harveytile had been set up as an independent company in the group operating out of offices and a factory in Boksburg

"Until then, the tiles were manufactured to the formula imported from New Zealand But South Africa's high level of ultra-violet radiation and the severity of hailstorms meant that the formula had to be modified

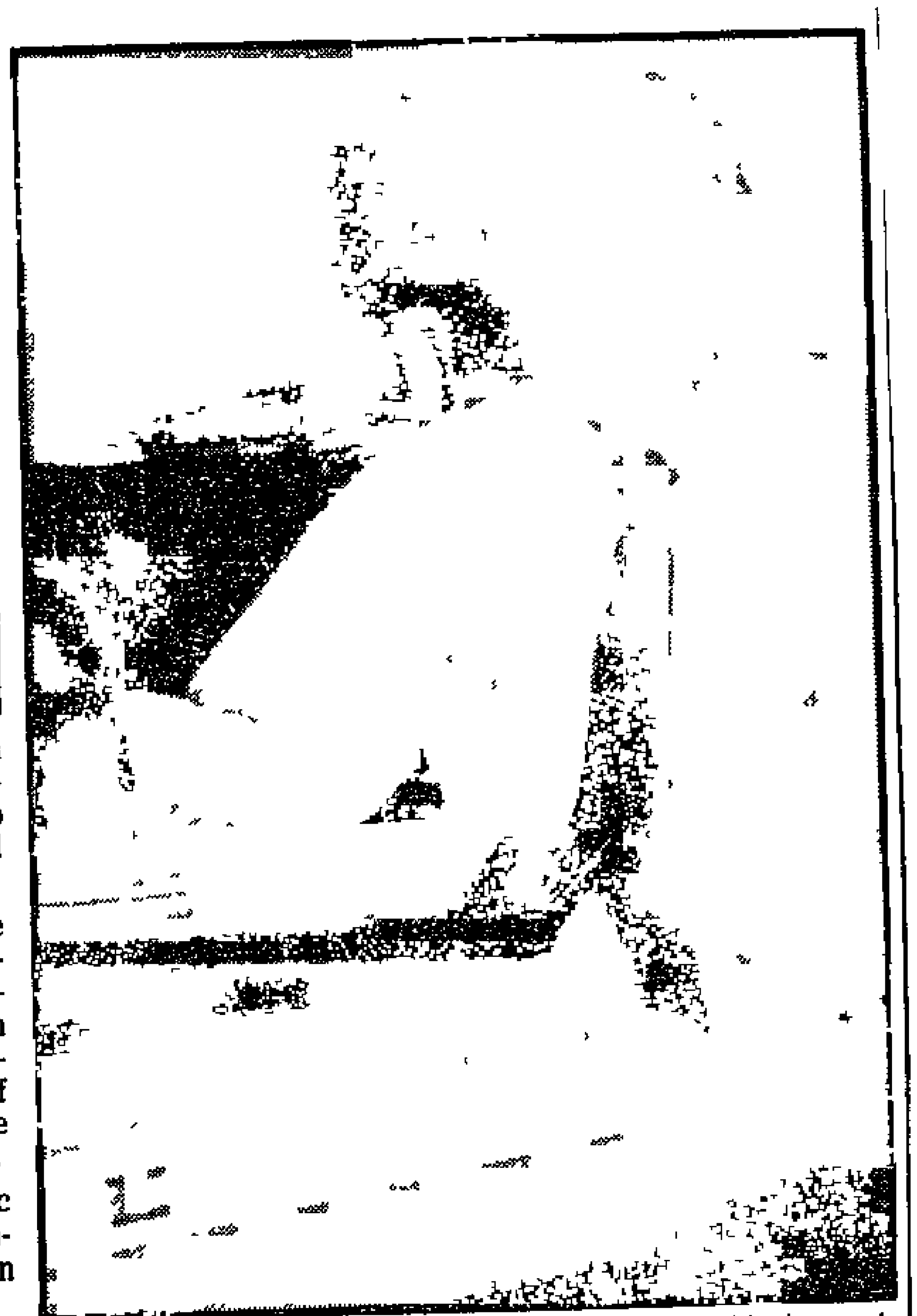
"We introduced an acrylic tile coating, developed in-house The formulation proved remarkable

"In the restructure of Abercom in 1982, Harveytile became an operating unit of Abertech Industries and moved to its present multi-million-rand factory and headquarters in Brakpan."

In 1986, because of the expansion of the product range in commercial and residential applications, the company's name was changed to Harvey Roofing Products

Mr Jarvis says "Harvey Roofing Products became a subsidiary of the listed Standard Engineering Group last year

"We develop and manufacture products designed for specific applications in the building industry, the main focus being on the supply of roofing materials for housing."



MANAGING DIRECTOR TED JARVIS The market potenial looks great

Demand for bricks dives (193)

PETER GALLI

A BATTERED building industry yesterday reported that demand for bricks had dropped by 50% over the past three years as activity in the residential sector deteriorated further

Corobrik executive chairman Errol Rutherford said there was little chance of any improvement before 1994, while the latest Stellenbosch-based Bureau for Economic Research (BER) report on the building sector released yesterday said the industry remained in the doldrums

The BER said contractors had found conditions in both the residential and non-residential sector had deteriorated further in the third quarter, but this was more noticeable in the residential sector and conditions here were expected to worsen

"However, while the value of work in the residential sector is lower, this decline is expected to slow down in the fourth quarter and a levelling off in the deterioration in the non-residential sector is also expected," it said

Business conditions remained unsatisfactory and, except for the quantity surveying profession, all sectors had a worse third quarter than second quarter Conditions were expected to remain unsatisfactory in the next quarter, it said

However, the rate of dissatisfaction had dropped from the same quarter last year but did not imply the recession had bottomed out, the BER said

Rutherford said Corobrik was "tightly managing" its stockpile at about 300-million bricks and 20 of its 25 clay brick factories were producing, though at 50% capacity

Clay Brick Association executive director Brian Moorehead would not disclose the industry's stockpile figure, saying the association was revising its statistics and

□ To Page 2

BDAY 1/10/92

Bricks

□ From Page 1

the way in which these were compiled.

The stockpile stood at about 439-million bricks a year ago and a source close to the industry said this had probably risen to about 500-million as activity slumped

The rate of increase in building material prices had peaked in the second quarter of 1989 at 20,3% and had progressively declined to 3,5% in the second quarter of 1992, the report said

Rutherford said Corobrik was actively trying to restrict price increases and had not announced its usual price hike this month. "When revenues are not increasing, inflation and its underlying causes, price increases, have to be fought on every front

"In a battered and beleaguered housing industry there is a real danger that traditional building materials suppliers will price themselves out of the market unless we all get costs under control"

Concrete benefits from Tricrete

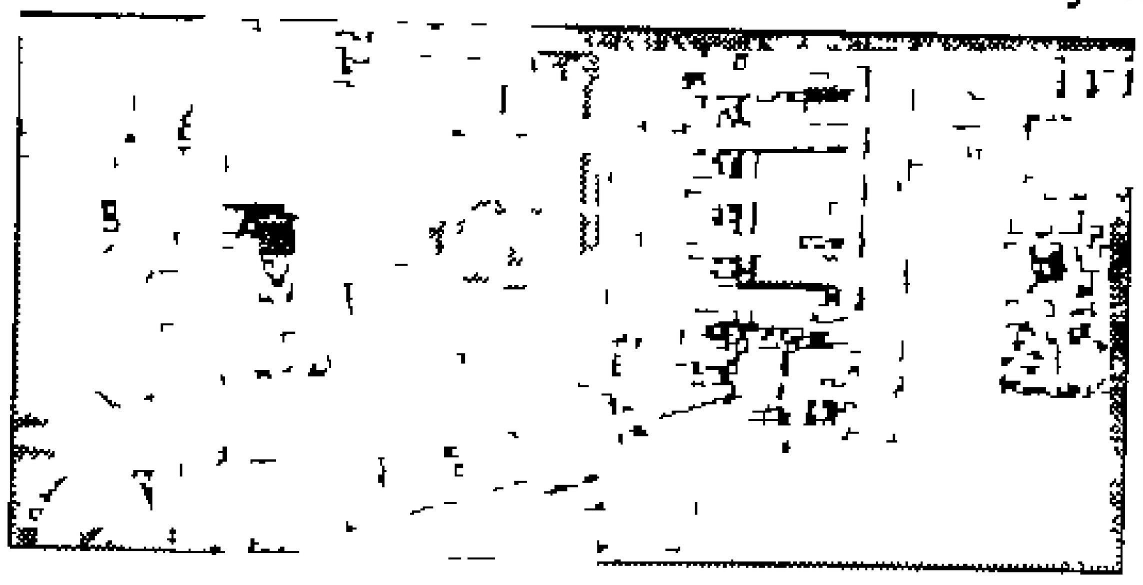
A totally revolutionary product, under wraps at the moment, will be launched soon by Tricrete. STAR 29/9/92 193

New from Tricrete is a range of Rockface masonry bricks which offers an up-market product at economy prices

The new range, now available in the PWV, is the first of a new generation of products from this long established company

Indeed, in response to perceived market needs, the company will also launch shortly a product which promises to be totally revolutionary in terms of price advantages and construction techniques

More information will be released in due course says GM Willem Breitenbach For the moment, the new Rockface range alone is bound to set the proverbial cat among the pigeons by offering a product in every way comparable with the competition but which has considerable price advantages



Tricrete

"In the current market, when tenders are won on price, the new range gives the contractor a definite advantage," says Mr Breitenbach

The range is available in six pleasing basic colours and is manufactured to extremely high specifications to the extent that Tricrete plans to apply for the SABS mark

We want to stress that quality wise, these are superb masonry bricks It is through greater efficiencies and manufacturing techniques that we have been able to bring them to the market place at a surprisingly competitive price, which we believe will make the construction industry sit up and take notice " The excellent pricing of the Rockface range is due in part to the fact it required no additional capital expenditure to produce and has, rather, been brought out by the sensible adaptation of the existing plant

Mr Breitenbach says "We examined the market thoroughly and decided there was a distinct market niche for this particular type of quality rockface brick Clearly, however, we did not wish to merely introduce another range which had nothing specific or different to offer

"What we have therefore come up with is a range with an extremely pleasing flecked finish in a choice of colours that meets modern needs in masonry in terms of aesthetics, intrinsic load bearing, weathering, acoustic, compressive strengths and other qualities

"We believe we have sufficiently differentiated the product from the run-of-the-mill to warrant expectations of a major impact upon the release of the range to the market place " Its application is literally across the board, he says

Moreover, the new range is an enhancement of the existing product range from Tricrete and it in no way affects the rest of the company's products

This includes

- Conventional stock bricks for housing
- The larger, more economical, cost-effective products for low-cost housing
- The existing range of face bricks
- A range of floor blocks which fills the gap left by other manufacturers and for which substantial orders have been achieved recently
- A facing unit for low-cost housing and factories (The Big Max Double Diamond) which is a cost-efficient product requiring no plastering or painting
- A range of walling products for low-cost housing and lightweight internal walling in multistorey applications

Tricrete as such has a history extending longer than 20 years during which time it has built up an enviable reputation for quality, reliability and service

The company has four strategically located factories – its headquarters factory in Sasolburg where stock, floor blocks and walling blocks are manufactured, Vanderbijlpark where face bricks and paving blocks are produced, Meyerton which produces stocks and the Big Max line, and finally Brakpan which supplies stock brick products and floor blocks

Interestingly, Tricrete has always been something of a pace setter and innovator in the industry

Nor has the company neglected quality in favour of innovation Its head office factory in Sasolburg for example has achieved SABS ISO9002 status and the factory's stock products bear the SABS mark

The company is also a guarantor member of the Concrete Masonry Association, a fact which provided the market place with a clear indication of its status in the industry

Service has always been a watchword at Tricrete and its plants are locally manufactured, thus ensuring quick back-up, which, in turn, means continuity of supply

Capacity wise the company has the ability to produce about 16 million bricks a month, making Tricrete a significant player in the context of the PWV's construction industry

For further information on the exciting new Rockface range or Tricrete floor blocks contact Trevor Roberts at (016) 670800 Pikkie Van Niekerk will help you with your stock and paving products and he can be contacted at (016) 760740

Kudu's shareholders waiting to see benefits

Bday 25/9/92 (193)

MATTHEW CURTIN

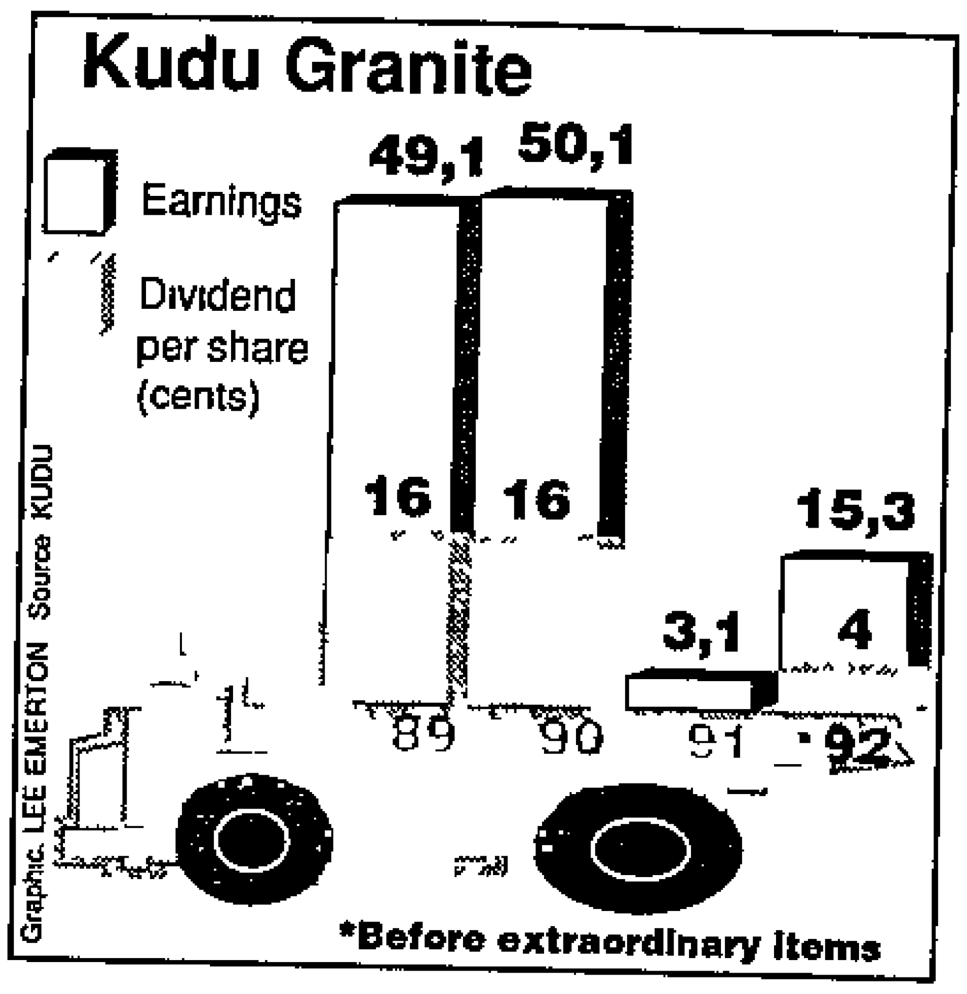
KUDU Granite pulled through another rocky year in the dimension stone trade in the year ended June 1992, but shareholders are yet to receive the benefits of the group's considerably improved operating results

Earnings before extraordinary items jumped five times to 15,3c from 3,2c a share, but Kudu decided to write off development costs incurred in recent years at a cost of R9,9m That left the group with a bottom-line loss equivalent of 15,9c a share after the write-off

MD Piet du Toit said Kudu, which merged with unlisted granite producer Impala earlier this year, had passed its final dividend, after a 4c interim payout, to place the group in a stronger cash position in the year ahead

Turnover rose 55% to R61m from R39m Du Toit said the increase reflected Impala's contribution to Kudu's performance in the June quarter, and higher sales volumes Prices had been static, he said

Operating income rose 138% to R8,2m from R3,4m, of which Impala's quarries made an important but small contribution Kudu's operating margin improve to 13% from 9% in 1991



Financing costs rose 36% to R4,6m from R3,4m in the previous year when finance charges cut the group's pre-tax profit to only R46 000 In 1992, pre-tax income rose to R3,6m After-tax profit stood at R3,7m (R651 000)

Blue Circle presents last results before delisting

193

6 1949 24/9/92.

EDWARD WEST

BLUE Circle's engineering division had budgeted for improved profits this year and progress was being made to improve the efficiency of its cement operations, chairman Andre van der Colf said

Blue Circle, which was acquired by Murray & Roberts (M & R) this year, is to suspend its shares tomorrow ahead of its delisting on October 30, 1992

The group was first listed in 1947

Newly appointed chairman and M & R director Van der Colf said in his 1992 annual review that rationalisation of underutilised capacity and staff reductions were neccesary in the year to end-June 1992 to combat lower demand

Van der Colf said trading conditions deteriorated for the engineering division, which resulted in some harsh actions to protect future profitability, but the division's performance was expected to improve

Good progress was being made on several capital expenditure projects in the cement division.

He said the group expected volumes to stabilise in the current year with earnings slightly lower than the previous period

Longer-term prospects were better and reduced cost structures and underutilised capacity would ensure immediate benefits from a stronger demand for construction materials

PPC pushes up profit on low sales

(193)

CT 5/11/92

Own Correspondent

JOHANNESBURG — Pretoria Portland Cement (PPC) marginally increased profit in the year ended September 1992 in spite of a 6% drop in its sales volumes of cement and lime, today's published results show

Turnover was 10% higher at R899m (1991 R818,6m), attributable mainly to good results from cement distribution operations, which upped their contribution to sales by nearly half to R147,6m (R100,5m), said financial director Chris Wrogemann

However, the effect of pressure on margins in the lime and packaging divisions and generally lower volumes resulted in operating profit increasing only 6% to R195,9m (R185m) Pretax profit was 5% higher at R207,3m (R196,6m), but a higher effective tax rate reduced the rise in taxed profit to 1% at R119m (R118,2m) Wrogeman said lower mining asset spending resulted in reduced capital tax allowances

Earnings increased 1% to 287c a share (284,8c) — a decline in real terms However, the year's dividend was lifted 13,4% to 195c (172c) resulting in dividend cover dropping to 1,5 from 1,6 times

Wrogeman said the cement division — which contributed 61% of operating profit — benefited from productivity improvements Although turnover was only 5% up at R505,9m (R483,1m), divisional operating profit was 8% higher at R131,4m

Contributions from the lime and packaging divisions declined slightly from last year's, while net investment income, mainly from the distribution operations, was virtually static Borrowings of R35,9m (R37,8m) equalled 6% of shareholders' funds Liquid funds increased to R52,1m at September 1992 against R16,3m in 1991

The group had ample scope for further investments, and though it was not "on the acquisiton trail" it would investigate all opportunities, said Wrogeman He forecast trading conditions would remain difficult in the first half of the current financial year, with a slight uptick in the second half However, long-term prospects were more promising in view of the infrastructural development backlogs in sectors such as housing, roads and water storage

COMPANIES

Tight margins restrict PPC

EDWARD WEST (1.93)

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SAFICON/BOUMAT FM 6/11/92 (193)

Into the slow lane

Saficon's results reflect the tough times being felt by motor vehicle and building materials distributors Interim EPS dropped to 6c (1991 38c) Apart from the motor distributorships, Saficon holds 54% of listed Boumat, a manufacturer and supplier of building materials

Management can be thankful for its diversification into building, as Boumat accounted for roughly 4c of Saficon's EPS Though motor vehicles and building materials have little in common, it seems Boumat will provide Saficon with a steady foundation when building activity picks up

However, chairman Sidney Borsook reckons the motor operations will account for the larger slice of group EPS when both the motor and building materials arms are operating at full capacity This indicates the extent of the motor operations' underperformance in the first half Interestingly, motor vehicle unit sales were maintained, but the consumer has tended to buy cheaper models

For instance, in the VW range, sales of the City Golf and Fox Jetta have overtaken those of the more expensive Golf GTI and Jetta CLi lines Similarly, in the Mercedes/Honda outlets, rising Honda sales have made up for slower Mercedes activity The 9% drop in the motor arm's turnover indicates the severity of the switch Results were

continue →

FOX FM 6/11/92 (193)

worsened by narrower trading margins due to fierce competition in the motor industry to maintain market share'

Though one may believe motor servicing activities should provide the group with a strong underpin, particularly as servicing costs can be relatively high, CE Kurt Hipper maintains servicing is not a very profitable business as overheads are also high

On the outlook, Borsook declines to give forecasts, an abrupt yet understandable change from the past when precise predictions were given The volatile political and economic scenarios make it "virtually impossible" to read the future Furthermore, he reckons the chances of improvement within the next 18 months are remote Fortunately, as Borsook is financially disciplined, the group is in capable hands

Though Saficon's share price has dropped by more than two-thirds over the past year, and Boumat's by more than half since January, there seems little reason to buy the shares, given the gloomy outlook

William Gilfillan

COMPANIES

PGSI's restructuring is bearing fruit

(193)

BDay 6/11/92.

MARCIA KLEIN

A RESTRUCTURED Plate Glass & Shatterprufe Industries (PGSI), recently incorporated into the SA Breweries group, has reported a 10% rise in fully diluted earnings to 138c (126c) a share in the six months to end-September.

The glass and wood group's earnings a share for the previous year have been restated as some of the previously equity-accounted central African operations were now accounted on cash received

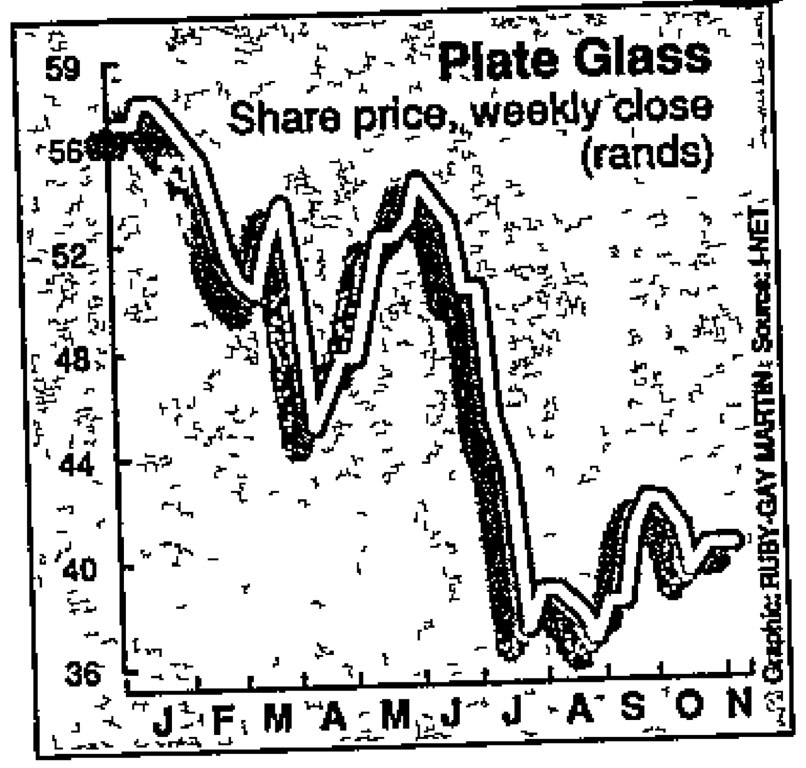
Chairman and CE Ronnie Lubner said results were not comparable with the previous year due to changes in accounting policy, the acquisition of minority interests in Glass SA and PG Bison, the issue of 12,9-million preference shares and the effects of the R354m rights issue in April

Turnover of R1,4bn was 33,2% higher than the previous year's R1bn. Operating profit was R117,2m (R127,1m), and finance costs were reduced

Net income after tax was marginally higher at R57,5m (R57,2m), and attributable income was R34m (R20,8m) The dividend was unchanged at 65c a share

Lubner said the results were encouraging, and indicated that "major restructuring to improve focus and increase global competitiveness" was bearing fruit.

He said the SA glass and wood operations had been hard hit as their markets slowed down However, they had minimised the adverse effect on profit.



Glass SA was being restructured to improve market focus and production efficiencies in order to meet competition, particularly from imports. Lubner said the full benefits of this move had not yet been felt, and margins remained under pressure

PG Bison's markets had continued to show negative trends, especially in the domestic and office furniture industries, where a decline in volumes put pressure on margins and operating profit

In offshore operations trading profit had increased at Belron International, losses in the US operations were reduced, and reorganisation in Australia would bear fruit when conditions improved

Lubner said there had been a sharp decline in SA and international sales However, he said the group should show similar fully diluted earnings in the second half

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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

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. BDAY 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.

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 | DAY

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. (193)

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.

PGSI FM 13/11/92 (193)

Fewer cracks showing

Plate Glass & Shatterprufe Industries's 10% advance in interim EPS to 138c (1991 126c) comes on the back of reduced foreign losses rather than improved profits Though this is welcome, it masks severe trading conditions being experienced by 96,8%-held Glass SA, the largest profit contributor, and 71,7%-held PG Bison The dividend was pegged at 65c

PGSI's two core activities involve manufacture and distribution of glass and chipboard/wood locally, and motor vehicle window installation locally and abroad

A positive development is that foreign losses have been reduced — which is material, as the losses were in hard currency In the 1992 year, foreign losses dragged EPS down from 309c to 121c Though these losses may suggest the offshore foray has been unsuccessful, chairman Ronnie Lubner denies this He maintains the losses result largely from development (start-up) costs because some of these operations are new ventures

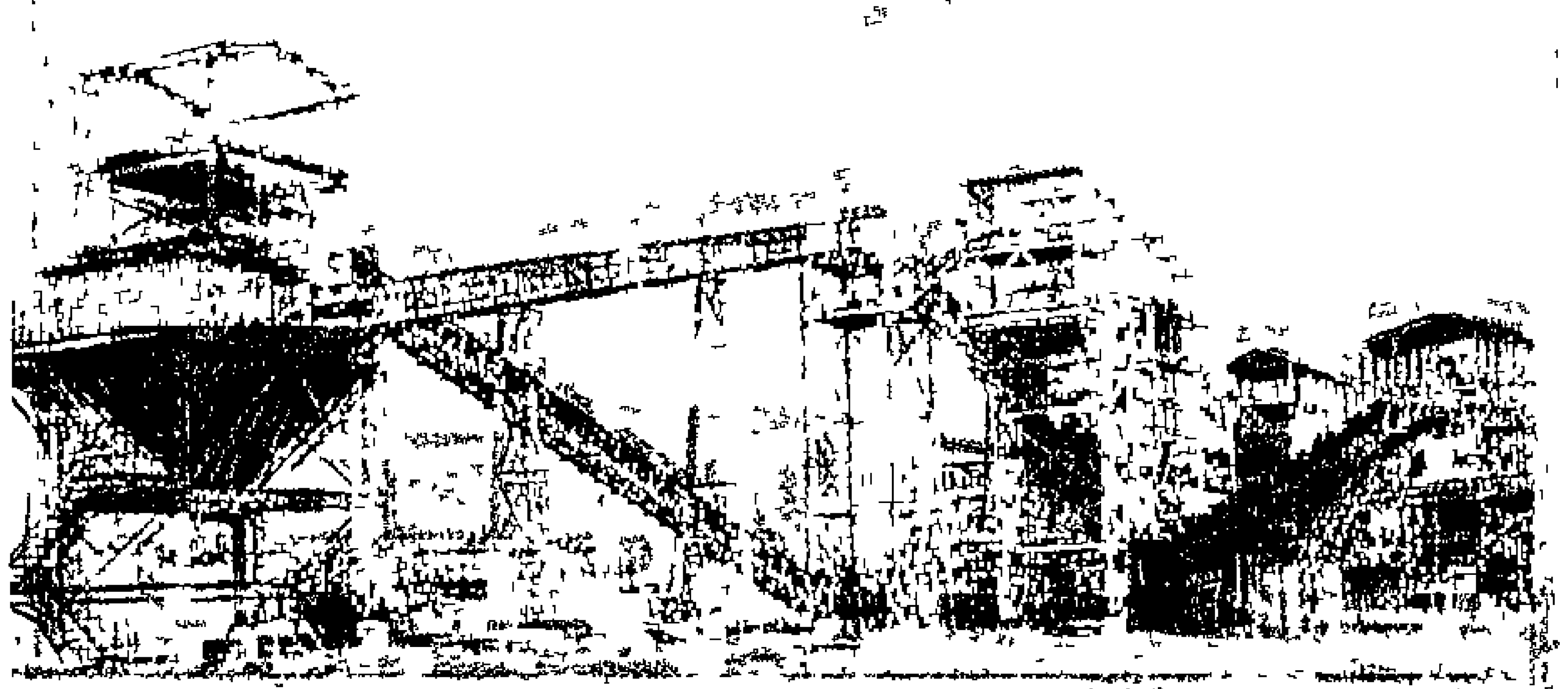
This is probably a fair defence of the European losses, but it can hardly explain the losses incurred in the US and Australia, both mature markets Rather, stiff competition and an unfavourable economic climate are to blame On the other hand, PGSI seems to have understood the UK market well, as profits there continue to rise Perhaps this has to do with its dominance of that market

Turning to the local operations, Lubner says profits at both Glass SA and PG Bison are down, describing local conditions as "bloody awful"

A change in accounting policy at the Central African arm, comprising Zimbabwean, Malawian and Botswana operations, is material Aside from the Botswana operation, earnings will now be accounted for only when cash is received As Zimbabwe and Malawi have strict foreign exchange regulations (and dividends can't leave the country), this cuts 1992's EPS 100c to 209c

While one must admire Lubner's entrepreneurship in setting up window installation outlets in foreign countries, one must also ask when the benefits will be reaped The world economy remains depressed, suggesting significant profits won't be achieved for some time

William Gilfillan



A Stone and Allied crusher plant.

Flexibility gives Stone and Allied the edge

BDAM 17/11/92

WELKOM-based Stone and Allied Industries was formed in 1948 with the growth of the Free State goldfields to supply crushed stone or aggregates for civil engineering, building construction and roadwork.

The aggregates are produced from waste rock obtained from Transvaal and Free State gold mines

MD Doug Rowland says the company adheres to SABS specifications on all quartzite aggregates produced and has steadily modernised its plant and equipment to keep pace with the changing character of the construction industry

Stone and Allied uses waste rock to produce various sizes of crushed stone, crusher sand and crusher run, which is sold to municipalities, provincial roads departments, railways and civil engineering contractors

Rowland says the company is operating in a particularly depressed segment of the market He is accordingly pleased that nobody had to be retrenched last year

Rowland says the company has the ability to respond rapidly to changes in demand Between 1982 and 1991, it expanded from four to 13 plants and then rationalised back to eight

It recently completed the relocation, upgrading and refurbishment of two of its Welkom plants and established an ultra-efficient high volume state-of-the-art plant

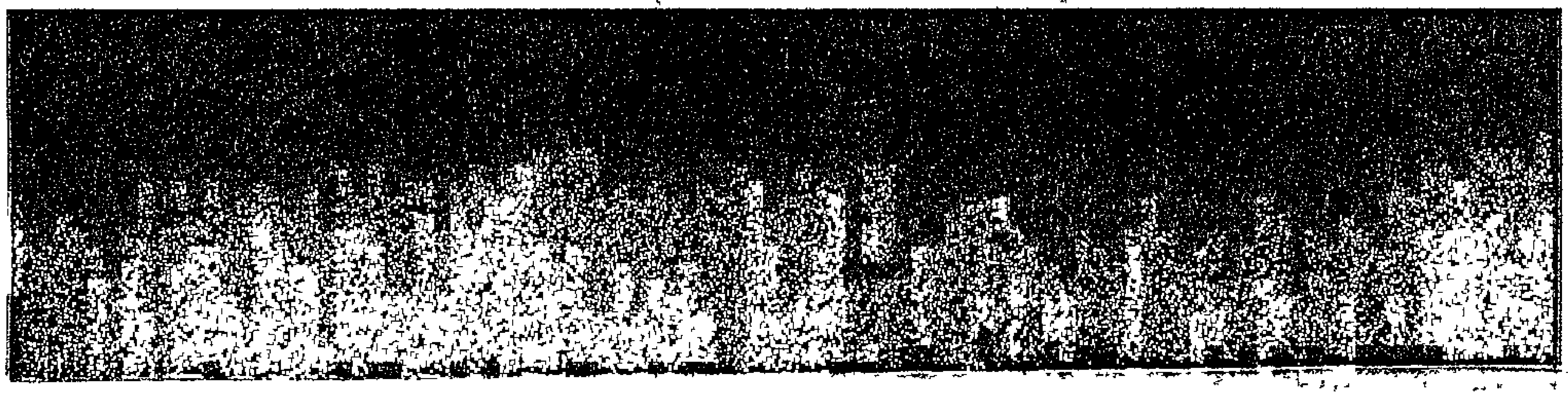
Other forms of management flexibility include the move out of traditional areas of business into profit-substitution activities, establishing value-added products and restricting the product price increase to 8,5% for an 18-month period.

(193)

Despite reluctance to retrench, Stone and Allied's profit levels are close to normal for the first 10 months of this year

It has reached the finals of the SA Non-Listed Company Award for six of the seven years that it has been running, which, Rowland says, indicates a consistency in management activity, planning and innovation

He believes Stone and Allied is in line for the award because the company has displayed a great deal of flexibility while gold mining industries were going into liquidation and its competitors reported losses



B/DAY 18/11/92

Editing error in survey

THERE was an editing error in the Non-Listed Company Award survey yesterday. A report on Stone and Allied Industries stated that the company had displayed great flexibility "while gold mining industries were going into liquidation". This should have read "while companies operating in the gold mining industry were going into liquidation". Business Day regrets the error.

(193)

PPC FM 20|11|92 (193)

Shrinking volumes

Cement and lime volumes dropped roughly 6% in financial 1992, in line with lower activity in the heavy construction and mining industries Volumes have been dropping for some time Cement is used mostly in the heavy construction industry on dams, bridges and roads

Lime is used as a flux in the mining industry, helping to remove impurities in the refining phase

Activity at Pretoria Portland Cement's remaining division, packaging (held through a 55% interest in Kohler Sacks), which makes bags for items from tea to cement bags, fell about 5%

Lower overall activity converted into a nominal 1% rise in EPS to 287c (1991 284,8c), well down in real terms Despite this, the dividend was raised 13% to 195c (172c) Finance director Chris Wrogemann explains "If we've got money and have no productive avenues of investment, we may as well give it back to shareholders"

Makes a change

This approach makes a change from any number of groups which diversify rather than return money to shareholders The dividend hike also reflects the strength of the balance sheet Long-term liabilities of R34,2m compare with shareholders' funds of R602,3m Wrogemann adds the decision was also taken because this year's capex will be moderate, in line with the prediction of low activity

Cement dominates group trading profit, accounting for R131m of the total R214m Lime contributes R50m, packaging R11,5m and investment income (dividends from associates and interest) R21m

Two further items warrant mentioning there is a new competitor in the lime industry and PPC is carrying out a feasibility study for a plant in Botswana, where there is considerable development of infrastructure

The share price has dropped R14 to R36 in the past six months Controlling shareholder Barlow Rand is probably not too concerned, as it takes a long-term view

The p e is still on a relatively high 12,5, against Anglo Alpha's 8,5, indicating PPC's blue chip status Further downward rating is probably warranted as it is difficult to justify a price equivalent to more than 12 years' earnings *William Gilfillan*

SA-made glass sheets get world attention

(193)

ARGT. 21/11/92

THE challenge facing a new glass supplier in Cape Town is that architects and specifiers have to be visited one by one, which can be extremely time-consuming, says Trevor Millar, managing director of Africa Glass Cape

"We have learned that specifiers in Cape Town are, quite understandably cautious about new products lines," he said. "However, we have now reached the stage where at least two-thirds of the Cape architects are aware and have begun to accept the virtues of SABS approved Saf-T-Lite glass and its related products."

Saf-T-Lite is a laminated glass bonded by a polyester resin and is applied in thicknesses between 4,5 mm and 12,5mm. It was developed in Durban in 1985 and has since been tested and approved by government or other specifying authorities in Germany, Australia, the United Kingdom, the USA and many other countries.

The patented horizontal caste-in-place lamination process uses clear polyester resin which, by means of the meniscus process, results in an even and consistent distribution of resin throughout the laminate Saf-T-Lite glass in its various forms has excellent sound absorption, security, fire retardation and light reflection properties.

A number of concerns voiced by Cape Town specifiers, said Mr Millar, related to technical details such as glazing methods, edge finishing and applications

A strong factor in its favour is that tints are contained in the monolithic glass used in manufacture, and not in an interlayer, thus eliminating the possibility of fading.

FM 21/11/92.

for lift-off

more, at most institutions "This is considerably better than the 16,25% one can get on Standard Bank's Prestige home loan, and goes to show how competitive the market is"

The effect of lower short-term interest rates should be even less on the commercial and industrial property market Rode says there is a long lag involved in the relationship between the two "Ultimately, the market reacts to changes in demand for space, which in turn will increase only once the economic upturn is under way The problem is compounded by the oversupply of office space," he says

Luus says the drop in interest rates might benefit the industrial property market as costs of finance decrease and returns on other investments decline

Sanlam Properties GM Dolf Muller says the industrial and commercial property market is little affected by short-term rates "Investment decisions of this nature are guided by the long-term view, which is still clouded by sociopolitical uncertainties Rates at the long end of the market don't seem to be coming down" ■

FM 27/11/92.

LOW-COST HOUSING

Use that slag

193

The *FM* has in the past suggested that one way to bring down the costs of housing for low- or no-income people is the re-use of building materials from demolition sites Now Portland Cement Institute has come up with some ideas of its own

It has been suggested that at least R700 could be sliced off the cost of a R20 000 house if industrial waste were used in the manufacture of cement bricks or blocks Institute executive director Graham Grieve says analysis and testing of waste material for sectors such as mining show that byproducts of many metal smelting processes — such as silica fume, blast furnace slag and fly ash — could be blended with Portland cement to form products similar to cement

Investigations are also being carried out into the use of charge chrome tailings and waste silica ore for possible use as aggregates Large volumes of these waste materials are often dumped and could damage the environment

Grieve adds "Some waste materials have been used as sources of aggregate for use in concrete or concrete products Blast furnace slag produced by Iscor, which, when used in the manufacture of blended cements, has already attained a quality covered by a Sabs specification Fly ash, derived from Eskom power stations, can also be used for the

FM 27/11/92 193

manufacture of Sabs quality-approved blended cements

"A recent introduction is condensed silica fume, a dust collected during the production of silicon metal or ferro-silicon alloy, which has found use mainly in special applications with cement The quality of all these materials can be specified to meet Sabs standards

"All of these supplementary cementitious materials have the ability, when used correctly, to enhance the quality and durability of the concrete end-product As waste products, the energy consumption of production as a cementitious material is generally low The prices of slag and fly ash are well below

continue →

GREENER PASTURES

In a surprise announcement, Werksmans' property partner Laurence Kaplan (35) is to switch from the legal profession, where he has earned an enviable reputation in the field of commercial property law, to commodity trading. He will make the move early next year.

Why the change? The *FM* understands that one of the attractions for Kaplan in his new job is the opportunity of relocating to Europe.

Says Kaplan: "Opportunties in life are few and far between and when something as exciting as this job came up, I grabbed it. I have had an incredibly challenging and stimulating time in the property department at Werksmans and I leave a highly motivated and competent team headed by Fatima Rodrigues"

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that of ordinary Portland cement

Genmin civil engineer Brian Dowling says Impala Platinum furnace slag has been successfully applied as part of the mixture for the production of bricks and blocks for low-cost housing programmes within the Genmin group Local entrepreneurs from villages adjacent to the slag dump at Mineral Processes in Rustenburg collected the slag free of charge and used this, together with cheaper cements containing fly ash, for brickmaking

"Slag aggregates have also been introduced to Impala Platinum's employee housing scheme Substantial quantities of slag can be substituted for sand and stone — resulting in big savings in the cost of building a house There are 3,6 Mt of platinum slag available which, if utilised properly, would help to build more than 100 000 rural houses"

Dowling adds that the Columbus Stainless Steel project team has been alerted to the possible savings and environmental benefits in using Middelburg Ferrochrome's charge chrome slag Trans-Natal's social upliftment programme could also benefit from the availability of Samancor's slag production, he suggests And "other investigations in progress now include the use of charge chrome tailings, available in at least seven other locations, and waste silica ore, which is also available within the Genmin Group" ■

PLATE GLASS & SHATTERPRUFE

FM 27/11/92.

Waiting for the breakthrough

(193)

PGSI has great potential — once overseas business turns really profitable

Is Plate Glass & Shatterprufe Industries (PGSI) ready for recovery? The 10% rise in interim EPS suggests profitability is improving, the quandary for investors lies in deciding whether the share should yet be considered a recovery stock

The share has significantly underperformed the JSE Industrial index in recent years, partly due to a lack of profits in certain of the foreign operations Its price has dropped to R40 from its 1990 peak of R68, dragged down in part by the large issue of preference shares The share was trading at R58 last September, so the market has taken a jaundiced view on the company's immediate prospects

At least from a short-term standpoint, Liberty Life was astute in swapping its investment in Placor — delisted holding company of PGSI — for blue-chip SA Breweries (SAB) paper late last year, particularly as SAB paid a 20% premium for its controlling interest PGSI's share has underperformed SAB's since the deal

That does not necessarily mean SAB made a poor investment — even though it has poured in roughly R1,45bn including scrip payments, rights issues and other outlays for its 67% stake It is too soon to evaluate it thoroughly and SAB claims to be a long-term investor

But the new parent company's involvement is material in an assessment of PGSI — it plainly intends to play an active role The investment is large even for SAB and it now has four representatives on PGSI's 12-man board

As SAB planning and development director Malcolm Wyman puts it, SAB has "an ongoing financial and strategic relationship" with all its subsidiaries, though the underlying operations are responsible for day-to-day activities Effects of this relationship have already been seen the change in accounting policy for the Zimbabwean and Malawian profits is an example

In September, PGSI announced a major financial and structural reorganisation in its local and foreign operations — a move planned before the deal with SAB

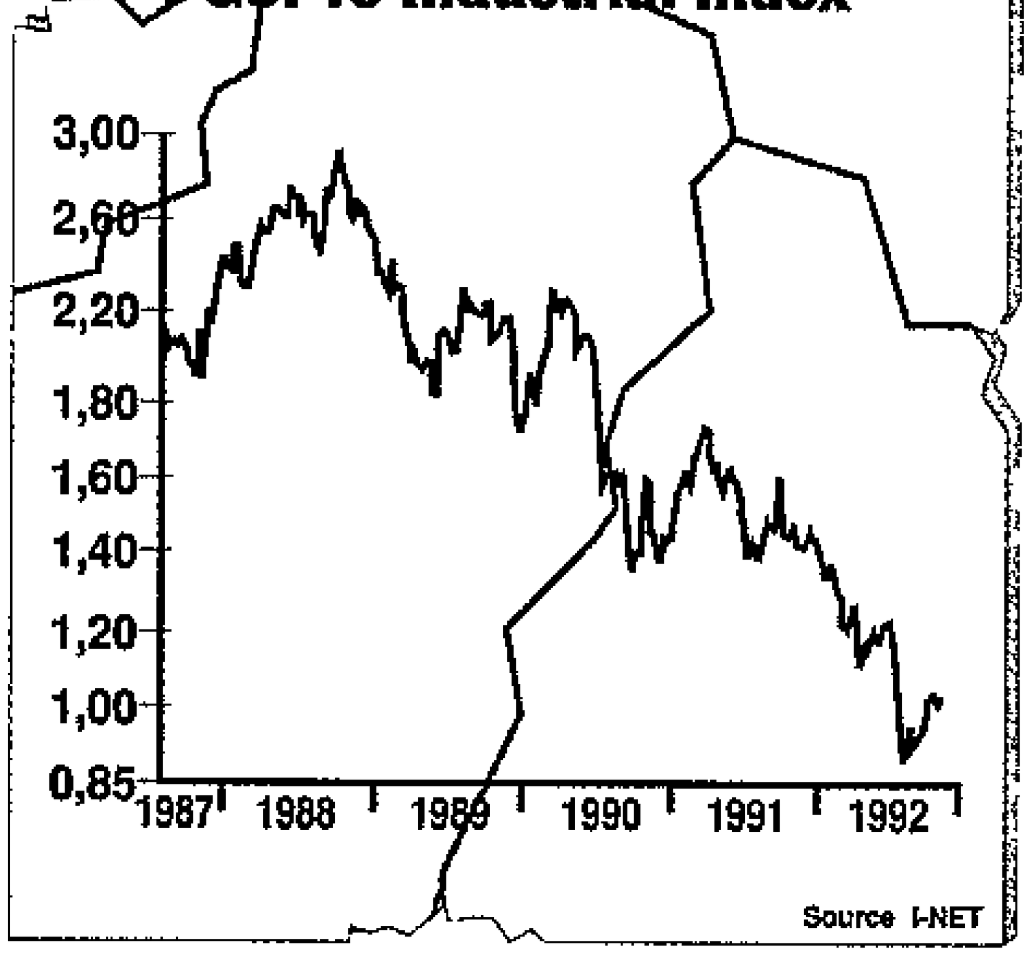
At Glass SA, the distribution chain was streamlined to reduce costs, following stiffer competition from cheaper imports In the US, the president and CE of subsidiary Windshield America took early retirement, and was replaced by the chief operating officer At the Australian subsidiary, the head office function was removed and the business units became self-standing operations reporting directly to Belron

The recent EPS increase, though off a low base, indicates profitability is improving The directors have forecast that full-year EPS of 276c could be achieved under the new accounting policy, whereby earnings from central Africa, excluding Botswana, are to be accounted for on a cash-received basis (This reduced 1992's EPS to 209c from the previously reported 309c) On a comparable basis, 1993 full-year EPS would jump roughly 32%

PGSI's two core activities involve glass and chipboard/wood It is SA's sole glass manufacturer and controls a significant portion of the distribution chain The PG Autoglass centres — where a motorist drives in and has a motor vehicle window replaced on the spot — is an integral part of its glass

Shattering performance

PGSI vs Industrial index



distribution business The group also makes chipboard, enjoying the largest market share of the four local manufacturers

The central African operation, with activities in Zimbabwe, Malawi and Botswana, makes chipboard and distributes chipboard, wood, glass and other building products

For the rest, foreign operations, which account for half PGSI's turnover, concentrate on installation of motor vehicle windows, again where the motorist drives in and has a window replaced immediately In total there are about 800 outlets in Europe, the US and Australia

In the past year PGSI acquired 48,4% of Glass SA from Pilkington in a R525m deal, taking PGSI's stake to 96 8% and bought 23,9% of P G Bison, lifting its holding to 71,7%

The R354m rights issue held in mid-April has significantly strengthened the balance sheet Of this, £28m is being used to refinance the foreign operations

At the interim stage — after taking account of the Glass SA and P G Bison acquisitions, the rights issue and the new accounting policy for central Africa — shareholders' funds stood at R511m against total interest-bearing debt of R188m Taking the R29,3m short-term preference shares as debt, gearing is 45%, well down on the year-ago 70% Interim interest cover was a healthy 7,4 times

The buy-out of the Pilkingtons stake in Glass SA must be considered a highlight of the past year Glass SA is a strong cash generator enjoying high historical margins, around 20%, though these have recently come under pressure from imports

PGSI ran into problems during the Eight-

continued

ies, after management expanded forcefully abroad Originally this included both wood trading activities and wide-ranging glass operations Underperformance of the wood trading business persuaded the group to withdraw in 1991, writing off R84m on the disposal It sold the building glass half of its glass business to Saint-Gobain for £100m, the entire business had originally been bought for $7m

In a major strategy change, management set about concentrating its foreign resources on the glass installation outlets But some of the foreign activities continued to lose money

In financial 1992 net losses fell in Europe and the US, while the Australian business moved from profit to loss Though profits increased in the UK, this was insufficient to offset the after-tax losses elsewhere The loss per share from the foreign arm, wholly owned by Belron International, jumped to 121c from 63c 1992's results were also weakened by lower activity on the domestic front Glass SA's EPS contribution declined to 307c (343c)

The 1993 improved interim performance came from reduced losses at many offshore operations rather than increased profits Profits are also down at Glass SA, the largest earnings contributor, in a business climate which PGSI chairman Ronnie Lubner describes as "bloody awful" Activity has diminished in both the building and automotive industries, Glass SA's main markets Latest forecasts for this year's new car sales have been lowered by roughly 30 000 to 178 000

Glass SA's results have been cushioned by activity in the commercial building sector, but activity is diminishing there too — a trend partially offset by the more streamlined distribution chain

There is concern about the increased competition from, in particular, Chinese and Taiwanese imports Lubner, who has applied for import protection, maintains the Chinese are dumping their glass to generate foreign currency (At present, an import duty of 10% is in place) Of course, this is a common response from most SA businessmen when their own operations are challenged by cheaper imports

Output at Glass SA is split roughly 50 50 between the automobile and building industry, itself shared equally between nonresidential and residential activity Affordable homes provide some light, as SA faces a critical housing shortage

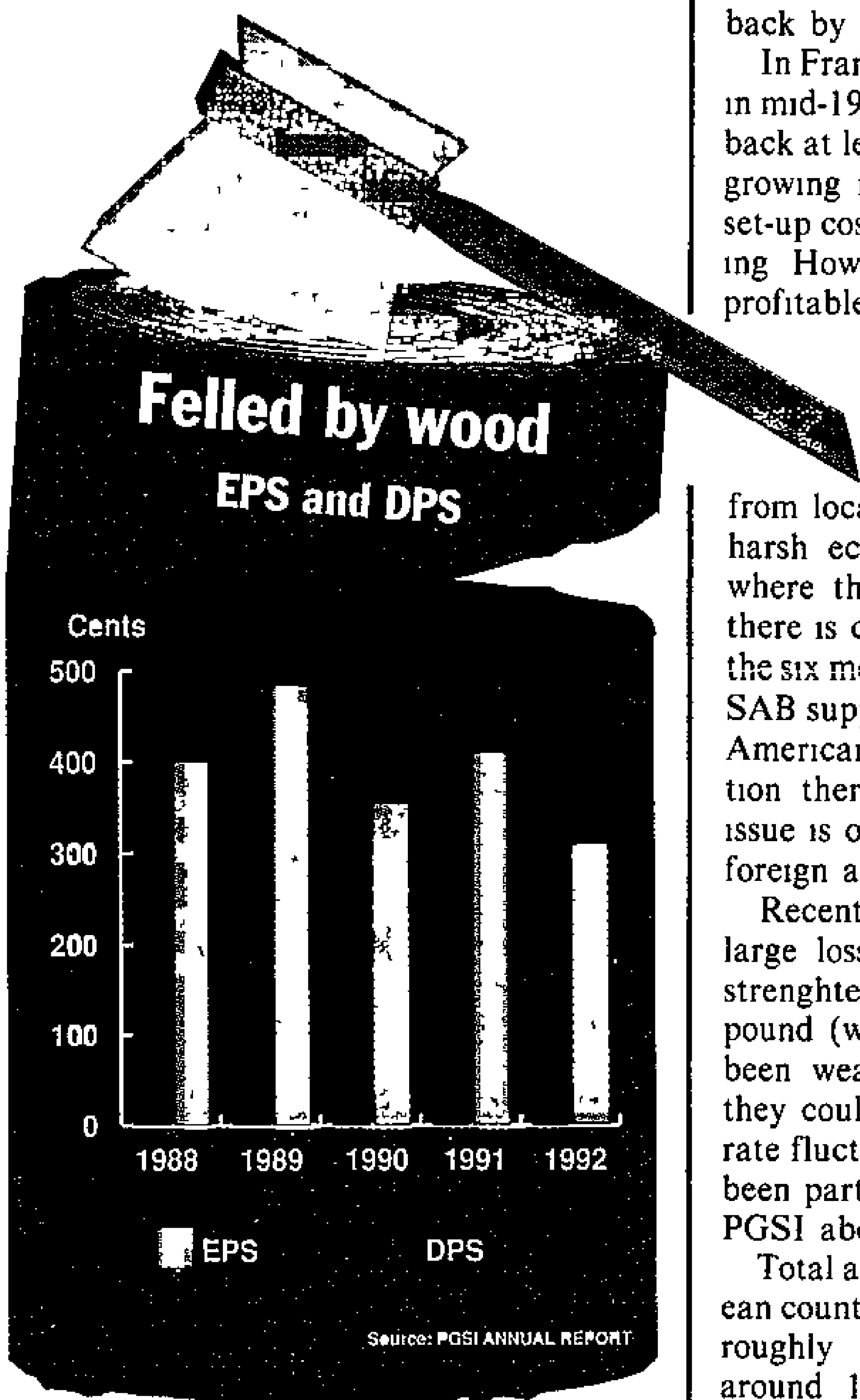
Also, when the foreign auto installation outlets enjoy greater activity, that will result in increased exports from the local glass plant

Higher housing activity is also expected to benefit P G Bison, whose products find their way into homes in the form of shelves, cupboards, furniture and so on

Though there are four local manufacturers, P G Bison enjoys the largest market share and is the only operation to have exposure in the full chain, including manufacture through to retail distribution

The central African operations have made a significant contribution in the past, but the new accounting policy has marginalised this arm in terms of profit contribution However, the quality of earnings has been substantially improved

Lubner maintains losses in the foreign auto glass installation businesses — which account for half PGSI's turnover — result largely from start-up or development costs, as a number of these are new ventures This is probably a fair defence of the European losses, but it can hardly explain the losses in the US and Australia, both mature markets



Rather, stiff competition and an unfavourable economic climate are to blame

On the other hand, PGSI seems to have understood the UK market well, as profits there continue to rise It dominates its sector of that market, and there is a strong correlation between PGSI's dominance and its prosperity in a market

That suggests the European operations should do well when they reach the mature phase, as they have no comparable competition In Europe, PGSI controls the small but developing European drive-in auto glass installation market — an impressive achievement for an SA company

It takes time to educate the market — including the insurance and fleet owner businesses — about the benefits of nationwide drive-in installation outlets These include a 24-hour opening period, and national outlets and pricing, which simplify a large customer's paper work PGSI is seeking to entrench its position in these markets by offering a broad range of services

Though in adolescence, the Belgium, Holland and Luxembourg arms are making profits, as it has been easier to establish operations in these smaller countries

Germany and France, where the outlets were acquired in the Saint-Gobain deal, are taking longer to establish, and large assessed losses have been created

Originally, management predicted the German operation would break even in the second half of 1993, but this has been moved back by a year

In France, breakeven was to have occurred in mid-1994, but this in turn has been moved back at least half a year Though turnover is growing in both countries, continuing high set-up costs mean trading losses are continuing However, when the operations become profitable, they will generate cash until the assessed losses are used up

In Australia, where the industry is more mature, PGSI's operations have come under extreme pressure from local competition compounded by the harsh economic climate But in America, where the concept is well established and there is competition, losses were reduced in the six months to end-June Presumably with SAB support, PGSI could buy out one of its American competitors, increasing its position there (Lubner says a further rights issue is only likely should there be a major foreign acquisition)

Recently the American dollar (in which large losses are being incurred) has been strenghtening against the rand while the pound (where profits are being made) has been weakening If these trends continue they could become material But exchange rate fluctuations over the past year have not been particularly significant, and have cost PGSI about $1,5m

Total automobile population in the European countries in which PGSI is established is roughly 119m, America's population is around 185m and Australia's 10m This compares to SA's 5m As the average glass damage rate is 8%/year, the potential is large

So, are PGSI's prospects improving? This largely depends on when the world economy picks up However, imports will continue to challenge Glass SA, and local building and automobile activity will probably remain depressed for some time This suggests the group isn't in the clear yet

A central task is to get the offshore operations profitable as soon as possible Threats from imports is another key issue — and management intends to fight this through becoming globally competitive

The relatively high 14,7 p e probably reflects the medium-term outlook given that immediate prospects remain fairly bleak Investors considering the share now need patience — but there could be good recovery potential later *William Gilfillan*

A sure way to raise money

193

South 28/11- 2/12/92

SUPPORT for glass recycling is growing countrywide as more and more bottle banks are placed.

Bottle banks are those blue round fibreglass containers, which can each hold up to 2 500 glass bottles and jars at a time.

Any type of glass can be deposited into the container, from jam jars and medicine bottles to beverage bottles. All you have to do is remove the lid and rinse the container if it contained a foodstuff. The labels do not have to be removed.

Among the communities who have realised the benefits of glass recycling are the people of Mitchells Plain and Strandfontein, who are benefitting from the bottle banks placed at schools and shopping centres by the municipality.

Debbie Sherman, a spokesperson for the Glass Recycling Association, says the amount of glass collected is increasing, but many people still do not fully realise the benefits of recycling.

She says: "About 2 200 bottles make up one tonne of glass and as each bottle bank yields approximately 1,5 tonnes a month, a lot of glass is being removed from the environment.

"Communities benefit not only from tidier surroundings, but their waste disposal costs are reduced and the cost of expensive raw materials necessary for glass production is being reduced.

"For each tonne of glass collected, the bottle bank owner receives R35. Schools use this money for school funds and businesses often donate money to charitable causes."

The major glass manufacturers, Consol Glass and MB Glass, formed the Glass Recycling Association (GRA) to encourage collection and re-use of used glass (cullet).

They rely on support from commercial sector, municipalities and schools to buy the bottle banks, which are then emptied by glass collection agents.

Sherman adds: "Bottle banks are being underutilised in these communities and we strongly urge the pubic to avail itself of the benefits of glass recycling by depositing used glass in our bottle banks".

Depressing, says PPC boss

B1071 2/12/92

EDWARD WEST (193)

PRETORIA Portland Cement (PPC) was unlikely to maintain earnings achieved in the 1992 financial year in the current one, chairman John Hall said in his latest annual report published yesterday

The earnings of PPC, SA's largest cement producer which supplies 45% of the country's requirements as well as limestone and gypsum, increased marginally in the past year to 287c from 285c a share in 1991

Construction activity declined from lack of investor confidence and the poor economy

Urban unrest, mass action, and bond and rent boycotts materially affected activity in low-cost housing

National cement sales fell 5% over the past year compared with 1991 PPC's sales fell 6%

Industry prices — controlled by a legal cartel consisting of SA's three producers, Anglo Alpha, PPC and Blue Circle, increased 12,6%

PPC's average cement price a ton increased by 10,8%

Capital expenditure for 1993 was projected at R53m, most of which was for customer-service facilities at the slurry works, up-grading of the cement milling plant at Port Elizabeth, a new computerised plant control system at De Hoek, and replacement of equipment in all divisions

Capacity utilisation at PPC's cement operations slipped to 58% from 61% the previous year, and capacity utilisation at the lime operations dropped to 45% from 47%

Hall described the coming year as depressing, adding that the world economy was unlikely to show any meaningful recovery The SA economy would show little if any growth, and the political situation was cause for concern

On the JSE yesterday 1 600 PPC shares were traded at R36,50 in three deals This was slightly off its November 24 annual low of R35 from a June 9 high of R50

EVERITE FM 4/12/92

Year of change

(193)

Activities: *Manufactures fibre-cement and other products, mainly for the building industry*
Control: *Group Five and Fedlife through Everite Holdings*
Executive Chairman: *T J Kotzee*
Capital structure: *88,9m ords Market capitalisation R187m*
Share market: *Price 210c Yields 3,1% on dividend, 9,1% on earnings, p e ratio, 11,0, cover, 2,9 12-month high, 310c, low, 210c Trading volume last quarter, 375 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	4,7	23,6	15,6	98,6
LT debt (Rm)	11,7	2 2	2,6	3,5
Debt equity ratio	0,04	0,02	0,06	0 29
Shareholders interest	0,69	0,68	0,78	0,57
Int & leasing cover	23,3	12,1	7 1	4,4
Return on cap (%)	15 4	13,0	7,6	6,1
Turnover (Rm)	373	352	334	393
Pre-int profit (Rm)	54 2	50,1	30,7	32 8
Pre-int margin (%)	13,8	13 3	8,0	7,1
Earnings (c)	34,1	31,3	18,9	19 1
Dividends (c)	13	13	6 5	6,5
Net worth (c)	273	295	316	343

1992 was a year of momentous change for Everite, so much so that it would probably be unfair to read too much into the latest financial statements Indications are that at least another year will be needed for consolidation and, possibly, further restructuring before there is a clear picture of the new capabilities

The changes all stemmed from last February's deal, whereby Fedlife and Group Five acquired joint control of pyramid Everite Holdings from Swiss-based Nueva, with Group Five assuming management control from February 14 — four and a half months before the financial year-end

Two immediate consequences were an almost total revamp of Everite's board of directors and a review of accounting policies which led to the scrapping of the previous current-cost system (which substantially increased stated earnings) and the adoption of the fully comprehensive basis for providing deferred tax (which, compared with the previous partial method, reduces earnings slightly)

This was followed, with effect from April, by a decision to down-sell Group Five's non-construction interests to Everite, which had the effect of adding three additional divisions to the activities A fourth new division was added, being a consolidation of the extensive property portfolio which is now managed as an independent profit centre

Finally, new management decided to do something about the over-traded and unprof-

FM 4/12/92. (193)

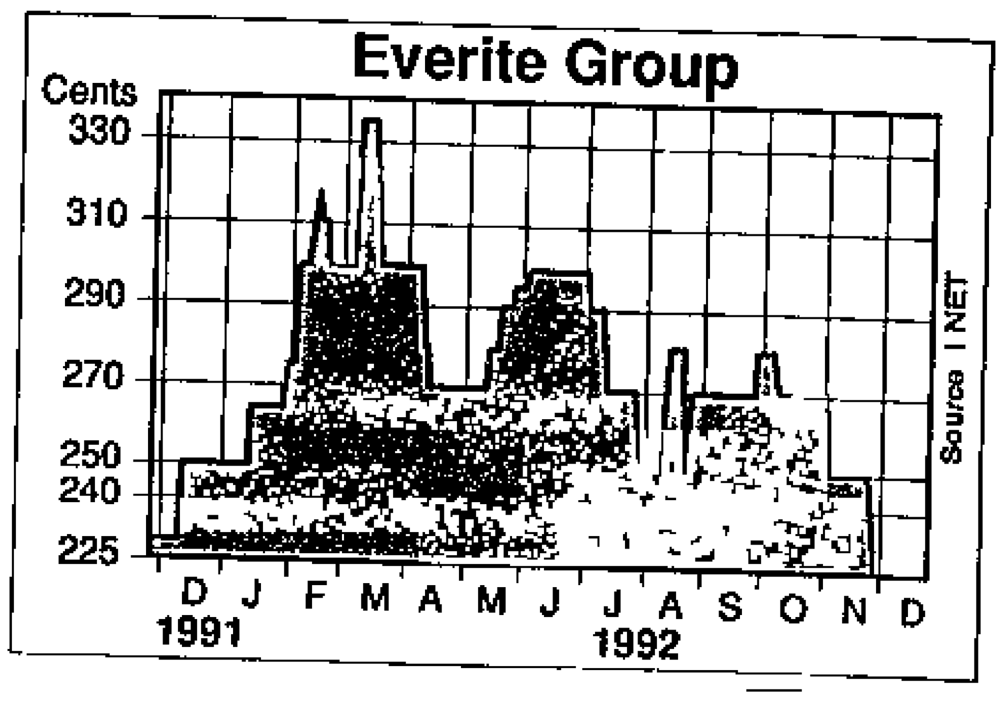
itable ceramic sanitaryware market ~~and~~ bought out competitor Cobra Sanware shortly before year-end, to complement the related activities of Vaal Potteries

Effects of the accounting policy changes can be gauged from the restatement of the 1991 accounts, which increased EPS by 12,2c (182%) to 18,9c, while decreasing net worth by 25%

Because of the timing of the deals, the acquisitions contributed to a one-third increase in the total asset base without a commensurate contribution to the income statement While one can safely say most profit ratios are worse than without the takeovers, effects cannot be quantified accurately

Initial indications from the 1992 accounts are less than promising The year started on an optimistic note following an extensive cost-cutting exercise undertaken in the closing months of 1991 which, then-MD George Thomas said, would yield permanent annual cost savings of R13,5m This estimate was based on the scratching of 408 jobs, many of them middle and senior management, and the *FM's* view then was that the total saving could be as much as R20m, taking into account a further 537 positions temporarily eliminated because of recession

If savings eventuated, benefits were soon swamped by a further downturn in economic activity and an inability to pass on cost increases pre-interest income rose only R2,2m, of which R1,1m seems to have de-



rived from acquisitions, R891 000 from equity-accounted income of associates and R865 000 from investments — leaving Everite's own operations down by about R705 000

Another concern is that Everite, historically under-geared, had to take on substantial additional debt to fund acquisitions While one accepts new chairman Theunis Kotzee's view that the 0,29 debt equity ratio is reasonably conservative, the full impact of these borrowings is not yet shown in the income statement Based on the June 30 net debt of R89,8m, 1993's net finance costs could double from last year's R7,5m if borrowings are maintained, making mincemeat of the presently satisfactory 4,4 times interest-cover ratio — not to mention profits unless there is a substantial improvement there too

In rating the share on an 11 p e and 3,1% yield, the market seems to take the view that the present anomalies are temporary and

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that the new Everite will be in better shape after a full year's trading

Kotzee's view is that the reorganisation and new policies will produce a "vigorous new life-cycle " But he cautions it will not perform to its full potential until the economy improves

From November 30, Everite Holdings' issued capital trebled because of a two-for-one capitalisation issue Evhold shares should now be worth about the same as those of its operating subsidiary, which means either that Evhold (at an adjusted price of 266c) is substantially over-priced relative to Everite (210c) or that the latter's recent weakness has been overdone

Brian Thompson

JSE suspends listing of Bester Investments

STAR 4/12/92.

By Roy Cokayne and Patrick Hlahla

The Johannesburg Stock Exchange (JSE) has suspended the listing of building and property development group Bester Investments Ltd following the provisional liquidation of the group's main operating subsidiary, Bester Homes (Pty) Ltd.

Bester Investments Ltd executive chairman and Bester Homes (Pty) Ltd director Theunis Bester said the provisional liquidation did not mean the entire group was on the verge of collapse and final liquidation.

This was confirmed by Gerrit van den Berg, Northern Transvaal regional general manager corporate division of Amalgamated Banks of South Africa Ltd (Absa), which brought the provisional liquidation application in the Pretoria Supreme Court on Wednesday

"The final liquidation of Bester Homes (Pty) Ltd is definitely not on our agenda," said Van den Berg. He said that because there was more than one creditor bank involved, they had opted for the provisional liquidation as a mechanism to make it easier for the creditor banks to enter into a scheme of arrangement.

Bester said. "The whole idea is the downsizing of the company, and we are proceeding with that."

Holdains to raise R180-m

STAR 4/12/92.

Finance Staff

Holdains, the paper and packaging group in the Malbak stable, has announced a R180 million rights offer to finance its acquisition of a 50 percent stake in Crown Cork Company SA.

Beverage can maker Crown Cork is the local subsidiary of US group Crown Cork & Seal

The proceeds of the renounceable rights offer will also be used to finance Holdains' 30 percent interest in Crown Cork & Seal s operations in Zimbabwe, Zambia Kenya and Nigeria.

Holdains says the funds will also allow the group to facilitate future expansion of its acquisitions.

Malbak will underwrite the issue Details will be announced in January

Business as usual for Tollgate subsidiaries

Finance Staff

STAR 4/12/92.

CAPE TOWN — Four major companies employing about 2 500 people are "carrying on business as usual" after the collapse of their parent company, Tollgate, in the biggest Cape company crash this year

Tollgate Holdings was placed in provisional liquidation in the Supreme Court on Wednesday

Joint liquidators are to be appointed to run the companies and a deal is expected to be struck with bankers to keep them going

Absa, which inherited the Tollgate accounts when it took over Bankorp, applied for liquidation as a last resort after unsuccessful attempts to keep the group afloat.

The banking giant should recover some of its money if and when Tollgate's remaining assets are sold off

But with Tollgate's debt to Absa topping R305 million, the bank is thought to have already written off most of the liabilities as a bad debt.

The main operating companies left in the shrunken Tollgate empire are

- Motorvia, the group financing division and operator of the Motorvia car ferry business
- Entercor, whose main divisions are Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media
- Greyhound Coach Lines.
- Quicksilver Coach Lines

Christo van Niekerk, Motorvia director, said that barring a few technicalities it was business as usual. He expected to be notified about the future of the vehicle ferrying operations shortly

Greyhound

An employee at Greyhound Citiliner confirmed that services were still running

Motor Racing Enterprises (MER), which manages the Kyalami racing track, is not affected by the provisional liquidation order against Tollgate Holdings

MER was acquired from Tollgate through a management buyout by two directors, Dave McGregor and Mervyn Key They have secured a long lease for the Kyalami circuit.

At least two major Durban-based companies — Toyota SA and McCarthy Group — are directly affected by the provisional liquidation

McCarthy, through its 50 percent partnership with Standard Bank in McCarthy Finance, is taking action to enforce a claim for R3,9 million against TGH after its acqusition last year of the full maintenance lease business Autovia from the provisionally wound up TGH subsidiary Motorvia.

Motorvia's fate has a direct effect on the country's biggest vehicle assembly business, Toyota SA

Toyota group financial director Pieter Robinson says Motorvia ferries about 75 percent of production from the vehicle assembler's Prospecton factory near Durban, representing 5 500 to 6 000 vehicles a month, to inland destinations

"Motorvia is our major mover of vehicles and we are its biggest customer," he said

Cemenco in black but skips payout

(193)

By Sven Lunsche STAR 4/12/92

Despite a marked decline in turnover, engineering group Cementation Company Africa (Cemenco) returned to profitability in the year to end-September

However, in view of the poor outlook for trading conditions in the current financial year the directors have decided not to pay a final dividend on the ordinary shares

Turnover in the 12 months fell from R325,2 million to R265,3 million but net operating income showed a strong turnaround from a loss of R4,7 million to profits of R5,1 million

Attributable income recovered to R397 000 (loss of R7 million), which translates to a sharp improvement in earnings per share to 4,4c from a loss of 78c

The directors say that while the group achieved a marked improvement in full year results, deteriorating conditions in the second half affected the group's performance, with all divisions experiencing shrinking markets.

Tight controls help recovering Metcash

By Stephen Cranston (26)

STAR 4/12/92.

Metro Cash and Carry (Metcash) continued its recovery, with earnings per share up to 14,7c, compared with 2,2c in the four months to October 1991

A dividend of 6c has been declared

In the year to June 1991, prior to its acquisition by Premier and the appointment of Carlos dos Santos as group MD, Metro had reported losses.

Dos Santos says that trading conditions remained difficult, but the results were "well ahead of expectations," and were largely due to the strict cost control programme, financial discipline and reduced shrinkage.

Gross profit margins were tight, but the operating margin improved from 0,45 percent to 1,49 percent.

Dos Santos attributes the improved results to a highly motivated and focused management team.

"The guys are beginning to believe in themselves and are moulding into a formidable team," he says.

"They work to well-defined goals and guidelines Progress is monitored regularly and incentive bonuses are linked directly to performance."

Turnover rose by 20 percent on a comparable basis to R2,652 billion Attributable income increased more than tenfold to R24,1 million

In particular, interest payments of R9,7 million were transformed into net interest received of R6,9 million

The group has a strong balance sheet, with net cash resources of R225,8 million Current liabilities, mainly creditors, rose 5 percent.

Metro expects its effective tax rate to remain at 34 percent in the second half

During the period four small Metro stores were closed, an old Trade Centre was replaced with a new store in Pretoria and the Metro in Upington was replaced.

The group now has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild outlets.

It has investments in trading operations in Malawi, Mozambique, Portugal and Hong Kong

Dos Santos says the volatility of the environment and the poor economic conditions make forecasting difficult But with the Christmas and Easter trading periods to come, the second half should be better than the first.

STAR 4/12/92

Round-the-clock commitment

Star 11/12/92 (193)

A PROJECT the size and complexity of the Lost City posed severe challenges and raised major questions, not least of which was the choice of material for the basis of the structures

Quite aside from exotic materials, there must have been a strong temptation to utilise what some would call "space age" materials for the main structures

That temptation, if it existed at all, was resisted and in fact the planners of the project opted for traditional clay brick with its proven characteristics

Various suppliers were considered and the choice fell upon **BERT'S BRICKS** of Potchefstroom That choice was based on a number of criteria, namely quality, pricing, logistical support and service

Jacques Marais, marketing manager of **BERT'S BRICKS**, says "We have an excellent track record and the quality of our bricks is proven We are also one of only a few brick manufacturers who could supply on the scale envisaged for the Lost City project, which involved mind-boggling quantities We were able to offer a privately owned, well-managed factory with its own transport which could manage logistically and provide the service" Approximately 25 percent of the company's output had to be allocated to the project

Marais says "When the bricklaying phase started in all earnest contractors on site and **BERT'S BRICKS** were involved on a scale, and co-operated in a way, that was never experienced before in the brick industry

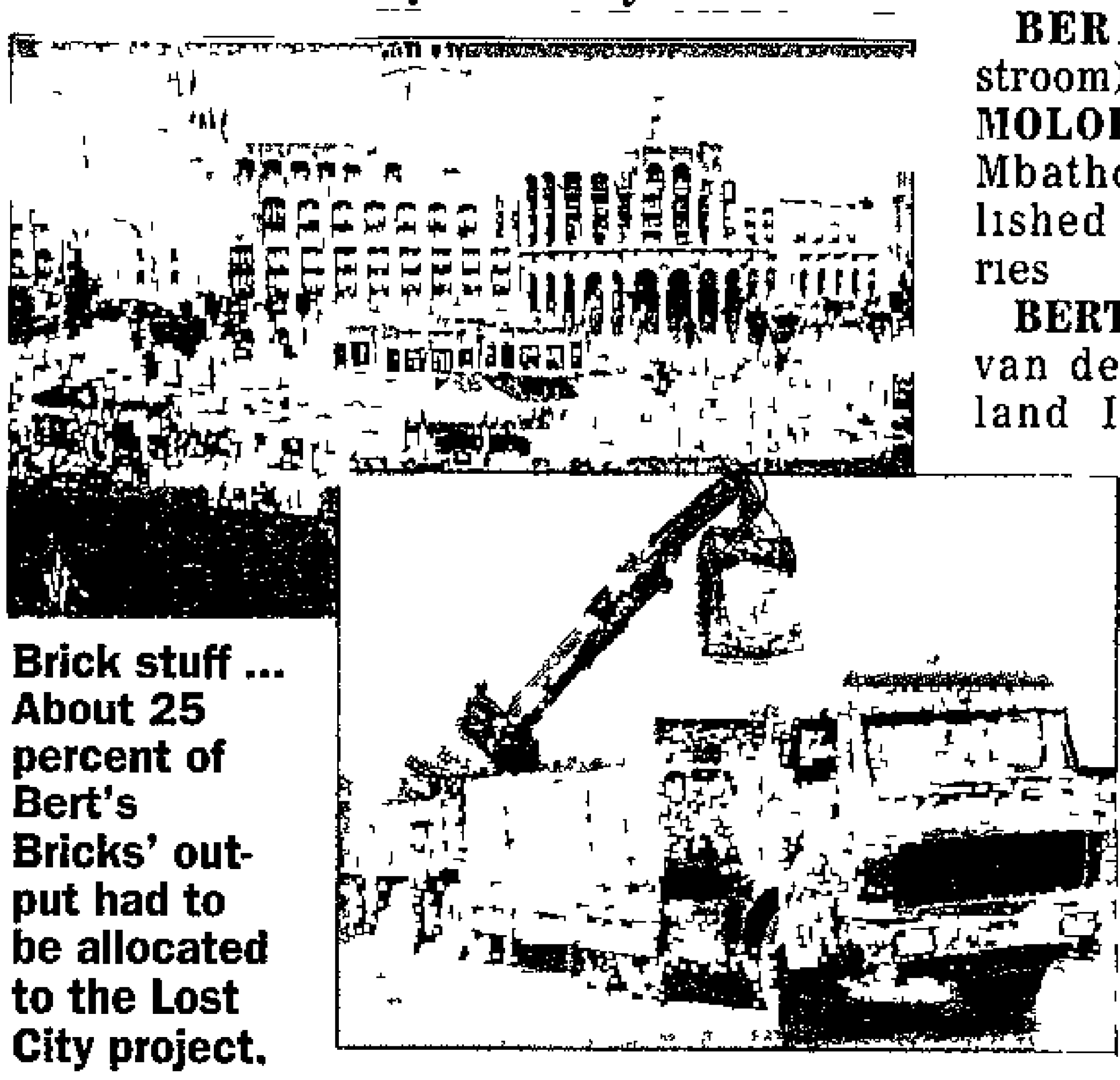
"Such was the flow of demand that trucks departed from Potchefstroom and arrived on site around the clock to deliver bricks on pre-designated routes to off load bricks as required by foremen

"The supply contract extended over a period of a year, during which time about 30 million bricks were delivered at a rate of no less than 130 000 bricks a day

"That amounts to about 3 000 loads of brick in heavy trucks and the total distance travelled by the trucks amounts to 1 260 000 km — a truly stupendous logistical effort

The company's record for delivery to a particular site on one day was 420 000 bricks within 24 hours after the order was placed, over a delivery distance of 170 km

'Crash track' contracting aptly described Bert's Bricks' role in Lost City, in which bricks were delivered at a rate of no less than 130 000 bricks a day for a year.



Brick stuff ... About 25 percent of Bert's Bricks' output had to be allocated to the Lost City project.

BERT'S BRICKS (Potchefstroom), and its sister company **MOLOPO BRICKS** (Mafekeng/Mbatho) are both well established privately owned factories

BERT'S was founded by Bert van der Merwe on borrowed land In those difficult early days, the mixer had to be turned by borrowed donkeys as there was no power After taking a degree in economics at Stellenbosch University, Gerald van der Merwe took over from his father

Today **BERT'S** is one of the largest brick-manufacturing factories in SA and produces 70 million bricks annually, about 20 000 bricks (enough for an average house) every hour

MOLOPO BRICKS is a heavyweight producer in its own right, with an output of about 48 million bricks a year Between them the companies manage and own a fleet of more than 30 crane trucks

FM 11/12/92 FOX

193

CHARTER CONSOLIDATED

Interest rate dent

The sharp fall in sterling interest rates makes the only dent in Charter Consolidated's otherwise good first-half performance in the face of depressed markets and margins At the operating level, profits to September 30 lifted by 3,6% to £31,3m, but the combination of lower interest rates and a £20m reduction in cash balances to £102m cut net receivables by 30% to £5,8m

That left pre-tax earnings 4% off at £37,1m EPS were marginally less affected at 21,8p (22,4p) and the interim dividend is pegged at 7p

Leaving aside the contribution from the passive 38% stake in Johnson Matthey — which accounts for 57% of £606m group turnover and 40% of profits — the four legs of the operating business coped well Their combined pre-interest surplus inched up by nearly 2% to £16,9m on turnover of £262m, a 15% gain

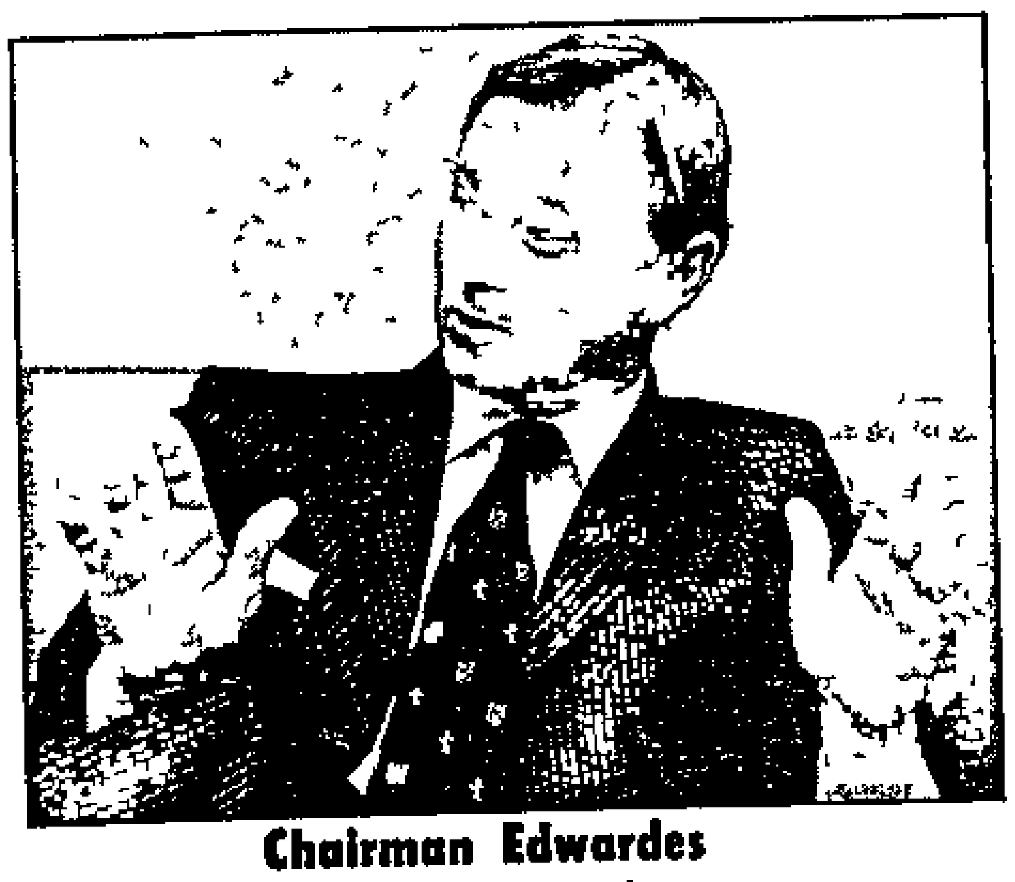
Buildings products and services (Cape) grabbed a bigger market share in the UK and Continental acquisitions with major contracts in Brunei and Australia raised turnover by 31% to £128m But a devastated UK construction industry meant lower overall margins and no change in profits at £6,4m

Rail track equipment (Pandrol) had a mixed six months Maintenance suffered in the US but sales of fastenings to Belgium, Italy and the US picked up as did contract work

Sales were 12% better at £51,8m but the surplus was only 1,5% up to £6,7m

Pandrol is expanding in France — acquiring two companies with combined revenues of £4,2m — and the UK in a joint venture with another French group

Coal mining equipment saw a 61% improvement at the UK arm, Anderson, previously blighted by the run down of British Coal, offset at National Mine Service in North America Overall turnover was fractionally down and earnings flat



Chairman Edwardes
JM's shadow

Quarrying suffered a slight downturn because of aggressive competitive prices but by cutting costs Hargreaves managed to raise profits by 12,5% at £1,8m

Creditable as all this is, Charter's investment standing continues to shadow Johnson Matthey With the holding valued at more than 57% of Charter's market capitalisation, the shares moved up to their 12-month high of 555p in London — echoing a JM advance

A historic yield of 5,2% and p e of 13 compares with 2,7% and 20 for JM Stripped of JM, at current prices and on a maintained dividend which could be 1,5 times covered, Charter would yield 9% and stand on a multiple of 7,5 — before any assumptions about what the liberated cash would earn

John Cavill

PPC FM 18/12/92

One for the long term

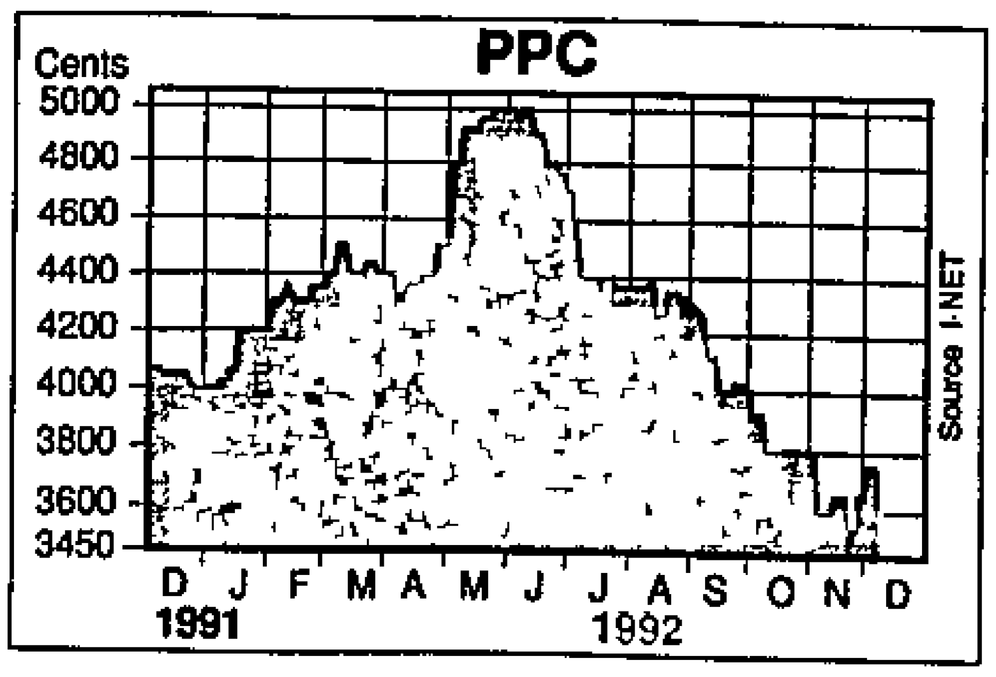
Activities: *Manufactures and distributes cement, lime and lime stone products, paper sacks and other containers* (193)
Control: *Barlow Rand (60%)*
Chairman: *J Hall, MD J Gomersall*
Capital structure: *40,6m ords Market capitalisation R1,5bn*
Share market: *Price R37,50 Yields 5,2% on dividend, 7,6% on earnings, p e ratio, 13,1, cover, 1,5 12-month high, R50, low, R30 Trading volume last quarter, 0,67m shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	7,9	2,5	1,7	1,7
LT debt (Rm)	1,9	30,0	36,0	34,2
Debt equity ratio	n/a	n/a	0,03	n/a
Shareholders' interest	0,62	0,61	0,62	0,64
Int & leasing cover	n/a	n/a	n/a	28,2
Return on cap (%)	20,4	19,2	19,8	19,8
Turnover (Rm)	689	740	818,5	899
Pre-int profit (Rm)	178	180	195	208
Pre-int margin (%)	25,8	24,3	22,8	22 1
Earnings (c)	252,6	266,2	284,8	287,0
Dividends (c)	130,0	150,0	172,0	195,0
Net worth (c)	1 348	1 401	1 535	1 628

Pretoria Portland Cement has all the symptoms of the global malaise, falling capacity utilisation, declining volumes and pinched margins Its nominal earnings growth averaged 18,2% over the past five years, but this trend looks as though it might be flattening out with only 1% growth in 1992

Of the four divisions, cement, lime, packaging and investment & other, only the last outstripped the average divisional compound annual sales growth since 1988, the others fell short Growth in operating income (before interest and tax) tells the same story, except that all the divisions fell behind compound annual growth since 1988, the lime and packaging divisions had negative growth

PPC's cement operations, the largest division contributing 56% of turnover and 61% of operating profit (before tax and interest) in 1992, saw domestic sales volumes fall 6% Just under two-thirds of cement production is sold to merchants, which makes pinpointing the main cause for the deterioration in



PPC's Hall *strong financial position*

demand difficult, says finance and administration director Chris Wrogemann But he believes the fall in sales is primarily due to the further slowdown in the construction industry and in low-cost housing because of continuing violence and unrest

The slump in international demand for metals (including gold, uranium, steel and ferro-alloys) is the main reason for lower demand for lime products (17% of sales) Sales volumes decreased by 6% over 1992 Wrogemann expects sales volumes for the cement and lime divisions to improve in 1994

Price increases for lime and cement rose by 8,2% and 10,8% respectively in 1992, a fall in real terms Group sales rose by 10% in nominal terms, but this was largely due to a significant increase in the contribution from the "investment & other" item, which accounted for nearly three-fifths of the increase in turnover

The operating margin has steadily declined in recent years because of the high proportion of fixed costs and falling capacity utilisation, which declined in cement and lime divisions to 58% and 45% respectively

Wrogemann does not expect a recovery in the present stagnation in PPC's main markets for 1993 Despite this, he is optimistic about future demand, especially for low-cost housing once violence and disruption abates He says "My favourite hobbyhorse is that there is massive pent-up demand for low cost housing"

He believes there is demand for 250 000 additional housing units a year until the end of the century to catch up with the backlog If only 100 000 of those units are built, each one requiring, say, 3 t of cement, a total 300 000 t/year of additional demand would arise This represents a near 5% volume increase on the existing 7 Mt of cement demanded annually, a significant boost to sales

But what should the investor do between now and then? A look at the dividend since 1988, shows an annual increase which keeps pace with inflation PPC also paid out a special dividend in 1991 because capex plans were undemanding But is this sustainable given static earnings and the fact that dividend cover has been steadily reduced to 1,5? Wrogemann says nominal increases in the dividend could continue as there are no major capex plans for the foreseeable future

The share has come off its R50 high to R37,50, losing a quarter of its value since May, to stand on a multiple of 13,1, rather an ambitious rating given the expected earnings stagnation over the coming two years The premium can be justified by the fundamentals no net debt, cash generative and a sound dividend policy If and when pent-up demand for low-cost housing follows Wrogemann's predictions, the share will be upwardly rerated It's a dream for the risk-averse, timing is all *Louise Randell*

Cementation set to grab advantage

B/Day 22/12/92 (193)

EDWARD WEST

THE Cementation Group is confident this year's earnings will be an improvement on last year's, chairman Ronny Shaw writes in his valedictory annual review

A strategy to increase penetration of its services for export should be evident in the current year's performance, Shaw said in the diversified engineering and mining contracting group's 1992 report

The management team was well geared to take advantage of any upturn, though the virtual zero economic growth forecast for next year would adversely affect the industries in which the group operated

In the year ended September 1992, Cementation converted its R10,5m loss of the previous year into a profit of R334 000 after providing R1,19m for the group's portion of the loss in associate company Barracuda Granite Tile

Shaft-sinking remained the dominant contributor to earnings, even though activities had declined over the past two years Underground drilling, cementation and backfill operations had increased market share

Demand for raise-boring improved, but prospects for declining surface exploration activities remained uncertain In sympathy, sales at the diamond crown manufacturing operation were lower

The mining division's order book was enhanced by the award of a major long-term contract for sinking the Amandelbult No 2 shaft

The mechanical and structural engineering divisions' workloads were unsatisfactory and further shrinkage of these operations was not ruled out

The railway division experienced difficult trading conditions as the local market was reaching a record low Export orders were not being executed because financial guarantees were not materialising

Negotiations to dispose of a substantial share of the group's specialised forging plant — which produced satisfactory profit in the past year — to Denel were well advanced

Results of the smaller sales divisions in the past year were disappointing The chemical division was nominally profitable, as was the Cemtec-Fenzy division But the pump, valve, Cemwall and Cemtron divisions incurred losses

Shaw said he planned to retire in January after serving the company for 46 years

Italtile ponders staff share plan

ANDREW KRUMM (193)

ITALTILE proposes to ~~replace its~~ failed employee share incentive scheme with a new one which could release 15% of company equity to employees, says director Peter Swatton. BDay

An employee share incentive scheme had been implemented in 1988, but due to financial implications of changes in tax legislation, such as the introduction of fringe benefits tax and exemption of dividends from income tax, it had failed in its aims, he said

The new scheme, to be put to a shareholders' meeting on January 12, was "fairly flexible" and would be of greater use to those it was intended to benefit, mostly managers and other executives.

"The scheme is not designed exclusively for management, but the guys on the shop floor are more interested in short-term benefits, such as productivity bonuses," he said. 29/12/92

Meanwhile, Ceramic Industries, formerly part of the Italtile group, has proposed a virtually identical employee share incentive scheme.

MANUFACTURING – NON METALLIC MINERAL PRODUCTS

1993

Inca sees no upturn yet

By MAGGIE ROWLEY

THE most optimistic scenario for the construction industry was that it would now stop declining and bounce along the bottom in a new measure of stability before an upturn in mid-1994

So said Rob Low, executive chairman of Inca, the newly established entity comprising three of South Africa's major concrete masonry manufacturers

In an interview preceeding the launch of Inca yesterday he said any upturn in the industry could not be expected before a newly elected government

The formation of Inca, he said, would hopefully go a long way to improving staff morale in the three companies, Cape Town based Calsica, Transvaal based Tricrete and Border Concrete in the Eastern Cape.

(193)

While Calsica had weathered the recession better than most, Tricrete had been forced to downsize in recent years and its staff had been almost halved, he said

CT 30/3/93

Payout knocks Minaco

DUMA GQUBULE (193)

MINACO Granite & Marble reported a 39% drop in attributable earnings to R3,2m (R5,3m) in the year ended December, despite increasing sales by 38% to R41,6m (R30m) BIDAY 7/4/93

This was equivalent to earnings of 10,8c (16,3c) a share. The company did not declare an annual dividend

Operating profit was up by a third to R8,1m compared with R6,1m the previous year The group's interest bill increased sharply, to R3m from R156 000, and pre-tax income was down 15% to R5m.

After-tax income rose to R4,7m (R5,6m). But a new entry on the income statement, an R855 000 payment to an outside shareholder, was the main reason for the drop in attributable earnings to R3,2m.

At the interim stage, the company said financing of offshore business and large local contracts were the reasons for the higher interest payments.

The group had commenced investigations into the provision of trade finance

GuardBank unit trusts outstrip JSE indices

ANDREW KRUMM

ALL FOUR GuardBank unit trusts outperformed comparable JSE indices in the year ended March 31 1993, with the best performances coming from Guardbank Industrial and GuardBank Income funds

A spokesman said the GuardBank family of unit trusts reported "satisfactory to excellent" results The year-old GuardBank Industrial Fund notched up a 25,85% return for the year (including capital appreciation and dividend reinvestment), bettering the financial and industrial index (7,24% return) by a large margin.

Fund manager Liberty Asset Management (Libam) said although the industrial fund remained small, it grew 29% during the March quarter due to a strong investment inflow, ending at R15,05m in market value in March (R11,64m December 1992)

Its sibling the GuardBank Income Fund continued to attract investment as interest rates dropped and rose to R175m in market value in March, against R153,6m in December. The income fund gave investors a total return of 19,51% over the period

The flagship GuardBank Growth Fund, which ranks among the larger unit trusts on the JSE, notched up a "highly satisfactory" 14,22% total return for the year. The fund more than regained the market value it lost in August last year, to finish the March quarter valued at R1,644bn (R1,498bn December) Libam said acquisitions were concentrated in the mining sector during the quarter, with a new holding in Amcoal, and additions to the Rusplats and Rand Mines holdings

B/DAY 7/4/93

Meanwhile, the GuardBank Resources Fund gave investors a 6,23% total return, outperforming the various mining indices, with the exception of the booming gold index

Libam said the outlook for the share market would depend largely on the durability of the US economic recovery, and prices on Wall Street The behaviour of the gold price, and the outcome of multiparty negotiations would significantly affect local market sentiment in 1993

PFG application comes under fire

By Stephen Cranston (193)

STAR 13/1/93.

There has been widespread criticism of PFG Building Glass's application for anti-dumping duties on building glass

PFG argues that its application for protection is within limits set by the General Agreement on Tariffs and Trade (Gatt), which recognises the need for tariffs when goods are exported at a price lower than the price at which similar goods are sold in the exporting country.

PFG has been forced to cut its prices by up to 40 percent since building supply companies started to import glass at lower prices.

Gerald Haumant, MD of the building supplies retailer Cashbuild, says the chain cancelled its import orders when PFG matched the price of imports

The price of 40 panes of glass, totalling five square metres, plunged from R109,74 in December 1990 to R87,26 in June 1991 and to R61,08 in July that year

It has since risen to R88,73 and Haumant fears that it could go back to 1990 levels if the PFG application is successful

He warns that anti-dumping duties will ultimately encourage the illegal import of glass as it is difficult to police the contents and origin of each containerload brought into the country

Grinaker Building MD Howard Jones says that an anti-dumping duty goes against the free enterprise system and that the building industry does not need additional costs when demand is low and margins are tight

Last June the Board of Tariffs and Trade threw out an application by PFG, then Pilkington, for anti-dumping duties

The board said that the export price of glass from China was higher than its domestic price, which indicated that glass was not being dumped

In the current application, according to spokesman Brian Gibson, PFG intends to prove that glass is being exported from China at a price below the domestic price as well as proving that PFG is suffering material loss

Argus has no interest in FW

Finance Staff 195

Rumours of an Argus interest in acquiring Finance Week were entirely unfounded, Doug Band, chairman of the Argus Newspapers, said last night.

In response to the South African Union of Journalists' (SAUJ) call for the major publishing groups to stop vying for control of Finance Week, he reaffirmed that his group was not interested in buying Finance Week, and never had been.

STAR 14/1/93

BTT to probe glass dumping

S Times (Buss) 17/1/93.

By DON ROBERTSON (193)

THE Board on Tariffs and Trade (BTT) is to conduct an investigation into the dumping of flat glass in SA from Thailand, China, Hong Kong and Singapore, according to Friday's Government Gazette

The application for the investigation was made by PFG Building Glass, the only flat glass manufacturer in SA PFG is a member of Glass SA and eventually a subsidiary of Plate Glass & Shatterprufe Industries

The BTT says that evidence of dumping and material loss suffered by PFG is "sufficient and accurate" enough to justify the probe

PFG says production of flat glass has declined by 22% in the past two years, 12% of its labour force has been cut and imports have cost the company R20-million It was also necessary to lower prices to match imports During the same period, demand for flat glass has declined by 10%, but imports have increased by 33%

The gazette notes that recent imports have been landed at between 54% and 73% below the domestic prices in the country of origin

Cyril Gebhart, managing director of Triangle Glass, one of the main importers of glass, is to encourage other independent traders to oppose the introduction of dumping duties

Glass-dumping claim under investigation

STAR 18/1/93 (193)

By Stephen Cranston

The Board of Tariffs and Trade has found sufficient cause for an investigation into the alleged dumping of glass from the Far East

If it finds that dumping has taken place, anti-dumping duties will be imposed.

PFG Building Glass, the only local manufacturer of float glass, has lost R20 million in the past two years because of imports of dumped glass, according to Rod Fehrsen, MD of holding company, Glass SA

Employment

Fehrsen says that employment levels in the company have fallen by 12 percent over the same period

Overall demand for clear flat glass has fallen by 10 percent during that time, but PFG's production of clear flat glass has declined by 22 percent during the past two years and its profitability by 42 percent

Imports now account for 10 000 tons out of the 54 000 ton building glass market

An application by PFG for protection against the dumping of glass by mainland China was refused by the Board of Tariffs and Trade in June 1992 as the board did not find that dumping injurious to PFG had occurred

But Fehrsen says over the past year imports have grown dramatically from both Thailand and mainland China, often through Hong Kong and Singapore

There is significant excess capacity of building and automotive glass and Fehrsen believes that much of the glass exported to South Africa is sold below cost in order to earn hard currency

The free-on-board (FOB) price of glass is between 54 percent and 73 percent less than the manufacturer's selling price to domestic merchants

Clear flat glass 3 millimetres thick sells for R13,48 a square metre in Thailand, but comes into South Africa at a free-on-board price of R3,82 a square metre Glass of this quality from China has a free-on-board price of R5,83

But Fehrsen questions if much of this saving is passed on to the end-user

PFG also sells glass at a lower price internationally than locally, but more in the region of 10 percent to 20 percent lower, which it claims does not constitute dumping

Glass will still be imported, even if anti-dumping duties are introduced, and Glass SA's ex-factory prices will still mirror world prices

The costing at PFG's plant in Springs is internationally competitive

It is a major exporter of glass, but it is unable to sell in Thailand and mainland China because Thailand has a 50 percent import duty on glass and China does not allow glass imports

Glass manufacturing is capital intensive

The replacement value of the Springs plant is R350 million

If imports continue to grow unchecked, then PFG might not be able to recoup sufficient margin to survive

"Glass is readily available today, but supply could become short in the future if international demand outstrips supply and if there is no local manufacturer to rely on"

Objection

Glass importer Triangle Glass has registered an objection to the application and is petitioning objections from its 400 retailers Triangle's Cyril Gebhardt says it is a waste of taxpayers' money to undertake yet another investigation

Should further duties be levied, PFG could resume the monopoly pricing it carried out before glass imports began to make an impact

Nothing has changed in the past six months except that the building industry is being harder hit by recession, Gebhardt claims

Independents are petitioning the board to lift the existing 10 percent import duty

Probe follows complaint of glass 'dumping'

BIDAY 18/1/93 (193)

THE Board on Tariffs and Trade (BTT) is investigating alleged dumping of clear flat glass in SA following PFG Building Glass's application for protection against dumping

Notice of the board's investigation was published in the Government Gazette on Friday and was welcomed by the chief executive of PFG Building Glass's holding company Glass SA CE Rod Fehrsen said dumping of flat glass by Far East countries had cost PFG more than R20m over the past two years

The board said evidence presented by PFG was "sufficient and accurate enough to justify accepting the complaint for a full investigation".

The Board said it appeared exports from the People's Republic of China, Hong Kong, Thailand and Singapore were "made at prices that constitute dumping" PFG's loss in sales correlated directly with the imports from the Far East

Although PFG was seeking anti-dumping tariff protection, Fehrsen said Glass SA was opposed to tariffs barriers and supported their gradual removal

"We will probably be accused of seeking to entrench a monopoly position But we are not asking for an exclusive supply position All we want is to compete against imported glass on equal terms," he said

Independent glass importers last week claimed that BTT's investigation was a waste of taxpayers' money, and that new duties would lead to a monopoly situation

The glass investigation is the second major inquiry to be initiated by the BTT this month Last week it announced it was looking into alleged dumping of tube and pipe fittings from China, Hong Kong and Thailand — Sapa

Anglo Alpha feels pinch of product demand slump

B DAY 11/2/93

(193)

EDWARD WEST

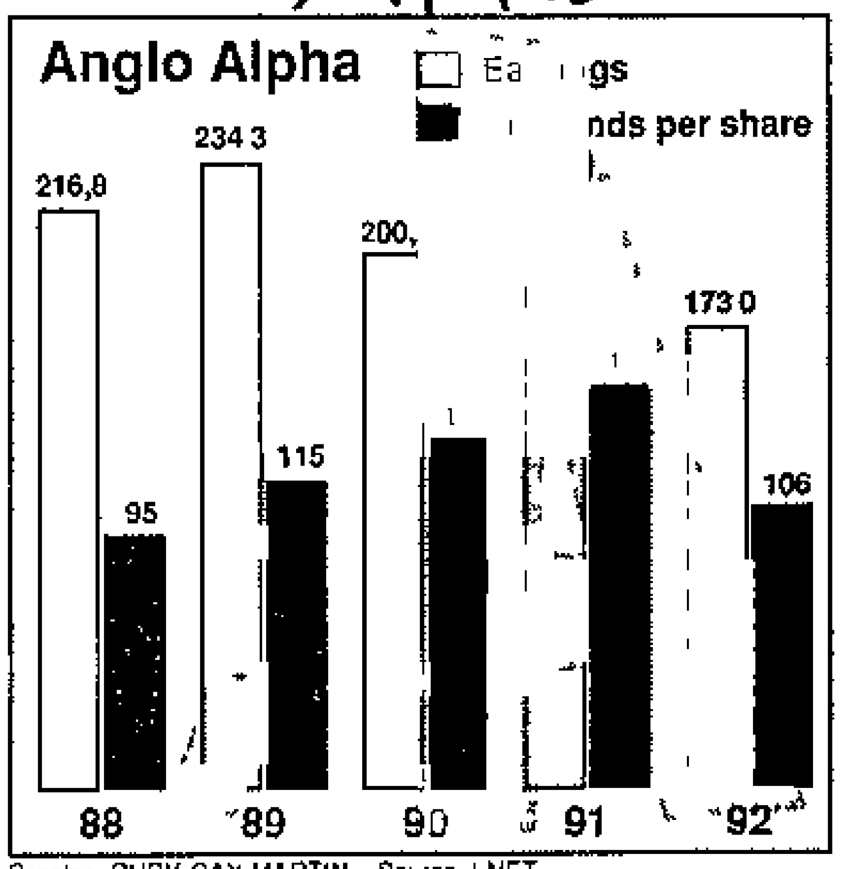
HIGHER costs and taxation depressed Anglo Alpha's earnings a share which fell 10,3% to 173c in the year to end-December 1992 compared with 192,9c in 1991, today's published results show

An unchanged final dividend of 106c was declared, maintaining the total dividend for the year at 152c covered 1,1 times (1991 1,3 times) at current cost

Recession continued to affect results and demand for the group's cement, stone aggregate, building sand, lime and limestone products and industrial minerals declined 7% on average compared with 1991

However, turnover increased 3,9% to R757m (R728,2m) Operating income rose 7,5% to R145,9m (R135,7m) mainly from improved efficiencies, resulting in higher profit margin of 19,3% (18,6%)

Finance costs climbed 43,2% to R30m (R21m) due to an increase in average monthly borrowings Long term liabilities climbed to R161,5m (R139,8m) Cash on hand jumped to R144,2m (R75,8m) The debt/equity percentage was 19,2% (22,5%)



Graphic RUBY GAY MARTIN Source I NET

The group's tax charge 32,5% up at R32,4m (R24,4m) because of an increase in the effective tax rate to 24,5% from 19,1% This, according to a statement from the group, resulted primarly from lower tax allowances

After revaluation of assets and removal of general sales tax , current cost adjustment increased only 5,8% to R47,6m (R45m). Taxed income fell 10,3% to R52m (R58m)

On an historical cost basis, earnings fell 3,3% to R99,7m (R103m) An extraordinary item of R6,9m was written off, which financial director Trevor Wagner attributed to closure of two stone operations, and the write-off of an investment in Sallies gold mine closed during the year

Wagner forecast static sales volumes in 1993, but benefits of cost reduction measures taken in 1992 would filter through this year

Directors said though group policy was to cover dividends 2,0 times on average by current cost earnings, present cash flow level and estimated capital expenditure over the next five years permitted lower cover

Anglo Alpha proves to be a good buy for AVI

By Stephen Cranston 193

Anglovaal Industries has reported a 21 percent increase in earnings to R147,2 million but because of an increase in the number of shares in issue, earnings per share increased by just ~~nine~~ percent to 464c

A notable feature was the contribution from the 25 percent holding in Anglo-Alpha, acquired in the second half of last year. It contributed 10 percent of the group's attributable earnings.

Top earner

Once again National Brands, which holds Bakers, TW Beckett, Pakco and Yardley, was the biggest earnings contributor, with a 28 percent contribution. Packaging and rubber group Consol followed with an unchanged 27 percent.

This was followed by AVI Diversified Holdings, which has interests principally in textiles and engineering. It provided 17 percent of the bottom line This was down from 21 percent. The textile division reported lower profits, largely because of continued unrest around Mooi River Textiles.

I&J, which reported a 19 percent earnings decline saw its contribution fall from 20 percent to 13 percent. The troubled electronics and construction group Grinaker had an unchanged three percent contribution.

Group turnover increased by six percent to R4,199 billion but profit before tax was up by just one percent to R371,4 million.

A decline in the effective tax rate from 44,6 percent to 41,2 percent, the maiden contribution from Anglo-Alpha and reduced income for minorities turned this into a 21 percent increase at the attributable level.

The net cash position of the group fell by R327,6 million to R141,9 million as a result of the acquisition of 25 percent of Contred by Consol from Trencor and group capital expenditure of R144,2 million.

Cullinan Holdings on the upswing

B/Day 22/1/93

EDWARD WEST (193)

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

GLASS FM 22/1/93

A fragile case (193)

It's often said that government merely rubber-stamps big businesses' pleas for protection whenever it feels the chill winds of competition

That being the case, it will be interesting to see how it reacts to an application to the Board on Tariffs & Trade to investigate charges that building glass from the Far East is being dumped to the detriment of local manufacturers

The application — the second in six months — was made by PFG Building Glass, a subsidiary of Glass SA, owned by PGSI, which dominates local manufacturing

PFG claims that glass from Thailand and mainland China lands in SA at 54%-73% less than the manufacturer's domestic selling price — a practice which fits squarely into the Gatt definition of dumping It also claims this has caused profits to plummet by R20m in the past two years and jobs have been cut by 12% because imports now account for 10 000 t of the 54 000 t building glass market

Importers of the cheaper glass dispute that dumping is taking place Their explanation for the manufacturers' problems is that demand has dropped due to a slump in building activity

Opposition to the application is intense

FM 22/1/93 (193)

Importer Triangle Glass MD Cyril Gebhardt says PFG, in its application, has misleadingly used export figures from Thailand rather than China and claims the Chinese statistics are unsuitable because China doesn't have a free-market economy and allows no glass imports Explains Gebhardt "We import from China, not Thailand, and China has one standard export price, so one could argue that all its glass exports constitute dumping "

He adds that he is able to land 3 mm flat glass from China (all duties and surcharges included) at R9,50/m² Local manfacturers charge about R13/m² He says the new investigation is a waste of time and taxpayers' money since the board recently released a report stating that there was no dumping from China The report was the result of a similar application by PFG in June

"If anti-dumping measures prohibit these imports, prices will increase immediately by at least 25% and the entrepreneur who buys directly from the importer will once again have to go through the more expensive established distribution chain," Gebhardt says

This is one of the reasons why African Glass MD Jeff Saville, also an importer, is against PFG's application He claims PFG monopolises the entire distribution chain from manufacturing to the retail level "We have to buy from it and compete with it — that's why we've turned to importing our own glass," he says

PFG denies that its anti-dumping application, like any tariff-protection application, is merely geared to keeping out cheaper exports Says Glass SA MD Rod Fehrsen "We support a move away from tariff protection and will not contest moves in the industry to drop the 10% duty But dumping is disruptive and no market can sustain this practice "

Competition Board chairman Pierre Brooks says most countries have anti-dumping provisions and SA's are probably in line with international practice He points out that the measures are solely intended to stop other countries from dumping goods on our market at prices substantially less than what they sell for at home

Some of the Board on Tariffs & Trade guidelines (like the Gatt regulations) on dumping require that there should be a material injury to a local manufacturer and that the dumping should not be in the national interest

But price shouldn't be the only consideration in determining anti-dumpimg policies, says Brooks "Ultimately, though, we have to ask whether the consumer is better off For example, is the quality of the goods consistent, will there be good back-up service? Protecting the local manufacturer is also a consideration but one has to ask at what point does one protect the local industry at the expense of the consumer "

He suggests that companies dominating the local industry should be subject to international competition "Anti-dumping policy should merely try to ensure that this competition is fair," he says ■

Holdains (194) offer at 10% discount

STAR 25/1/93

Holdains is pitching its rights offer at a 10,6 percent discount on current market price, thereby putting a R194 million gross value on the offer

An added attraction, says the group, is that shareholders will receive the interim dividend in May on their new shares — barely two months after paying for them

The bulk of the R191 million net proceeds will be used to fund recent acquisitions a 50 percent stake in Crown Cork SA, and a 30 percent holding in Crown Cork and Seal's operations in Zimbabwe, Zambia, Kenya and Nigeria

The balance will go to financing expansion within the acquisitions, leaving a relatively debt-free balance sheet.

The rights offer gives shareholders the renounceable right to subscribe at R40 per share for 20 new shares in Holdains for every 100 shares held.

With Holdains' shares closing last week at R44,75, this represents nearly an 11 percent discount.

The offer is fully underwritten by parent company Malbak — Sapa.

Three firms with concrete proposals

STAR 27/1/93 (193)

Three companies have *been formed by PPC to assist the construction industry with new building systems, cement products and methods to reduce building costs.*

"Each building site in South Africa is a learning experience because no two buildings are identical," says PPC managing director John Gomersall.

"By providing the industry with high-quality, mass-produced products we hope to cut building costs and construction time while increasing quality and efficiency for the end user. This is the route taken by First World countries such as France and Germany and one which we must follow if we are to maintain high standards. PPC does not wish to compete with its customers. We have no long-term plans to manufacture concrete products, but rather to be a catalyst."

Test of time ... Preslabs on the Rosebank Court project in Oxford Road.

PPB-SA

Despite the recession and the dearth of building contracts new companies with labour-saving ideas coupled with quality control can and do flourish

One such company is PPB-SA, jointly owned by PPC and the French concrete company, Cedest. The venture was established to manufacture under licence a range of integrated prestressed concrete structural components for the construction industry

The components can be used on their own or can be combined with others for any number of applications and this flexibility has gained wide acceptance from architects consultants and the contractors

The present range of products includes the prestressed beam and block system, the 'preslab' and rectangular beams

The floor beam and block system has been used extensively in the domestic market and in office blocks

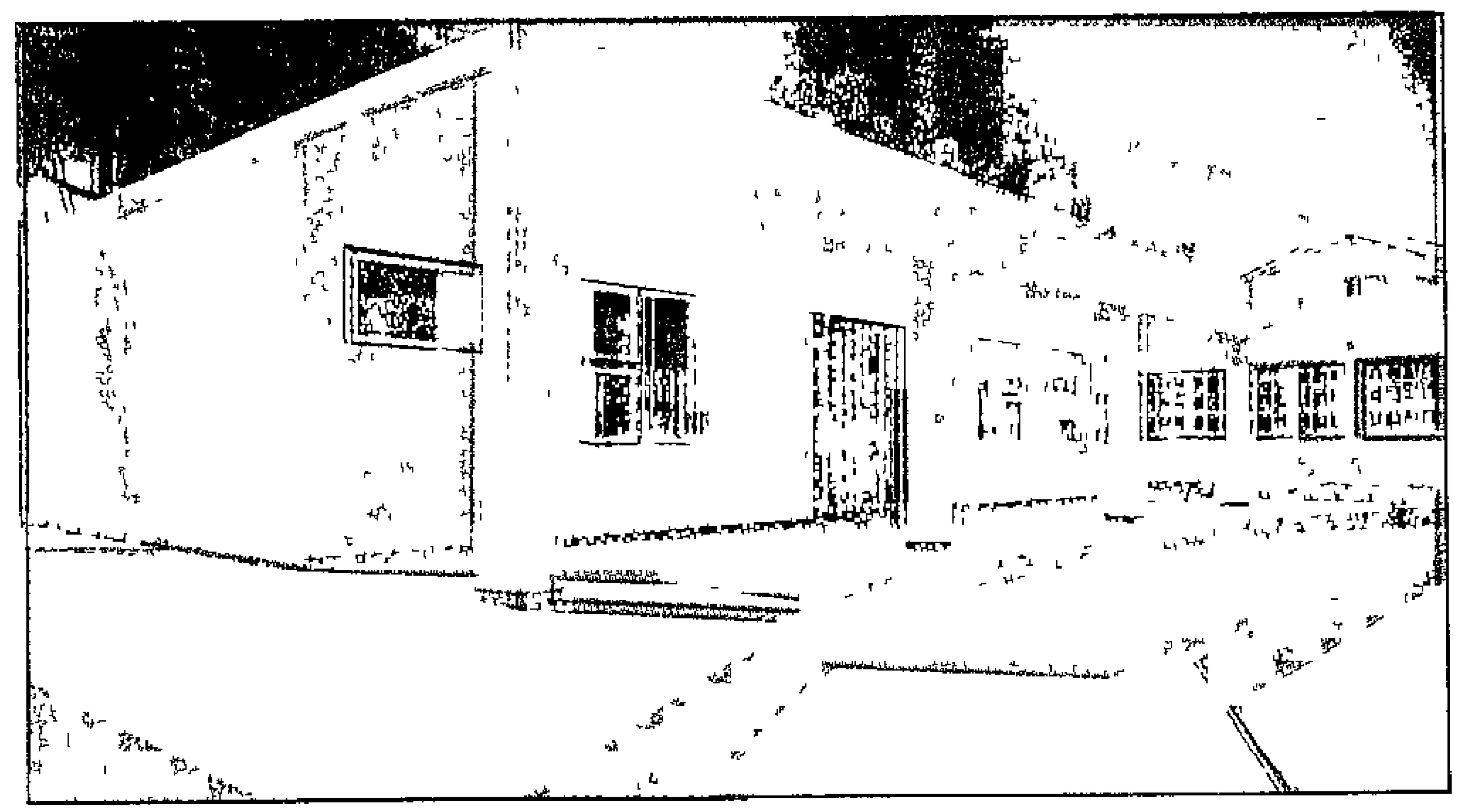
The preslab is particularly suitable if minimal or no propping is required. A prepress preslab of 120 mm is commonly supplied to the townhouse market. According to managing director Andy Dutfield this product has created great interest in the market as the width of the preslab means fewer joints and faster erection

The manufacturing process is extremely flexible, as odd shapes, additional reinforcing steel, boxouts and cast-in services can be accommodated." Referring to the rectangular beams he said "On an office project recently undertaken the floor over the parking level was constructed using rectangular beams spanning the nine metres at 2,5 metre centres with the preslab acting as a permanent shutter for the topping concrete. Props were only required under the beams. The 360 sq m of product was erected in a day and an excellent soffit finish was achieved." The company also provides technical back-up for the design and erection of its products

The PPB R20 million factory at Olifantsfontein in Midrand, was officially opened in April last year by the French Ambassador to South Africa, Joelle Bourgois. Since then the cost-effective, quality-controlled components have featured in houses townhouses small to large office complexes factories a fire station a sports stadium a church, a bridge over a canal a school, the War Museum in Saxonwold and Rosebank Court opposite the Rosebank Mall in Oxford Road

BPPB-SA is the French company's 52nd licensee but the first English-speaking country to join the fold. Formed in 1960, PPB International licensees world-wide now erect 100 000 sq m of PPB structures daily

For more information, please telephone (011) 316-1540.



Left: Back to school . . . An attractive classroom, rapidly constructed by Zephcon in cellular, lightweight concrete.

Below left: Home sweet home . . .The Betram concrete door and window frame system, used throughout this recently built home.

BETRAM

Betram was founded in 1986. For six years the company has been developing, testing and patenting an unique range of concrete window and door frame systems

During 1991 PPC acquired a 40 percent interest in Betram. This tie-up with PPC made it possible to expand production capacity and national distribution outlets

Betram released its door and window frame system just prior to the Interbou show confident that it would draw a lot of interest from the building industry. The stand certainly succeeded not only in attracting people but also a bronze award for the best stand

"We feel that the key here is its framing flexibility and that it addresses four critical issues — construction flexibility, design installation and price" says Lukas Fourie, managing director of Betram

"The concrete door frames are available in 12 different sizes. The concrete frame windows have nine different applications, available from five different sizes. The windows can be installed horizontally or vertically with left right, top or bottom openers. They can be installed with aluminium or wood insert, or directly glazed in with putty or silicone. Pre-drilled holes allow the easy installation of Betram burglar bar system or any other that may suit the designer

"The frames are provided with a factory undercoat so that PVA or enamel may be used straight on to the surface. In recommending PVA, we take into account the home owners who can then change the colours as they change the decor. Framing should be fun and this is what we have set out to achieve with Betram frames

"Installation is simple and a patented design allows the changing of windows in minutes. Want to change from contemporary to the cottage look? Simply take out the old frame and insert a wooden one. Each surround comes with an EPD1-1 "bubble" seal that ensures closure is water and air tight. No more rattling windows

The main features of this system are

- Maintenance fee and durable
- Can be painted to suit decor both inside and outside
- Excellent burglar-proofing system
- Cost effective — no lintels or damp course
- Practical, easy, quick installation
- Pre-treated for final paint finish
- Pre-glazed inserts fitting quickly
- Sash windows open 90 degrees for easy cleaning
- Flexibility and individuality in design combinations

"The fact that these systems can be installed by semi-skilled labour makes this an attractive solution in today's market. We have also seen that there is a demand for this type of product in the export market

"It is satisfying to see the interest that has been shown in our product after the six-year-old design and thought that went into the production of these systems

"It is our policy to contribute positively to the quality of life. We therefore regard the welfare of our employees and clients as being of prime importance

"Through generous investment in research and development we are endeavouring to contribute towards the creation of more job opportunities higher living standards and the promotion of mutually beneficial relationships." Fourie said

For further information, please telephone (012)-738326.

ZEPHCON

Lightweight concrete has been toyed with by South Africans for many years but with little understanding of its properties and behaviour

During its three-year existence, Randburg-based Zephcon has carried out an extensive research and development programme into cellular lightweight concrete (CLC). The company has recently been awarded the agency for Neopor, Germany, for southern Africa

Neopor is the recognised world leader in CLC with a 20-year international track record

The German tried-and-tested technology which Zephcon is marketing and technically supporting under licence can produce varying weights from one which is as light a pumice-stone to a weight or density only marginally less than conventional concrete

It can also be produced in varying structural and non-structural strengths. The additive that produces the foaming agent that makes CLC is a scientifically formulated protein which is biodegradable and non-toxic

Zephcon's general manager, Jonathan Hall says "Lightweight concrete offers major benefits when seeking to reduce the weight of superstructures, building elements or when seeking ease of placement of concrete. In addition, the millions of discreet air bubbles permanently created in the concrete provide excellent thermal and acoustic benefits

"It is also suitable for insulation, void-filling and trench reinstatement, particularly in roads, due to the ease of placement and because of the liquid consistency of the CLC

"CLC is an ideal alternative to the traditional method of allowing the traffic to compact trenches before the hard top is replaced. This is one of its biggest applications in the United Kingdom"

Prefabricated reinforced panels have the advantage of being lighter and therefore easier to handle. They can be used for either outside or interior walls in single or multistorey buildings

Other major benefits include the elimination of coarse aggregate which in some areas is prohibitively expensive or unobtainable

Due to the amount of air in the panel, it has considerable thermal and insulation advantages. It can act as a natural air conditioner and provide sound-deadening factors. It is fire-proof and effective as a roof insulation

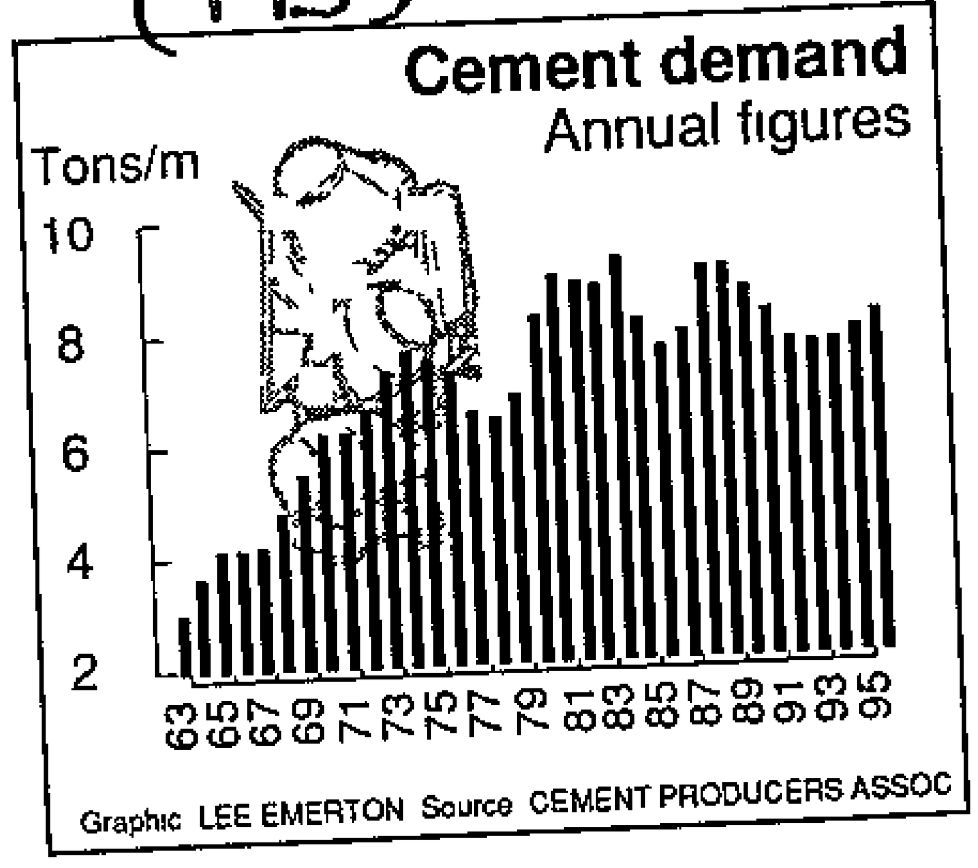
Finally the cost of using CLC compares favourably with other materials

For further information, please telephone (011) 793-6701.

Cement producers say things should improve

BDay 10/6/93 (193)

EDWARD WEST



SLUGGISH construction activity could improve in early 1994 when the effects of state spending on clinics, housing, schools and social upliftment are likely to be felt, says the Cement Producers' Association

The association represents the cement cartel comprising SA's three producers — Anglo-Alpha, Blue Circle and Pretoria Portland Cement

In its annual review, the association said although certain indicators such as falling inflation and interest rates showed promising signs of economic improvement, any meaningful recovery was unlikely in the short term

After an inflation adjusted 9% decline in civil engineering turnover in 1992, compared with 1991, a 1,5% and 12% increase in turnover was forecast for 1993 and 1994 respectively

Drought, violence, slow progress with political negotiations and lack of domestic and foreign investor confidence were delaying the start of a long awaited upswing, the association said

There was a shift in the contracting industry away from large infrastructural work to township, water, sewerage and industrial building work in 1992 Contract sizes tended to move from mega-projects to smaller jobs, it said

The volume of public sector work released to the construction industry, at a rate of 3,5% of GDP, reached the lowest level in 1992 since 1946 Private sector building investment had dropped by about 14% over the past three years

The residential market suffered through continuing high mortgage rates and depressed disposable incomes The backlog for affordable housing had reached about 1,4-million units

Domestic cement sales in 1992 dropped 3,7% to 7,18-million tons from 7,46-million tons in 1991

Production capacity utilisation, including mothballed kilns, remained virtually unchanged last year compared with 1991 at 59% Cement and clinker exports, mainly to Zimbabwe and Mozambique and a few overseas destinations was 29% down at 289 000 tons in 1992 compared with the previous year because of low levels of economic activity and drought in southern Africa

The contribution of construction to GDP fell to 16% in 1992 from 26% in the mid-70s Total investment in building in 1992 of R14,9bn was 6% down on 1991's R15,9bn

However, although recession in the industry was one of the worst, a number of recent projects would impact positively on the construction industry and cement sales Concreting of the main wall of the Katse Dam — chief source supply for the Lesotho Highlands Water Project — was due to get under way this year with the cement pouring rate peaking at 800 000 cubic metres a month

The Rand Water Board planned to spend R1,7bn over the next seven years to upgrade water supply to the PWV, and the Johannesburg City Council was planning a R600m extension to the sewer network and wastewater treatment system

The R7,2bn Alusaf project and the R2,5bn Columbus stainless steel project would also boost growth in the construction industry

The greatest potential for growth for the construction industry remained the provision of housing and its attendant infrastructure, the association said.

S/Times (Buss) 23/5/93

Cement upstart in new challenge

(193)

By DON ROBERTSON

PETERMIX, one of the few independent cement producers to challenge the cartel operated by the big three, is to open a second blending plant at Nelspruit in October

It will have a capacity of 180 000 tons of SABS-approved blended fly-ash cement a year The cement will be sold in the Transvaal, Lowveld, Swaziland and Mozambique

The factory will cost R4,5-million, low by comparison with larger ones which cost more than R200-million

Petermix took on the cartel in 1988 when it opened a 216 000-ton capacity plant at Pietersburg

The company is owned by a family trust, Tobara Investments

Director Keith Baragwanath says the cartel, operated by Pretoria Portland Cement, Blue Circle and Anglo-Alpha with the permission of the Competition Board, opposed the new plant The cartel has excess capacity.

Mr Baragwanath says about 65% of production from Nelspruit will be sold to the informal sector as is the case at Pietersburg

"The new plant will not only provide job opportunities, but will shorten lead times for users, cutting costs and ensuring a reliable supply"

Petermix buys the fly ash from the SA Cement Producers Association, but Mr Baragwanath believes the price of the extender is about twice what it should be

The Business Practices Committee plans to issue a code for cement and blends

The code will govern the production of cement and ensure that the user, especially the small builder, is not exploited by the supply of inferior products

The code was drawn up by the Portland Cement Institute Executive director Graham Grieve says Petermix produces high-quality products

The Portland Cement Institute is supported by the three major producers, but it also conducts investigations on its own

New tax keeps Cementation in profit

BDAY 7/5/93

EDWARD WEST

(193)

THE Cementation Company more than doubled its earnings in the interim period to end-March 1993, but was operating well below potential, according to results published today

The reduction in the company tax rate to 40% from 48%, as announced in the Budget this year, saved the shaft-sinking, tunnelling, cementation and manufacturing group from reporting a loss over the period

Earnings a share climbed to 3,7c in the six months to end-March 1993 from 1,5c in the same time period in 1992 However, earnings were still well below the 76,3c a share achieved in the interim stage in 1990 The dividend was passed

Turnover was 7,2% ~~up at~~ R138,5m (R129,2m), but operating margins took a beating with operating income dropping 69% to R622 000 (R2,04m) Finance director Anthony Watson said Cementation was generally obtaining its share of work, but margins had shrunk in the interim period to maintain workloads

Interest paid was R1,5m (R1,8m) The pre-tax loss was R874 000 compared with a R255 000 profit in 1992 However, adjustments to deferred tax of R1,3m raised the pre-tax loss to a taxed profit of R403 000 (R147 000)

The group planned to improve its income statement and had targeted a reversal of the interim pre-tax loss in the second half of 1993, said Watson

During the six months, Cementation's 50% held La Forge subsidiary was sold, reducing gearing to 11,9% (35,1%)

Directors said there were signs that the industrial sector had bottomed out, while the mining sector, as it affected the group, remained uncertain

They did not forecast a marked improvement in the interim results for the second half of the year

Cement sales remain below expectations

B/Day. 9/9/93

EDWARD WEST

CEMENT sales for the seven months to end-July 1993 remained below expectations at 4,8% lower than over the same period in 1992, figures from the Cement Producers Association (CPA) showed

CPA executive director Vincent Bray said sales in the second quarter were higher than in the first quarter even though sales for the seven months were below initial expectations First quarter sales were 7%-8% lower than in 1992

Blue Circle commercial director Peter Kett said improved sales in the second quarter and indications of further improvement in the third quarter could indicate falling cement sales had bottomed out, but no real upward trend had yet been discerned

The informal housing sector was underpinning current sales. The Columbus stainless steel project was starting to take up small volumes, but expected rising demand from the Lesotho Highlands Water Scheme had not yet materialised

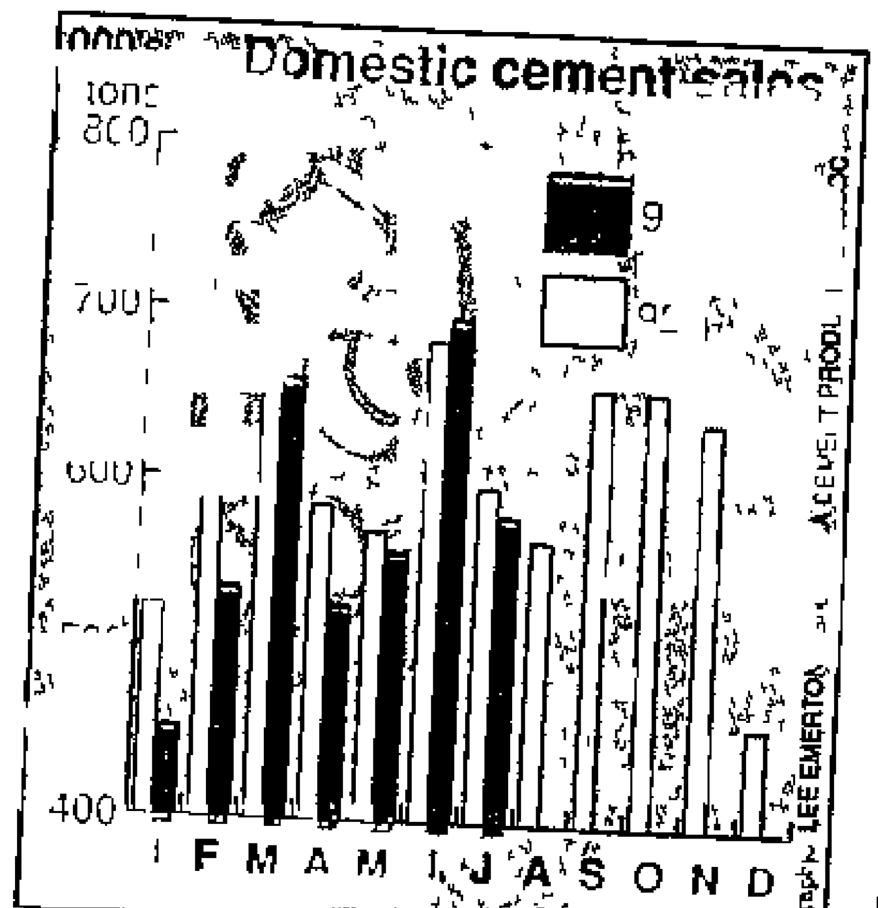
July cement sales were 2,9% lower at 579 622 tons compared with 596 681 in the same month in 1992 Sales for the first seven months totalled four-million tons, 4,8% lower than the 4,21-million tons sold over the same period in 1992

Earlier this year the CPA forecast a slight improvement in annual sales, but sales for the seven months were slightly below this, said Bray

Cement sales have been hit by falling gross domestic fixed investment and the decline in building activity

In contrast to the market, the two cement counters on the JSE have been trading close to their annual highs Blue Circle, the third member of the cement cartel, was delisted last year (193)

Anglo Alpha was traded at its 12-month high of 3 950c compared with its 12-month low of 2 400c in November 1992 Pretoria Portland Cement was untraded at 4 450c yesterday, just below its 12-month high of 4 470c in March and its low of 3 500c in November 1992



Cement producers had sustained earnings growth through the recession — mainly through cost cutting measures — and any offtake in volumes could improve profits. Anglo-Alpha last month reported a 30% increase in earnings for the year to end-June, he said

Sales volumes next year were expected to grow between 0,5% and one percent, the analyst said

Cement cartel announces a second increase in prices

BDay 14/4/93

EDWARD WEST

THE cement cartel will raise its prices by 3,5% from July 1 to counter rising costs

This was disclosed yesterday by Vincent Bray of the Cement Producers' Association, who added that no further price increases were expected this year.

The move follows a 6,5% increase in cement prices in January by the cartel made up of SA's three main producers — Anglo Alpha, Blue Circle and Pretoria Portland Cement. No further price hikes were expected this year, said Bray.

Competition Board chairman Pierre Brookes said the board had undertaken a more detailed analysis of the cartel to evaluate its activities. Price increases were determined by the producers, he said. A study into the cement and brick industries was completed last week and was being studied by the ANC and Cosatu, a source said.

PPC MD John Gomersall said cement sales had been affected by declining building and construction activity and were on average 8% lower than at the same time last year.

193

Few major projects were coming on stream. Those that had were taking up demand from projects that were winding down, he said

A JSE analyst said substantial funds had been set aside by cement producers to promote the interests of the cartel later this year. Bray said the funds would be used to promote the generic properties of concrete over other building materials

Anglo Alpha and PPC's share prices showed little movement because of low cement sales and static earnings potential this year, the analyst said.

EW

Cement use set to grow

B/Day 3/11/93

EDWARD WEST

LOCAL cement consumption would grow by 8,5% a year over the first five years of reconstruction, Pretoria Portland Cement (PPC) MD John Gomersall said at the Access Soweto conference in Johannesburg yesterday

Demand would be boosted by the reconstruction effort which would involve housing and infrastructure, the building of schools and clinics, he said. (93)

Cement Producers' Association (CPA) executive director Vincent Bray said the industry was well placed to take up the increased demand. Producers had capacity for 12-million tons a year, but was currently only producing about 7-million tons a year.

Cement sales in 1992 fell 3,7% to 7,18-million tons from 7,46-million tons in 1991 The CPA forecast a rise in sales this year.

Star
1/12/95

Quagga in black after asset sale

Finance Staff

(193)

Granite producer Quagga Holdings reduced its loss before extraordinary items to R215 000 in the six months to August from a loss of R1,7 million in the year-earlier period

Proceeds from the sales of assets (R738 000), set off by theft losses of R367 00, brought a bottom-line profit of R156 000, or earnings a share of 0,30c (loss of 3,36c).

Quagga — one of nine companies warned by the JSE of suspension or termination of their listings after late reporting — only just met the JSE's extended deadline today

Glass imports levied

EDWARD WEST (193)

THE Board on Tariffs and Trade has cleared the way for glass price increases by stopping cheap imports from mainland China with the imposition of import deposits, distributor Glass Triangle has claimed.

Glass Triangle said all imported glass would become uncompetitive, allowing SA's only flat glass manufacturer PFG Flat Glass to increase prices.

However Rod Fehrsen, CE of the flat glass manufacturer's holding company Glass SA, said there were no immediate plans to increase prices.

The action was linked to PFG Flat Glass's second application in six months to have anti-dumping duties levied on glass imported from mainland China, Thailand, Hong Kong and Singapore.

The Board on Trade and Tariffs was empowered to apply a preliminary payment or deposit if it felt the applicant's business could be damaged during the time needed for the investigation. However, the board said the import deposit in no way indicated the investigation's outcome, but was based on existing import volumes.

BIDAY 3/2/93

Triangle lodged an objection to the application and won a 30-day extension for representations.

Fehrsen said glass was being dumped in SA at prices way below world prices and a manufacturer could not be globally competitive against such opposition. PFG Flat Glass exported about 30% of its production, all of which was value-added product.

Cement industry outlook dismal as sales fall 3,5%

(193)

B/DAY 4/2/93.

EDWARD WEST

CEMENT sales in 1992 were 3,5% less than forecast at 7,2-million tons, compared with 7,46-million tons in 1991, SA Cement Producers' Association statistics show

Production for the year fell 2,3% to 7,26-million tons compared with 7,43-million tons in 1991

Association members include the three-member cement producing cartel of Pretoria Portland Cement, Blue Circle and Anglo Alpha

Last year the association predicted that 1992 sales would be 1,5% lower than 1991 sales, which were 6,4% lower than those of 1990.

Association executive director Vincent Bray attributed the decline to falling building and construction activity Bray believed 1993 sales at best would equal those of 1992 "An improvement in sales seems a long way off," he said

The SA Federation of Civil Engineering Contractors echoed this view, predicting little improvement in the civil engineering and construction industries this year

Bray said the Columbus stainless steel project, Alusaf's expansion and the Lesotho Highlands water project would boost sales to a degree, but only over an extended period of years About 2% to 1,5% of annual sales would would be destined for the Lesotho Highlands project

Production capacity utilisation last year was about 68% This meant about 2-million tons out of 12-million tons of capacity lay idle

No significant increase in production capacity was expected for at least the next five years, Bray said

The month-long metal industries strike in August affected the industry Sales during the month showed the largest decline of the year, falling 17,5% to 566 200 tons compared with 654 670 tons in August 1991

Anti-dumping duty to apply

By Stephen Cranston Star 4/2/93

The Board of Tariffs and Trade has imposed anti-dumping duty over the next four months on building glass imported from the Far East.

Duties varying from 82c a square metre to 479c a square metre have been imposed on building glass from Hong Kong, China, Thailand and Singapore.

Rod Fehrsen, CE of Glass SA, the only local manufacturer of building glass, has welcomed the board's decision to impose interim relief on local products.

But glass importer Triangle Glass says that imported glass will now become uncompetitive and allow Glass SA to increase its prices.

Triangle has collected 800 written objections to the application.

Triangle has been given a 30-day extension to give it time to gather evidence from China before making submissions to the board.

(193)

Italtile is on course to hold earnings level (193)

EDWARD WEST

ITALTILE expects to maintain earnings at the end of its new financial year to December 31 1993 in spite of expectations of continued poor trading conditions, directors reported in today's published results

Since August 31 1991, Italtile disposed of its ceramic manufacturing operations to Ceramic Industries in exchange for shares distributed to Italtile shareholders as a dividend in specie BDay

Following the restructure, Italtile has become a retailer of ceramic tiles, sanitaryware and bathroom accessories

As a result of a change in the year-end, the interim report for the retail trading operation was produced for the 10 months to end-December 31 1992

Earnings a share was 25c and a dividend of 5c a share was declared 5/2/93

Comparative figures for the year ended February 29 1992, which reflected six months trading of the manufacturing division and 12 months trading for the retail operations, showed earnings a share at 67c and the dividend at 6c

Figures for six months trading of the manufacturing and retail operations to end-August 1991 showed earnings a share at 50,1c and a dividend of 8c.

Directors reported that in spite of losing traditional markets to Ceramic Industries, Italtile's retail turnover improved in relation to previous periods

Management was satisfied with margins and had been successful in containing overheads and improving the management of working capital, they reported.

PORTLAND HOLDINGS FM 5/2/93 (193)

Earnings up, but activity is softening

Activities: *Makes cement and lime, pre-cast and pre-stressed concrete, owns property*
Control: *Security Nominees 19,1%*
Chairman: *J R Sly, MD J H Stobbs*
Capital structure: *43m ords Market capitalisation R15m*
Share market: *Price 35c Yields 15,2% on dividend, 67,1% on earnings, p e ratio, 0,6, cover, 7,9 12-month high, 45c, low, 30c Trading volume last quarter, 1 000 shares*

Year to Jul 31	'90	'91	'92
ST debt (Z$m)	4,9	12,3	49,5
LT debt (Z$m)	3,6	40,4	93,8
Debt equity ratio	0,23	0,59	0,86
Shareholders' interest	0,50	0,49	0,53
Int & leasing cover	44,3	—	10,5
Return on cap (%)	13,2	9,7	16,4
Turnover (Z$m)	94	141	255
Pre-int profit (Z$m)	9,3	17,2	51,8
Pre-int margin (%)	9,9	12,2	20,3
Earnings (Zc)	19,1	29,2	78,6
Dividends (Zc)	7	7,5	10
Net worth (Zc)	119	198	383

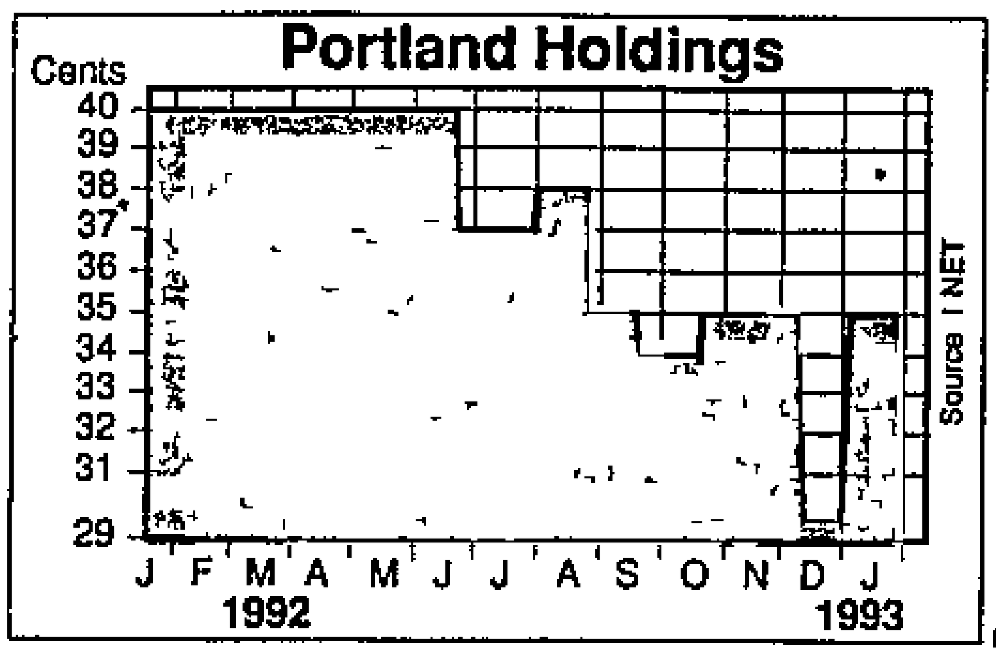
Z$ (Zimbabwean dollars) Zc (Zimbabwean cents)

Portland Holdings more than doubled earnings last year, having overcome such problems as the devaluation of the Zimbabwean dollar, a water crisis and power restrictions Profit showed a marked improvement, as 1992 was the first full year the Bulawayo-based Portland was able to trade without price control restrictions However, cement sales were down 6% The balance sheet also weakened, long- and short-term debt doubled, and debt equity reached a high 86%

Management says sales declined largely because of breakdowns in major production units, rather than a fall in demand For most of the year, Portland was unable to satisfy the high market demand Unfortunately, the position has since changed The drought and a steep increase in interest rates have reduced building activity Cement sales are down more than 30% from the 1991 peak Production in 1992-1993 is not expected to exceed 500 000 t of finished cement

The devaluation of the Zimbabwean dollar and massive price increases, especially of steel, whose price has nearly quadrupled over the past two years, have considerably boosted cost estimates for the Colleen Bawn project Latest figures indicate a final cost of Z$250m Portland has therefore approached the market for additional funds of about Z$30m to finance the shortfall, mainly by a private placing of convertible debentures

After the dividend increases of the past three years, the share stands on a high historical yield of 15,2%, but the rising funding requirements and the prospect of weakening profitability discourage investment This is reflected in the p e of only 0,6 *Kate Rushton*



Figures show benefits of Kudu merger

193

JONO WATERS

KUDU Granite, reporting its first financial results after its merger with Impala, turned in a profit and declared an interim dividend of 2c a share in the six months ended December 1992 BDAY 8/2/92.

Kudu merged with unlisted granite producer Impala in September last year. Impala offered Kudu minorities 65c a share and received acceptances of 1,3-million ordinary shares

In the 12 months ended June 30, the company lost R6,96m as a result of development costs in previous years that were written off

Turnover in the six months to December 1992 amounted to R50,3m against R60,6m in the year-earlier period Operating profit was R6,78m.

Finance charges amounted to. R3,16m on debt of R35,8m, reducing pretax income to R3,61m

The company did not pay tax and retrenchment costs Losses from suspended operations amounted to R1,34m.

Kudu produced attributable earnings of R2,27m. Retained income for the period was R1,49m

Last month the company converted interest bearing debt of R12,5m into preference shares, placed with the group's bankers

MD Peet du Toit said yesterday the merger with Impala had been completed and was "very good for us".

He said benefits from rationalisation at Kudu's quarries were expected to flow through in the next six months The company could expect maintained or improved earnings

The company's performance in the next six months was dependent on a stable international granite market. "The granite industry is no worse off than it was six months ago, but no better off either," he said

"We don't expect it to deteriorate any further"

The share closed unchanged on the JSE on Friday at 60c.

Star 11/2/93

Anglo-Alpha lifts cash flow 90,2pc

(193)

By Stephen Cranston

The cement, stone, lime and industrial minerals producer Anglo-Alpha has reported a 3,3 percent reduction in earnings per share to 331,3c based on historic cost and of 10,3 percent to 173,0c on the current cost method used by the group.

At the halfway stage, management predicted that they would be hard-pressed to restrict the earnings decline to 15,3 percent.

Cash flow was up sharply, increasing by 90,2 percent to R144,2 million This enabled the group to maintain its dividend at 152c a share.

The Group's sales volumes declined by seven percent on average due to the continued depressed economic conditions throughout the year. Turnover was up by 3,9 percent to R757 million

Despite this, operating income increased by 7,5 percent due mainly to improved efficiencies The operating margin improved from 18,6 percent to 19,3 percent

The group's stone operations reported an operating loss of R6,7 million, up from R2,9 million in 1991, but cement's operating profit increased from R105,6 million to R110,8 million

ANGLO-ALPHA FM 19/2/93 (193)

Countering slack demand

Anglo-Alpha's operating margins were strengthened in the 1992 year by "improved efficiencies," which included staff reductions Operating profit increased 7,5% on a modest 4% rise in turnover The gain in operating margin was an achievement, as demand for group products (primarily cement, stone and lime) fell 7% on average, because of low domestic fixed investment in projects

continue

FOX FM 19/2/93 (193)

such as road building, housing and large public projects

Higher tax and interest charges eroded year-end historical earnings by 3,3% (inflation-adjusted earnings were 10,3% down) The tax charge increased, giving an effective rate of 25% (1991 19%)

Finance director Trevor Wagner expects the effective tax rate to be about 40% by 1995, because of lower capital allowances This could undermine profitability but the possible hike in the tax charge could be offset by a reduction in the interest charge, which increased more than two-fifths in 1992

Capex plans have been scaled down from R716m, as stated in the 1991 annual report, to R300m over the next five years Wagner describes this as an opportunity to reduce gearing from 19% now to nothing

Of the three main divisions, stone performed worst, with an operating loss of R6,7m in 1992 against a R3m loss a year earlier Discontinuation of two stone division operations contributed to an extraordinary loss of R7m

The cement division, accounting for three quarters of operating profit, showed a nominal 5% improvement in operating profit The industrial division (lime, industrial minerals and packaging) lifted profit by a sixth, and contributed about a third of total profit

Cash flow nearly doubled to R144m in 1992 due to the nonrecurrence of a high deferred tax payment in 1991 Low projected capex has enabled Anglo-Alpha to maintain the final dividend at 152c, despite low cover of 1,1, on inflation-adjusted figures

Falling demand is being countered by stringent cost controls but, when fixed investment improves, earnings growth will take off, after high fixed costs are covered, 60% of the turnover generated by each additional unit sold is profit

Fundamentally, Anglo-Alpha is strong with good cash generation, low gearing and solid operating margins Comparisons in the sector are difficult since PPC is the only listed close competitor Its p.e is over 14, against Anglo-Alpha's rating of over 10

Earnings have significant growth potential, though this will depend on the stability of the price cartel between the three major players Says Wagner "It's in the interest of cement producers and consumers to sustain the cartel" But it may be too early in the cycle for the share to be interesting yet

Louise Randell

KUDU GRANITE FM 19/2/93 (193)

Making lasting investment sense

Activities: *Granite quarrying*
Control: *Destag 53,6%*
Chairman: *J W Houghton, MD P J du Toit*
Capital structure: *38,9m ords Market capitalisation R23,3m*
Share market: *Price 60c Yields 6,7% on dividend, 9,6% on earnings, p e ratio, 10,3 12-month high, 75c, low, 50c Trading volume last quarter, 71 500 shares*

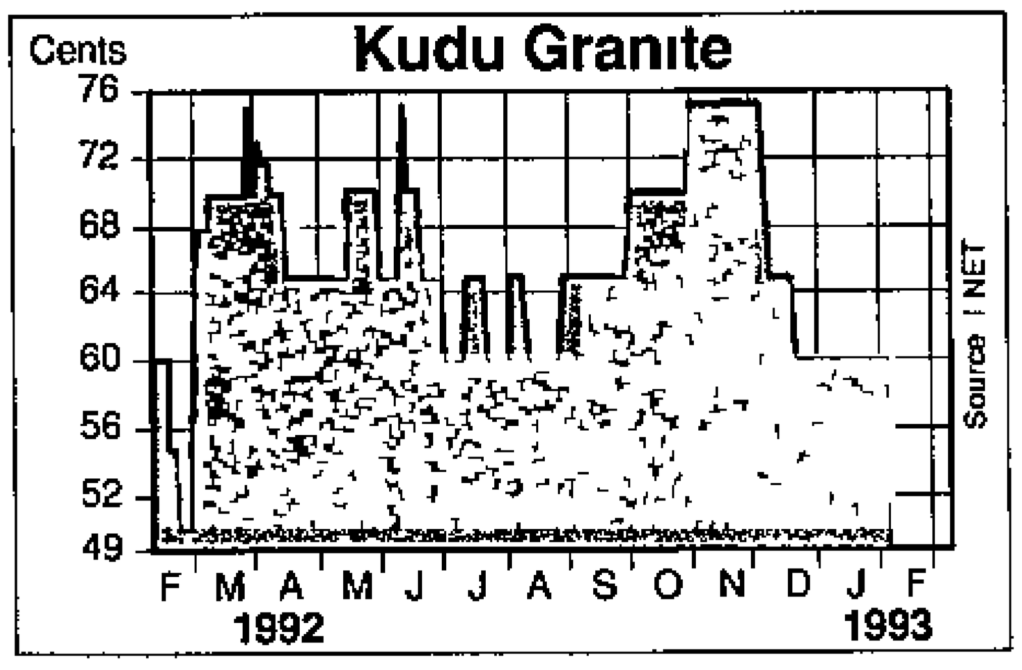
Year to June 30	'89	'90	'91	'92
Debt				
Short-term (Rm)	3,6	6,7	15,2	31,9
Long-term (Rm)	5,5	6,0	5,3	5,8
Debt equity ratio	0,47	0,32	0 14	0,13
Performance				
Turnover (Rm)	28,2	35,7	39,1	60,6
Pre-int profit (Rm)	8,6	9,8	3,4	8,2
Taxed profit (Rm)	7,7	7,8	0,7	3,7
Earnings (c)	49 1	50,1	3,2	15 3
Dividends (c)	16	16	—	4
Net worth (c)	124	163	163	98

Granite producers, generally, have not exactly been the investment flavour of the last two years Annual results from Kudu for the year to June 1992 certainly confirm the industry's comparative gloom

However, these results are eight months out of date and have been overtaken by the interims for the six months to December The two need to be read together, because the interims illustrate clearly and for the first time the stunning effects of the Anglo American-engineered merger between Impala and Kudu Those investors who stuck to their shareholdings in the face of a fragile future stand to reap good rewards down the line

Granite's predominant use is in the building industry, as a cladding material There is now a serious over-supply of new office buildings worldwide One analyst estimates London has a seven-year supply of new office accommodation standing idle — and much the same picture emerges in other international cities

Demand will remain muted for some time This is compounded to some degree by granite's own success story, it is so adept at looking good and resisting pollution that it doesn't need to be replaced Once installed, it becomes its own worst enemy One area in which granite stands some chance of expan-



Kudu's Du Toit *a significantly larger group*

sion is in the tile business, where it is beginning to compete strongly with more traditional ceramics

Most striking feature of Kudu's interim results is the way in which the merger of Impala and Kudu is beginning to take effect The merged company's principal shareholder is Deutsche Steinindustrie (Destag), a German group in which Anglo American holds 35%

Kudu's turnover in the six months is a bare 17% below that of Kudu for the previous 12 months Operating income was R6,8m compared with the previous year's R8,2m Despite R1,3m in retrenchment costs, there was a profit of R1,5m, equivalent to nearly 6c a share, the dividend was 2c, compared with the previous full year's 4c

That, says chairman John Houghton, should be improved upon "The full rationalisation benefits will only come through in the second six months"

When that is coupled with recently negotiated price increases and a rand dollar rate which favours exporters significantly, the company looks set to return good full-year results to June 1993 That's a turn-up for SA granite producers

MD Peet du Toit, formerly the largest shareholder in Kudu through his trust, which held 42%, is now CE of a significantly larger group Restructured Kudu is the second largest of SA's granite producers Du Toit clearly reckoned that being in bed with one of Europe's most significant granite distributors and Anglo American to boot, could only prove beneficial

In fact, what has been achieved — apart from the usual rationalisations — is the merger of a company with a strong dark granite material and, therefore, a good position among Japanese consumers (Impala) and one with lighter coloured materials and a good position in Europe (Kudu)

That is the kind of synergy which makes immediate and lasting investment sense

David Gleason

QUAGGA HOLDINGS

Uncertainties continue

FM 19/2/93 (193)

Activities: *Produces, processes and beneficiates dimension stone*
Control: *Directors 56,5%*
Chairman: *E J Meiring MD C R de Wet de Bruin*
Capital structure: *5 1m ords Market capitalisation R2m*
Share market: *Price 4c 12-month high, 11c, low, 2c Trading volume last quarter, 1,3m shares*

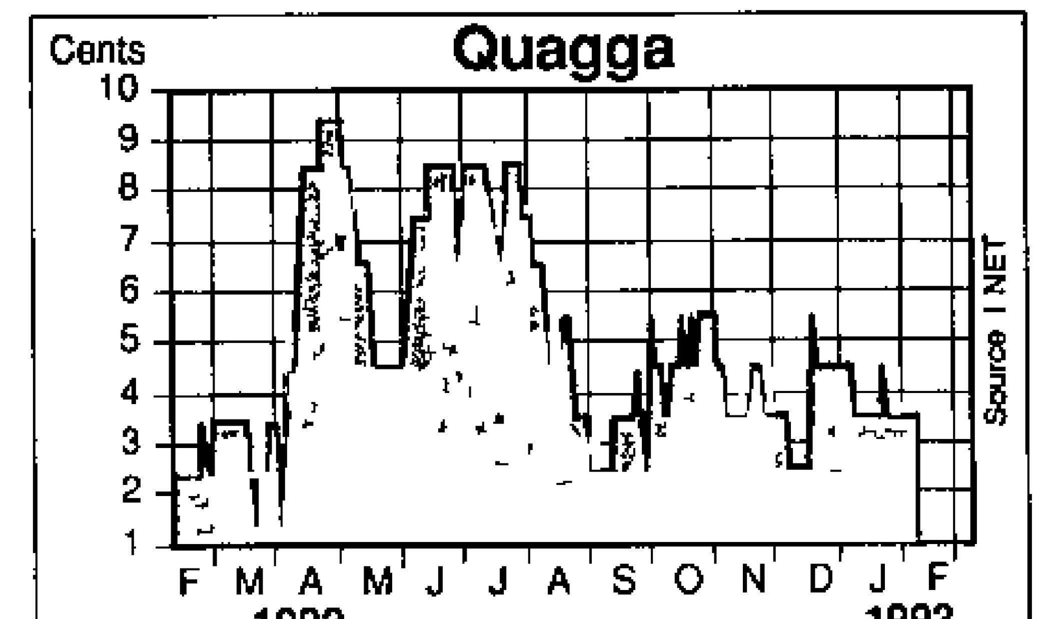
Year to Feb 29	'90	'91	'92
ST debt (Rm)	0 3	1,7	1,7
LT debt (Rm)	0,9	1 5	0,7
Debt equity ratio	0,34	0,64	1,23
Shareholders interest	0 73	0,58	0,33
Turnover (Rm)	0,3	2,0	4,0
Pre-int profit (Rm)	(0,9)	(2 3)	(1,9)
Earnings (c)	(2 4)	(5,6)	(5,4)
Net worth (c)	8 5	10,1	3,8

A fortnight ago, Quagga Holdings published interim results at the eleventh hour, avoiding suspension of the share, or possible termination of its listing, under the JSE's stricter application of its reporting requirements The uncertainty did not end there

A cautionary notice last week advised shareholders that negotiations were under way which, if successful, would affect the share price MD Rudolph de Wet de Bruin says an acquisition is planned, but he won't disclose details

Financing of such a deal will be interesting Financial director Michael Gaylard says management has "used brains together with money" and the financing methods are "brilliant " Indeed they will have to be

In last year's accounts, auditor P R Botha & Co noted that unless profitable operations resumed, the company would be unable to continue as a going concern At year-end, Quagga needed finance to fund operations until it could meet obligations



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Msauli capitalises on world asbestos demand

BIDAM 23/2/93. (193)

MATTHEW CURTIN

ASBESTOS producer Msauli turned in a 41% jump in earnings a share to 174,7c (121,9c) in the year ended December 1992, the result of better dollar prices, the weaker rand and good cost control.

The company, which owns a chrysolite asbestos mine in KaNgwane, declared a 32,5c dividend, up from 25c last year.

Turnover improved to R88,9m from R78m. Operating profit nearly doubled to R15,6m from R8,52m, reflecting the mine's successful retreatment of tailings dam material which relieved pressure on costly underground operations.

Financing charges rose sharply from a low base to R182 000 (R87 000). Higher tax charges of R4,17m (R569 000) ate into pre-tax profit of R15,4m (R8,44m). After-tax profit amounted to R11,3m (R7,87m).

Chairman Pat Hart said after a good year when demand for chrysolite fibre outstripped supply and pushed prices higher, the outlook for 1993 was less favourable. Increased supplies quickly made up the market imbalance, and any price increases would be slight.

"Given our higher effective tax rate, it is likely that net income for the coming year may be slightly lower than in 1992. Once again the movement in the rand/dollar exchange rate will play a major role in determining profitability, and provided there are no unforeseen setbacks, a further slight improvement in dividend distribution might be considered," Hart said.

Msauli's main markets remained in the Far East, with good demand in Taiwan, South Korea and Japan where the fibre was used in roofing, wall panelling and flooring construction.

Msauli dominated these markets because of their distance from the other chrysolite producers in Canada and was hoping to capitalise on emerging Indonesian and Malaysian markets.

Hart said Msauli's joint venture with sister company Gefco to mine gold from the Van Brandis mine in KaNgwane remained in mothballs, its future dependent on higher gold prices.

MSAULI (193)

Cyclical boost

FM 26/2/93

Asbestos producer Msauli Asbes has announced sparkling 1992 results, bucking the trend in the mining sector Operating margins rose from nearly 11% to 17,5% due to tight cost control, higher selling prices and a beneficial exchange rate

Earnings for the year to December increased more than two-fifths, despite a hike in the effective tax rate from nearly 7% to 27%, because of the withdrawal of export allowances and increasing profitability The effective tax rate is expected to move closer to the corporate rate of 48% during the next few years

In a global recession, high asbestos prices almost seem an anomaly Chairman Pat Hart says this is partly a cyclical phenomenon and partly linked to problems that other producers, like those in Zimbabwe, were having at the beginning of 1992 He adds "Asbestos has short three-year cycles" He expects prices to ease in 1993

Exports account for about 95% of asbestos sales, the main export markets are Japan, South East Asia and Europe Export sales, quoted in US dollars, benefited from the rand dollar exchange rate in 1992 and will benefit from the strong dollar in the early part of 1993 Msauli hedges between 10%-30% of its currency exposure, depending on the strength of the dollar

Volumes were static during 1992 and the group was operating at full capacity, which is about 100 000 t/year, give or take 10% Hart says it is now a buyer's market and pressure on prices will continue in 1993 given the expense of holding stocks.

The end users are in the low-cost housing sector According to Hart, the Japanese and

FM 26/2/93 (193)

South East Asian markets are strong compared with the European market which is barely active The asbestosis issue has totally undermined the North American market and Canadian producers are moving into the Far Eastern markets, which implies increasing price competition in these regions

Since early 1992 the share price has surged from about 170c to 340c On a p e of 1,9 and an incredible earnings yield of 51%, the rating reflects the volatility of the share which relies on a short-cycle commodity and the rand dollar rate The share reached the dizzy heights of over R8 in 1989, but is not expected to reach these levels again until the demand for low-cost housing improves Prospects for 1993 are expected to reflect the downturn in asbestos prices *Louise Randell*

Masonite's earnings plunge by two-thirds

STAR 26/2/93

By Des Parker (193)

Recession both domestic and abroad chopped the heart out of the earnings of Masonite in the year to December 31.

While the building materials and systems manufacturer managed to limit to R6 million the drop in turnover (R120,47 million from R126,49 million in 1991), net after-tax earnings were down by close to two-thirds at R3,61 million (R11,41 million)

Earnings per share were 53c against the previous year's 167c

The group, which is controlled by Masonite Corporation of the US, elected to write down its investment in loss-making subsidiary Ezebilt by R2,6 million, reflecting it as an extraordinary item in the income statement released today

The final dividend was passed, meaning shareholders saw their total distribution for the year — 10c a share — down by 500 percent from 60c in 1991

Chairman and MD Alan Wilson says the weak economy and the poor rand-dollar exchange rate had hurt all the group's markets, which included furniture, housing, motor, packaging, doors and commercial building ceilings.

Anglo Alpha expects same-again sales year

BIDAY 3/3/93.

(193)

EDWARD WEST

CEMENT, stone and limestone supplier Anglo Alpha expected static sales and taxed income in its financial year to end-December 1993, chairman Peter Byland said in his annual review for 1992.

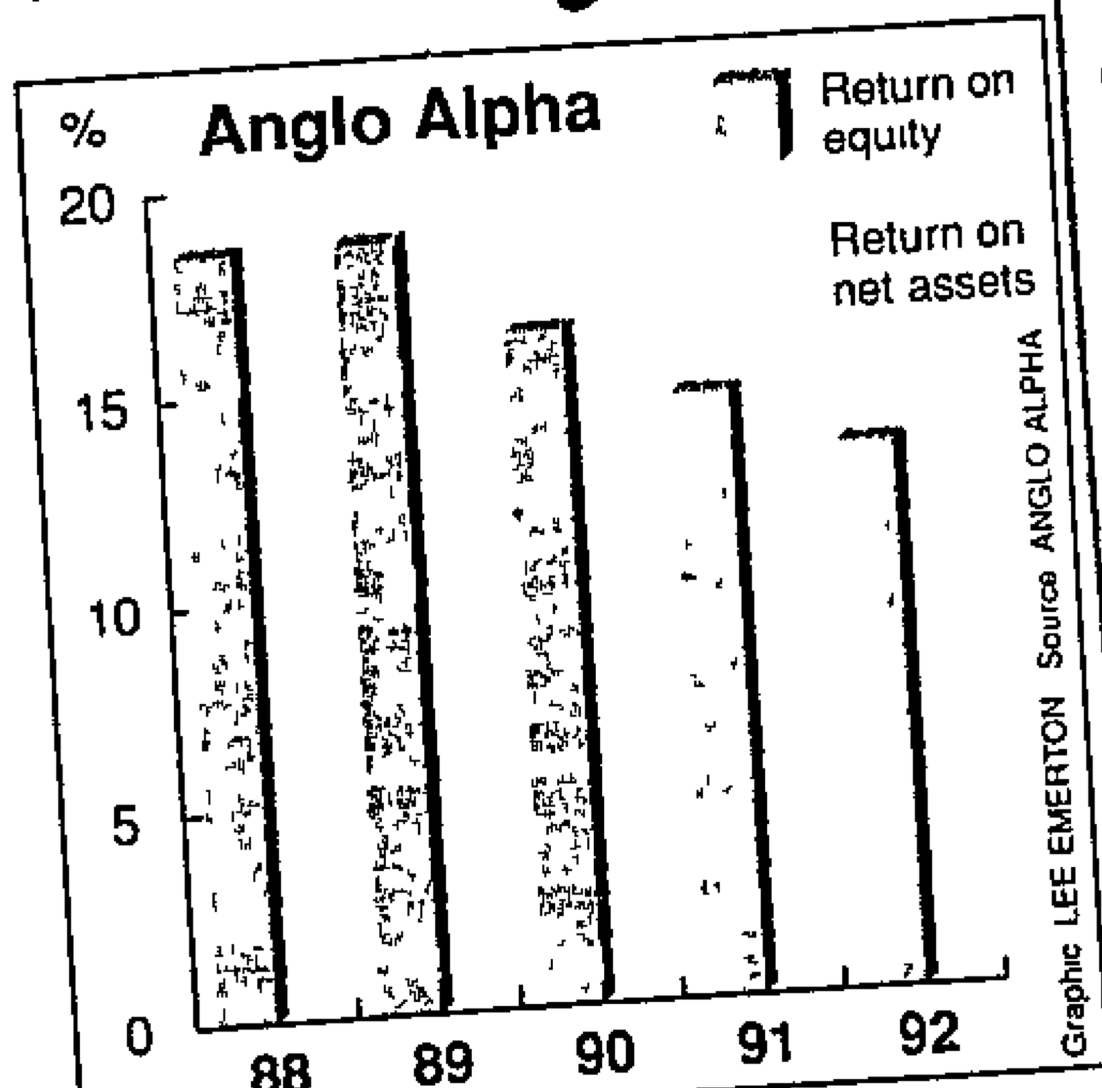
The forecast was based on a further 1% decline in gross domestic fixed investment levels — a key indicator for the group's business activities — the average inflation rate at 10% and an average prime overdraft rate of 15%

He said the group's cash available from operations — R144m at the end of 1992 from R76m in 1991 — was expected to increase by between 15% and 20% in 1993

The debt to equity ratio, which fell to 19,2% in 1992 from 22,5% in 1991, was expected to decline further because of reduced borrowings

MD Johan Pretorius said higher cash flows would allow consideration of new investment opportunities Capital expenditure and investments from 1993 until 1997 were estimated at R303m, R46m of which would be for expansion, R245m for plant and equipment replacement, and R12m for quality-of-worklife improvements

Cost reductions had been achieved in the fields of fuel consumption, raw materials, transport and rationalisation of plant and equipment But further efficiencies could be achieved with the benefits materialising in 1993, he said The number of employees dropped to 3 459 from 3 991 in 1991



Byland said SA particularly the cement industry had growth potential because of the pent-up demand for housing and the backlog in fixed investment expenditure However, recessionary conditions were expected to continue well into 1993.

Foreign investors required some certainty regarding social welfare, unbundling, nationalisation and taxation, said Byland

Anglo Alpha's shares were thinly traded and only 3,1% of its share capital was traded in the 1992 financial year at an average 3 167c

Consumer spending

Revamped Ceramic earns R6m

193

DUMA GQUBULE

RESTRUCTURED ceramic tiles and sanitaryware group Ceramic Industries has reported attributable earnings of R6,3m on a turnover of R100,7m for the 11 months ended January

This was equivalent to earnings a share of 35,2c, from which a dividend of 7c a share was declared

Ceramic previously traded as Audiobuild Holdings. The listing was sold by Abacus to Italtile, which injected its manufacturing operations into the listing and renamed it Ceramic Industries

BDAY 5/3/93

Ceramic then disposed of a number of non-core businesses.

In a statement published today, the group gave comparative figures for the year ended February 1992, which represented the results of Ceramic Industries for the six months ended on that date. Executive chairman Gianni Ravazzotti said the group's interim report for the 11 months to end-January took into account a number of factors.

These were a major restructuring operation, the establishment of a new sales and distribution operation, and a change in its financial year end to 31 July

He said Ceramic Industries was now the largest manufacturer of ceramic tiles and sanitaryware in the country

Star 12/3/93

Everite earnings slump

By Stephen Cranston

The depressed state of the building and construction industry led to a sharp fall in Everite's income for the six months to December to R3,9 million (R12,3 million profit in the same period in 1991)

Turnover was up 20 percent to R220 million, but operating income fell by two-thirds to R6,2 million

Earnings a share dropped from 13,8c to 4,3c. The interim dividend has been passed

Executive chairman Theunis Kotzee says a number of businesses were sold or closed in the review period, with the costs having a negative impact on results.

He expects operating results for the second six months to improve marginally

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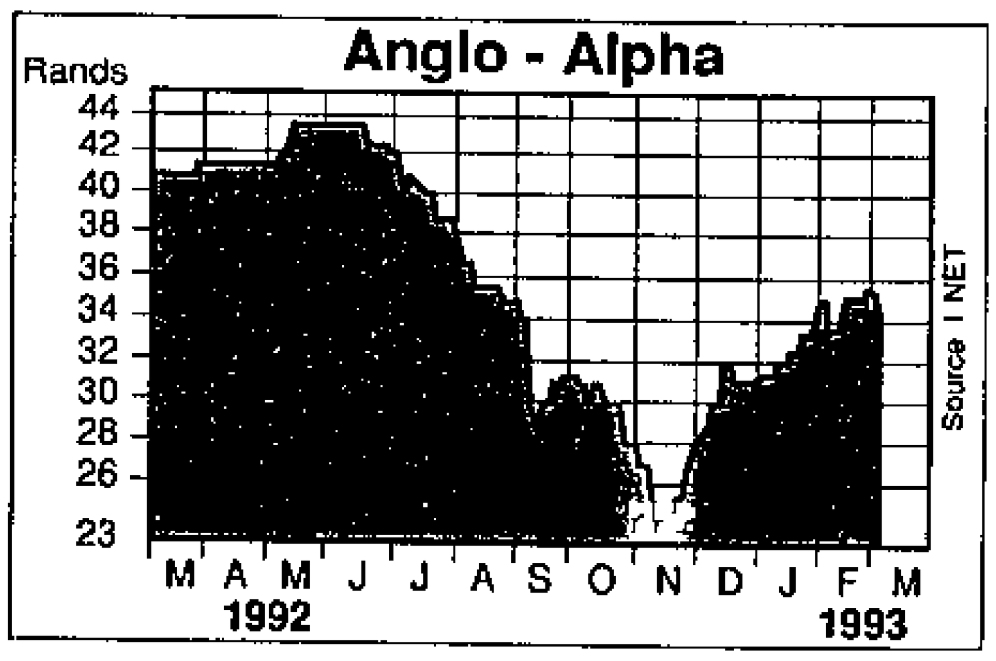
But he warns that any further fall-off in activity could result in a loss-making situation

"What we need is increased business activity countrywide, and in particular an increase in fixed investment, including the much-needed housing effort

"Only when people begin to believe in a more stable political future will fixed-investment decisions be made, after which it will still take some time before economic activity gets under way. Until that happens, it is unlikely that Everite will return to a growth pattern," he says.



merely represented a normalisation of this situation, as interest charges moved more into line with borrowings

☐ The tax charge for the year rose R7,9m and the effective tax rate increased from 19,1% to 24,5% This was attributable to lower tax allowances on capex, and knocked 26c down EPS, and

☐ Total contribution from associate companies was down R3,7m on 1991, reducing EPS by a further 12c This did not affect cash flow, as dividends from associates were up from R10m to R11,4m

However, while the performance is acceptable in this economic environment, the attrition in absolute profitability has been severe 1989's profit peak was earned from a total asset base of only R898m (excluding the revaluation reserve), which total has since grown to R1,131bn Equity funds (also excluding the revaluation reserve) have risen proportionately from R622m to R785m

The decline in profitability can be illustrated by comparing 1992 results against the group's own goals Using its definitions (which differ from those normally used by the *FM*), gross return on net assets — a NOPAT-based calculation — last year was 11,9% against the target of 18%, while the 13,1% net return on average shareholders' funds was almost nine percentage points off the mark

These ratios should correct themselves, given an improvement in trading conditions An increase in volume sales would have a strong ratchet effect on profits as underutilised capacity is taken up

For the future, a more worrying ratio is dividend cover The group aims to cover dividends twice by current-cost earnings, which ratio has now slipped to a slender 1,1 times While the present 152c dividend total itself is not in any obvious jeopardy — Anglo-Alpha expects to remain a net cash generator over the next few years and could, therefore, maintain its distribution even if profits fall further — restoration of cover when profits finally start to improve is likely to prove a severe dampener on future dividend growth

The other area which underlines the severity of the recession, is the extent to which Anglo-Alpha has cut back expansion plans

The 1991 annual report recorded capex plans for the five-year period 1992 to 1996 of R716m After spending a net R83m last year, the latest report shows capex plans for the five years to 1997 cut to R303m — with most of the decrease attributable to expansion where anticipated expenditure has dropped from R322m to a mere R46m despite having spent only R9m in this area last year

Chairman Peter Byland expects 1993 earnings to be similar to those of 1992 This is based on the assumption that a continued improvement in efficiencies will offset higher tax which finance director Trevor Wagner expects to reach around 40% over the next few years due to lower capital allowances

Perhaps wisely, Byland also emphasises the difficulties of forecasting under present conditions but there appears to be little risk to the dividend and investors working on the basis of a forward yield of 4,4% at 3 450c should not go far wrong *Brian Thompson*

LONRHO

FM 12/3/93.

In need of discipline

Activities: *UK-based multinational with mining, agricultural, commercial and industrial interests and 60 countries*
Control: *D Bock with 19% is the largest shareholder*
Chairman: *M J R Leclezio, Joint MDs R W Rowland & D Bock*
Capital structure: *661m ords Market capitalisation R3,8bn*
Share market: *Price 585c Yields 3,2% on dividend, 1,0% on earnings, p e ratio, 105, cover, n/a 12-month high, 800c, low, 350c Trading volume last quarter, 14,1m shares*

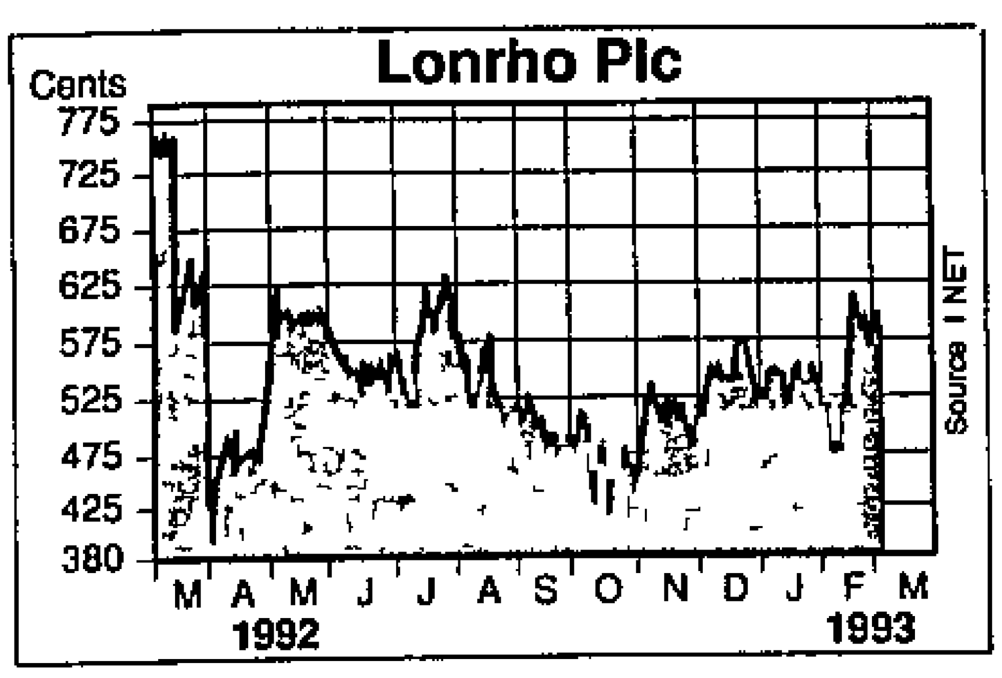
Year to Sep 30	'89	'90	'91	'92
Turnover (£m)	5 108	5 476	4 846	3 866
Pre-int profit (£m)	273	272	207	179
Pre-int margin (%)	5,3	5,0	4,3	4,6
Earnings (p)	27,1	23,6	14,2	1,2
Dividends (p)	14,2	15,7	13,0	4,0
Net worth (p)	222	216	204	171

Someone out there knows a lot more than the rest of us Why else would Lonrho, whose earnings at 1,2p a share were last this low in 1965 and which has returned sharply declining results for three successive years, be sitting on the extraordinary price earnings ratio of 105?

Perhaps that someone is the German financier, Dieter Bock, who has just become Lonrho's joint MD and CE Effectively, that brings to an end the unusual one-man control exercised by Tiny Rowland, an inscrutable manager possessed of a life-long love affair with Africa

Romanticism is one thing, hard facts are another This multinational trading conglomerate has colossal borrowings of £849m, its net interest bill for 1992 was £99m, turnover has fallen a cool £1bn from 1991, and attributable profit has fallen to £8m from the previous year's £90m Lonrho's only saving grace came from extraordinary items, which netted £78m — nearly all from the disposal of a variety of important investments

The dividend of 4p a share, down from 13p in 1991, is still generous relative to its earnings Rowland cheerfully tells shareholders in his annual message that the company will be doing better next year — that will not be a moment too soon for loyal followers who have lived for years through Rowland's triumphs and tragedies



Lonrho does a bit of everything It owns newspapers and hotels and prints postage stamps, it mines gold, platinum group metals and coal, it is heavily involved in motor vehicle sales and assembly and makes bed linen, it sells aeroplanes and clocks In the circumstances, it is not surprising the group comprises 700 companies and operates in 60 countries The wonder is that anyone can keep track of such a diffuse and amorphous congeries

Lonrho and Rowland have not exactly been beloved of the City Whether Rowland cares is one thing, unfortunately, it has probably harmed his company and its shareholders in the process Research for this article led to the interesting discovery that very few major London finance houses or brokerages covers Lonrho on a regular basis "There's not much interest in it in the UK, old boy," drawled one superior-sounding analyst "The chaps on the Continent seem to follow it "

What Lonrho needs is more cash by way of equity and less through borrowings — recognising this, it has held a rights issue and sold substantial investments, most of it at a profit But the debt mountain is still daunting Suggestions that Lonrho is seeking to capitalise on its highly successful — and unlisted — Western Platinum mine by doing a deal with partner Gencor haven't been confirmed

Lonrho needs tighter management control and less in the way of African buccaneering and spectacular vendettas about Harrods which derive as much from pique as from lost opportunities Bock will probably bring qualities of discipline and order to the company No doubt he will introduce well established Teutonic ways and means and, in time, it will make good money again

That will make Lonrho predictable and safe, shareholders will applaud Financial observers and journalists will be bored

David Gleason

ANGLO-ALPHA

FM 12/3/93 (193)

Emphasis on cost controls

While the economy and, particularly, the fixed investment cycle remain in recession, the only game in town for companies like Anglo-Alpha is cost-cutting and tight asset management as a means to underpin profits

In this context, Anglo-Alpha has enjoyed above-average success Though earnings have declined in each of the past three years, the cumulative fall in historic cost EPS has

FM 12/3/93 (193)

Anglo-Alpha's Pretorius
expansion plans cut back

Activities: *Produces cement and related products*
Control: *Holderbank and AVI through Altur Investments (54,8%)*
Chairman: *P Byland, MD J G Pretorius*
Capital structure: *30,1m ords Market capitalisation R1,038bn*
Share market: *Price· 3 450c Yields 4,4% on dividend, 9,6% on earnings, p e ratio, 10,4, cover, 2,2 12-month high, 4 350c, low, 2 400c Trading volume last quarter, 412 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	42,6	15,2	45,6	38,3
LT debt (Rm)	73,0	82,2	137,2	160,2
Debt equity ratio	0,19	0,14	0,23	0,19
Shareholders interest	0,69	0,71	0,70	0,65
Int & leasing cover	10,5	13,0	7,1	5,4
Return on cap (%)	20,4	18,5	14,1	14,3
Turnover (Rm)	625	691	728	757
Pre-int profit (Rm)	183 1	177,3	148,7	162,2
Pre-int margin (%)	27,3	24,4	19,0	19,9
Earnings (c)	367	350	343	331
Dividends (c)	115	132	152	152
Net worth (c)	2 069	2 262	2 453	2 609

been confined to under 10% — from a peak of 367c in 1989 to last year's 331c While the deficit is a wider 26% on current cost earnings, even this is acceptable given the 16% decline in sales volumes experienced over the past two years alone

Last year's fall was due entirely to factors which, for present purposes, can best be described as "non-trading" These can be summarised as

☐ Interest charges — 1992 interest charges rose R9m from R21m to R30m The after-tax cost reduced the bottom line by almost R4,7m and the effect was to reduce EPS by about 16c This was a carry-over from 1991, when total year-end borrowings rose from R97,4m to R182,8m and though interest charges that year increased by 54%, the R21m total for 1991 was still only 11,5% of year-end debt So the 1992 increase to R30m

cont →

OZZ/UNIHOLD FM 19/3/93

Hammering out a deal?

The cautionary issued by investment company Ozz two weeks ago took the market by surprise The company's year-end is March and a conjuring act by master wizard and Ozz CE Gary Zulberg wasn't expected ahead of the results

Nor is Zulberg talking Pressed for an indication of what's in the wind, Zulberg was first reported to be unavailable and then declined to comment

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Potential synergies

However, it's been established that Ozz is negotiating with Unihold, which itself had issued a cautionary earlier At first sight, it's difficult to see potential synergies between the two companies, until foundry activities are examined more closely. A Unihold spokesman declined to respond to questions

Year-end results for 1992 showed most of Ozz's operating income was from its core businesses Most of that, in turn, derived from the engineering companies, which focus particularly on supplying the mining industry At the 1993 halfway stage, Zulberg told the *FM* (*Fox* December 18) he was especially pleased with the performance of the engineering companies which, he said, were increasing exports, primarily in finished manganese steels

Last year, Unihold went on a buying spree which included the purchase of Buffcor, Dimbaza foundry from Lonrho, and the merger of lighting company Zumtobel with Thorn Lighting While Unihold's latest results haven't been released, there is speculation that Unihold's acquisition campaign has left it cash-strapped Analysts point out Unihold found it necessary to recruit Richard du Plessis from Venter Trailers to bolster the management team

A broker who declines to be identified says the deal between Ozz and Unihold relates to the outright purchase by Ozz of all Unihold's foundry interests The purchase price will be settled, apparently, partly in cash and partly in shares That will ease Unihold's short- cont

FOX FM 19/3/93. 193

term cash flow problems

The Unihold foundries — at least one was bought only last year — specialise in manganese steel production for use in the mining and crushing industries It's thought their acquisition could lift Ozz's turnover substantially — perhaps to R200m

That, in turn, could spell a remarkable surge in earnings for 1994 On the face of it, Zulberg may be on the verge of weaving another spell for his stockholders Abracadabra!

David Gleason

BACK ON TRACK

STAR 24/3/93. (193)

***Declining market** share and falling profits led Johnson Tiles MD Ray Forster to look at updating and improving. Today, he says, Johnson Tiles is back!*

THE name Johnson is synonymous with tiles And so it should be For the British-owned company has had a presence in South Africa for the past 37 years and if a South African journeyed to Britain, Australia, India, Malaysia or even Greece, he would find himself in familiar Johnson Tiles territory

But while Johnson Tiles dominated the South African scene for decades, it came up against tough international competition in the '80s and found its market share slipping as an entire new generation of tiles arrived on our shores

"We had fallen behind in terms of technology, range and service to the market place," says Johnson Tiles managing director Ray Forster, who took over the hot seat 18 months ago

"And while it was not entirely true to say that, in terms of Johnson Tiles, you could have any colour so long as it was white, we obviously had a lot of catching up to do "

Today the famous 6x6 mm white Johnson tile is still very much part of the range But so too is a host of new generation products which have catapulted Johnson right back into the lead in the local market

Some major surgery was required, says Forster

"Having come from the plastics industry I knew little about the tile market but I took one look at the factory and concluded that there had to be a better way "

There was indeed! In spite of declining market share and falling profits, shareholders agreed to invest in updating the plant and introducing state-of-the-art equipment which included an investment of R10 million) in a body preparation plant for both floor and wall tile production

Productivity increased by 35 percent on the strength of improved organisation and efficiencies and a tremendous effort has been made to get quality back on line

"At one stage a box of first-grade Johnson Tiles could include upwards of 15 percent second-grade product That was not doing our credibility a great deal of good," says Forster

"It is now heartening to know that less than two percent is incorrectly sorted — well within international norms "

Stylish tiles ... Tile decor for the '90s from Johnson Tiles.

As for range, the company researched the overseas market, in particular the Italian market, which is still the leading tile producer

Italian glazes are imported and a strong association has been established with Gamma Due of Italy, a leading fashion design house which now acts as design consultants for Johnson Tiles SA

The local company also has access to Johnson Tile know-how from factories worldwide As a result some superb products have emerged from the SA production lines recently

More fundamental improvements are beginning to make an impact — greater productivity and throughput resulting from increased market share has helped to reduce unit costs

That, in turn, has ensured that in spite of the capex and new product development, Johnson's new generation of products is competitively priced

And as for quality, Forster firmly believes the local products can now hold their own with the best anywhere in the world

In addition to the wide variety of fashion tiles that have been introduced over the past year the company is introducing some new lines which are expected to take the market by storm

Among them are

- 316x316 mm and 200x300 mm printed floor tiles with a variety of finishes — a first for a South African producer
- 200x300 mm floor tile with a wood grain finish — something that has gone down exceptionally well in Europe and is expected to strike a responsive cord locally
- 200x200 mm wall tiles with marble and printed finishes — few believed this size of tile could be produced using the traditional twice-fired method — also a first for SA and possibly the world
- Another product being introduced is the PEI 5 grade floor tile which is particularly suitable in high traffic areas such as banking halls, shopping centres and the like and should be of interest to architects as this will be the only locally produced PEI 5

Generally, he adds, Johnson is broadening its product base and while the traditional low and medium-priced range is being strengthened and enhanced, Johnson is now also moving up-market and many of the new products are aimed at this sector

In so doing, however, the company has not lost sight of its original business ethic — that of providing value for money

Forster says "I believe that rand for rand our tiles are exceptional value and a client of Johnson Tiles in the '90s is getting a better product, a better range and designs which are truly superb and totally in keeping with modern decor trends "

He notes that in many of today's households the need is for a practical, easy to maintain home — and that's precisely where tiles come into the picture

"Traditionally tiles were used in bathrooms and kitchens Gradually we have seen their use spread so that, increasingly, they are being used throughout the home and are now accepted as a viable dimension in the interior decorating art

"Moreover the market in refurbishment is creating fresh demand as more South Africans opt for up-grading their homes rather than going through the trauma of a house-hold move

"Generally we are on track This is not to say that we are resting on our laurels We still have a lot of work to do and the market is evolving rapidly But essentially Johnson Tiles is back — with a vengeance "

Granite producers in call for new tax deal

B/DAY 24/3/93 (193)

JONO WATERS

SA's granite producers are to lobby government for export tax incentives and a change in company tax structure to improve their international competitiveness and to put them on an equal footing with the rest of the mining industry

The international granite trade, SA producers in particular, has been ravaged by the worldwide recession, which was aggravated by the Gulf war, and ironically its very success in the 1980s

Not only has new construction business dried up, but the durability of granite as a building material has led to insignificant replacement demand for the stone

The Southern African Granite Association (Saga), formed last year to represent the local industry's interests, has stepped up its efforts to present a united front for customers overseas and the SA authorities

Saga chairman John Houghton said yesterday the association was no longer bargaining for individual producers, but for the industry as a whole

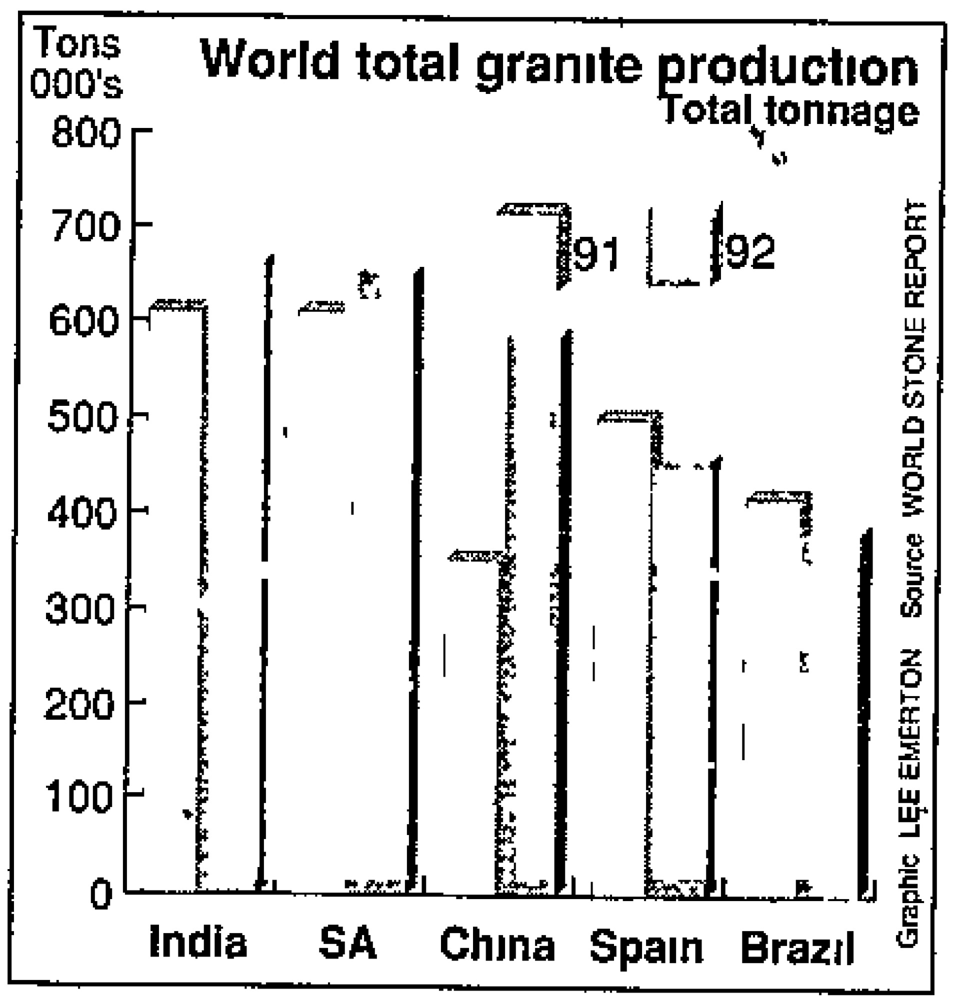
The industry has been plagued in recent years by cut-throat pricing between producers

Houghton said in the past there had been a high level of mistrust

Granite was a changing industry as it no longer had low entry costs. Producers were working together to ensure a "bright future"

He said it was essential for producers to become low-cost if they wished to maintain their international market share of about 13% of total block sales

To become low-cost producers, government had to tax granite producers as mining companies and not as quarry operators, provide incentives for beneficiation and export allowances via the general export incentive scheme (GEIS), he said.



Keeley executive chairman Fred Keeley said granite producers should benefit from GEIS at the first stage of production in the quarry

About 30 000 tons of granite are exported as beneficiated products tiles and polished stone

Brown said transport and handling costs accounted for nearly 70% of the granite producer's total cost while railway transport made up about 30% of the total transport cost

Increased competition and more efficient loading methods had resulted in a 25% drop in sea freight costs to Italy in the past 10 years

However, the cost of rail transport from Rustenburg to Durban (600km) cost 13c a ton a kilometre while sea transport from Durban to Antwerp (13 000km) cost only 0,5c/ton/km

Railway costs for the granite industry amounted to about R75/t, while coal producers paid R30/t and the cement industry paid R50/t, said Houghton

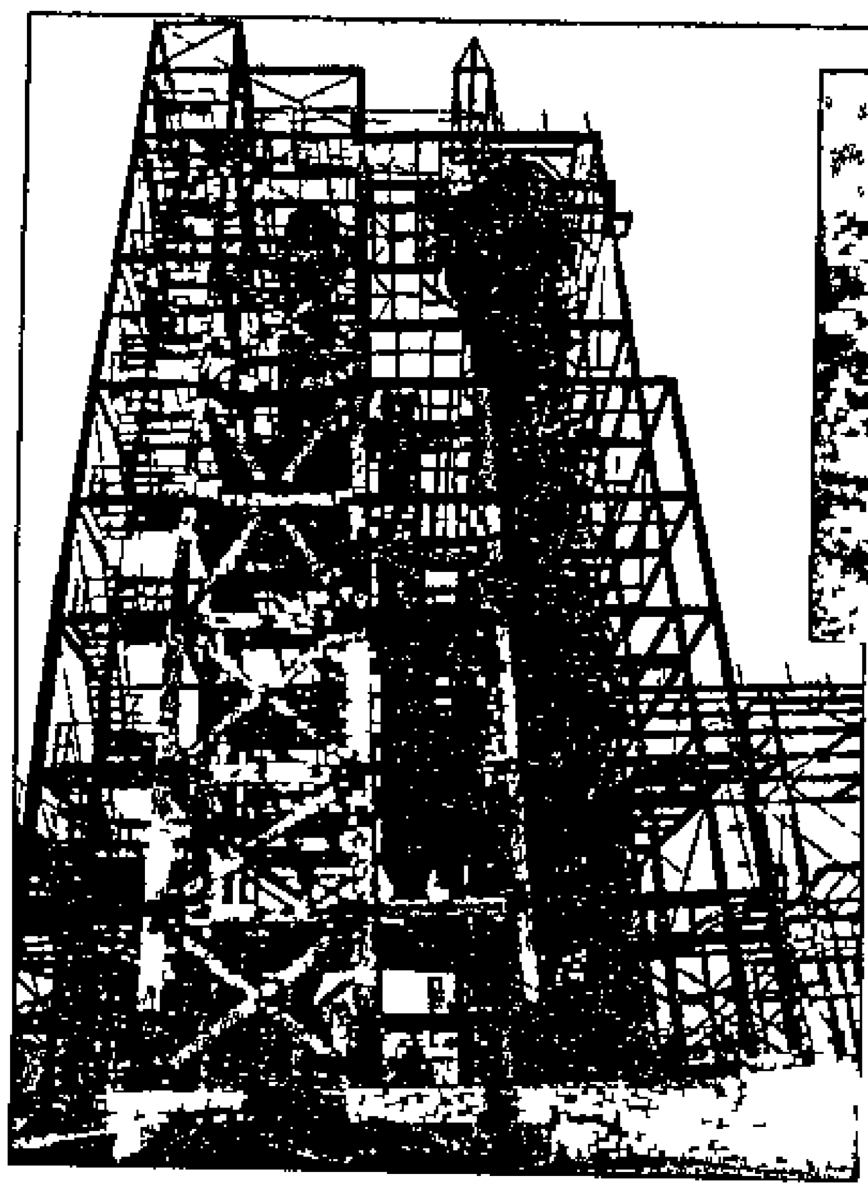
About 85% of total SA's granite production of 660 000 tons a year was exported through Durban to more than 30 countries

aga executive director Rhynie Greeff said given current growth rates, stone usage could grow to 560-million square metres by 2000 compared with 320-million square metres in 1991, making the potential "obvious"

Wonder material of the age

STAR 24/3/93.

Demand for vermiculite has grown dramatically as the world discovers this material's amazing properties, and SA is well placed to take advantage of this demand, with Palabora Mining Company being the world's largest producer of the mineral.



WHAT HAVE THESE TWO GOT IN COMMON? ... the use of vermiculite, and it can be used to begin a life, or save one — it may be yours!

(193)

TO MOST OF US, the word vermiculite is associated with pot plants and gardening However, this wonder mineral is perhaps the most versatile material in our modern world and one way or another it touches all our lives

It is equally surprising to discover that SA's Palabora Mining Company is the world s largest producer of vermiculite and that it is actually ranked as one of SA's strategic minerals

And the quality of the vermiculite mined by Palabora is quite simply the best in the world — it has the advantage of being totally asbestos-free and non-toxic

Mandoval Vermiculite, a Palabora Mining Company subsidiary based in Alrode, handles processing and distribution of this wonder material

Sister companies operate in the United States from Atlanta, Georgia, and from the town of Lightwater in Britain, and in point of fact, 98 percent of South African vermiculite is exported to the four corners of the globe

In SA itself, demand for vermiculite continues to grow in a number of applications, not least of which is the mineral's superb fire-resistant qualities

There are five basic grades of vermiculite micron super fine, fine, medium and large

Heat treated, it expands up to 20 times its volume, yet it remains lightweight

Its fire protection properties are legendary and for the past 30 years Mandoval UK has build up an enviable reputation for expertise in this sphere

The UK company is at the forefront of this field internationally and its SA counterpart has access to all technology in this respect and, in fact, contributes to the pool of know how in its own right

Micron vermiculite, the smallest of the vermiculite sizes, is applied in gypsum boards and in certain skimming plasters where light mass is particularly useful

Superfine Vermiculite is used by chicken breeders in this country as a bulk supplement in feed and as a vitamin carrier where its moisture absorption qualities are important

The fine version is used in aesthetic and decorative plasters and fire protective plasters — applied either by hand or sprayed it becomes a delight to handle and produces finishes that are in keeping with modern decorative trends

As for the medium grade, this is where most housewives are familiar with vermiculite in that it is widely used in horticulture, silviculture (tree cultivation) and agriculture

These are applications where its moisture-holding and aeration qualities come to the fore

In SA it goes without saying that there is a tremendous need for food But the old style methods of production have disappeared No longer does a farmer throw seed into the ground and pray for rain

Essentially what happens today is that the particular crop is first cultivated in vermiculite/peat/bark plugs which are then transplanted once they have reached a viable size

As a result the potential for crop loss is greatly diminished and once again it is vermiculite to the rescue

The medium-grade material also demonstrates vermiculite's insulation properties in the context of plasters, fire walls, refractory linings and bricks and kiln lining In short without it many of our modern products could probably not be made

Finally, the larger grade, used mainly for insulation purposes around geysers and in home lofts for example where, incidentally, it does not pose a health hazard

Mixed with cement the large grade makes lightweight screeds and superb blocks for use underground in mines — vermiculite is widely applied in the fire vulnerable Sasol plants and in most of the major refineries

Some idea of its long life can be gained from the fact that Mandoval's material installed at Sasol Two no less than 15 years ago was recently tested by the CSIR and was found to have lost none of its fire resistant properties

Indeed vermiculite hydrocarbon plasters are fire tested to the strongest specs including the famous "Mobile Curve", SOLAS (Safety of Life at Sea), the Det Norska Veritas test designed by the Danish authorities and various European tests as well as our own SABS

When a fire starts in an installation and develops it may endanger personnel and cause severe damage to the plant, it is therefore imperative that the major load carrying structures are fire protected so that they will maintain their stability until the fire can be extinguished

The length of time during which a steel structure is required to maintain its stability will depend upon local circumstances such as type and intensity of fire, design of plant and steel size and the commodity being manufactured or stored

However, fire protection of major load carrying steel structures is the most effective and economic means of providing reliable passive fire defence

In a typical application of this nature the steel members of a structure are sometimes enclosed in mesh and then cast trowelled or sprayed with the appropriate vermiculite plaster

A incidental benefit is that vermiculite plaster can be shaped or sprayed monolithically so adding a decorative option to the process in the construction industry

Mixed with gypsum plaster it can be sprayed on to a ceiling to achieve highly decorative effects — and incidentally fire protecting the ceiling at the same time

Mixing the material with pigments gives it another dimension — the Victoria and Alfred Dock development in Cape Town recently used vermiculite spray with blue pigment for example for 11 cinemas

In another entirely different application vermiculite as a pulverised material is used as a lubricant in pulp and paper manufacturers conveyor systems

As screeding, it has been used by hotels, universities (RAU) the top of the Carlton skyrink, the PE Post Office and in innumerable other ways

And in more exotic instances it is used as bedding for laboratory mice and for hatching crocodile eggs no less

In short vermiculite may be truly said to be the wonder material of the age

If you would like to know more about this material please contact Rosemary Martin, marketing manager, or Peter Evans, Technical Representative, at Mandoval Vermiculite, Telephone (011) 864-5205. FAX (011) 908-3049

tems the converter-canning operation in the Delta Group received the General Motors supplier of the year award.

Because catalytic converters are not yet used in SA, Algorax would end up in the export market.

After the [illegible] of Phase VI of the local content programme in 1989 and in order to boost export opportunities for the local car industry, the German company Degussa set up Algorax as a joint venture with the Industrial Development Corporation.

It was constructed to a large extent by local contractors, although they conformed to Degussa standards.

Algorax supplies coated monoliths to Mercedes, Volkswagen and Delta.

Three M & R concrete companies to merge

Star 25/3/93

193

Finance Staff

Three concrete masonry companies in the Murray & Roberts stable — Cape-based Calsica Bricks, Tricrete Transvaal and Border Concrete — have been merged to form a new company, Inca.

Bob Low, chief executive of the new company, says the decision to merge was a difficult one.

"All of the entities are major players in their own regions and are fiercely protective of their names, reputations and product lines."

Although autonomous managements within each region have been the key to each of the companies' successes, national cohesion would allow pooling of knowledge and resources.

"The new structure will allow us to retain the benefits of the individual operations while taking advantage of shared technology and improved ranges," he said.

The three founding companies will trade under the INCA logo in their various regions, where they are among the market leaders.

Joint venture in Zimbabwe strikes gold

Star 25/3/93

HARARE — A Zimbabwean mining company exploring for gold in conjunction with a Canadian firm is expected to commission a new mine which will create 600 jobs, Ziana news agency reports.

The exploration by Antares of Canada and Forbes and Thompson of Zimbabwe has been successful and drilling is expected to begin within six months.

Forbes and Thompson MD Morris Thompson said yesterday exploration had cost Z$4 million [illegible].

Thompson said results of the exploration had been promising and there was potential for a mine at the southern end of Vumbachikwe mine where the drilling would begin. — Sapa

'Bleak period' causes Marlin to crumble

B/DAY 19/4/93. (193)

ANDY DUFFY

GRANITE producer Marlin Corporation crumbled to a R50,4m bottom line loss in the 18 months to December, in a market the company dubbed the bleakest in its 30-year history

Crippling extraordinary charges of R34m, a hike in the finance bill to R11,5m and abnormal costs of R4,5m swamped the group's figures

Attributable losses of R16,1m translated to losses of 35,1c a share, against earnings of 22,8c last time There was no dividend, and none would be declared for the foreseeable future

Marlin's survival would be determined in the next six months through asset sales, further rationalisation or a refinancing. The company, which cut its 1 000-strong workforce in half over the period, said it was "holding its breath"

"It's difficult to see when the granite market will return to normal levels," finance director Ian MacMillan said

At the operating level the company actually scraped into profit, but this crumbled to a R1,4m loss (R17,1m profit) under charges for stock write-offs and bad debts Sales of R155,2m were down 15% on a pro rata basis

Borrowings leaped from R39,4m to R62,4m — 66% of shareholder's funds, against 23% last time Around R55m of the debt was short term and Marlin's banks had warned the level must be cut MacMillan said reducing dependence on short term debt was a key priority, but he was unable to give a target and declined to name those areas for sale or rationalisation The picture would be clearer in the next six months

The rise in debt was due mainly to the redemption of preference shares which added R28m to the burden MacMillan said that before this debt had dropped slightly The figures would also improve as proceeds from the sale in February of Rustenberg Granite and Marlin's holding in EGC began to feed through.

The extraordinary charge, which has more than doubled in the last six months, was split between discontinued operations, provisions on the company's share trust scheme following its share price collapse and losses on trade investments The company is thought to have sustained a R6m loss on sales so far, but it declined to break down extraordinaries further

Unveiling results which reflected "the most difficult period in the group's history since its inception in 1962," the company identified production problems at its Belfast quarry as central to its difficulties

Marlin's international interests were operating at "modest levels of profitability" The SA-based Marble Pentellic should make a satisfactory profit for 1993, while Barracuda Granite Tile, in which Marlin has a 50% interest, had adopted a "more aggressive" selling policy.

The company added that the results would come as no surprise to shareholders "judging by the low share price on the JSE" On Friday Marlin Corporation was trading at 15c a share, representing a market capitalisation of little more than R7m — just 10% its 1991 level

Dutton tells court of rival's attempt to buy Interboard

BDAY 4/5/93 (193)

SUSAN RUSSELL

FORMER Interboard chairman Ed Dutton, on trial for forex and finrand fraud involving about R150m, told the Rand Supreme Court yesterday major rival P G Bison's MD Bertie Lubner offered to buy the company for R230m in September 1988

Dutton, who has pleaded not guilty to the charges, made this submission in a document yesterday outlining his defence.

He has alleged that the charges against him are the result of a conspiracy by his successor David Olsen, Lubner and others to destroy Interboard and himself.

Earlier in the trial the State submitted an affidavit in which Lubner denied he or others in the Plate Glass group conspired to destroy Dutton or Interboard.

The State alleges Dutton, using forged invoices and contracts, obtained foreign currency unlawfully by misrepresenting that the funds were required to pay for plant and equipment bought overseas. It is alleged that most of the plant was never purchased and the value of imported plant grossly inflated.

Dutton has denied all the allegations

Outlining his defence Dutton said Lubner approached him as PG MD in September 1988 with the intention of acquiring Interboard. "He was prepared to purchase the flatboard division for R180m or the whole of Interboard Ltd for R230m," Dutton said. "He wanted me to stay on and run PG's North American interests in wood and boards. In the discussion I learnt that PG had done three in-depth studies on how to destroy Interboard over the past six years and they preferred to acquire it."

Dutton said he discussed the offer with offshore parent company Interboard Holdings BV and told Lubner it was not prepared to sell for at least three years. He said Lubner was then prepared to talk about a higher offer.

Dutton said the SA representatives of the Gibbs Trust had called on Interboard Ltd in March 1989 demanding the undated resignation of each director. When Dutton and the other directors were not prepared to sign an undated resignation, the representatives returned with a lawyer.

Dutton said David Olsen arrived in SA in April and said he had taken over all responsibility for projects "He removed any authority I had in regard to Interboard Holdings BV and Interboard NANV."

The case was postponed to Friday.

Mine wages

BDAY 4/5/93

From Page 1

zero to the trigger 5% of total profit is paid, thereafter 20% of total profit. The cap of 25% of pensionable income had not been reached to date, Ernst said.

The NUM wage proposals, based on a central committee policy paper published in February, will be discussed in talks beginning at the end of May.

On gold mines the union has demanded wage increases in the 20%-25% range. Part of the strategy is to reduce the wage differential between the groups that pay higher rates in the lower categories and those that operate a steeper wage curve. The union's wage demand for collieries is substantially higher — about 40% in the higher wage companies and up to 90% in the low wage ones. The goal is a R900 monthly minimum for surface workers and R1 000 for underground miners.

The proposals contain no reference to the profit-sharing scheme but this, according to general secretary Kgalema Motlanthe, is because the scheme is already in place. The union envisages profit sharing continuing subject to certain amendments such as the removal of the cap

Of the 12 other main items on the NUM list of demands, Motlanthe and Golding identified those relating to a "social plan for restructuring" and "adult basic education" as the most crucial. The union believed the former should include financing the training of retrenched workers and minimum severance pay, and the latter should aim to eliminate illiteracy within five years

New face brick cuts building costs

CT 5/6/93 (193)

Business Staff

A NEW, lighter, face brick which reduces the cost of building house walls by 16% was shown to the trade by manufacturer Corobrik at a function at the Waterfront last night

MD Peter du Trevou said that the Coro 90 facebrick was "a significant breakthrough which for the first time brings the cost of a new facebrick home down to less than the cost of one with a plaster and paint finish

"We have now overcome the initial affordability hurdle that has locked thousands of buyers into a lifetime of repainting costs when they would have preferred a maintenance free home of clay facebrick

"The company aims to show home builders that by switching to the new 90mm format they can sharpen their competitive edge and attract more buyers "

Du Trevou said the 90mm format was the norm in Western Europe, the Far East and North America. He expected it to become the norm in SA now it was available here

Apart from the lower ex-factory price the lighter brick brought savings in transport, mortar and handling costs and the productivity of bricklaying teams increased

"Double walls of 90mm bricks comply fully with the requirements of the national building regulations for 190mm external walling."

A spokesman explained that "the old Imperial bricks were tremendously over-engineered, well over the safety requirements needed "

The new bricks were 20% lighter but strong enough to meet the safety requirements

Overseas division gives helping hand to PGSI

B/Day 11/5/93 (193)

MARCIA KLEIN

A STRONG second half improvement by international division Belron International saw Plate Glass and Shatterprufe Industries (PGSI) increase its earnings by 45% to 304c (209c) a share on a fully diluted basis in the year to end-March.

But directors of the glass and timber group said SA operations experienced extremely difficult trading conditions, and their markets had shown sharp declines in activity

The prior year's results have been restated to reflect PGSI's current accounting policy, which includes some central African operations on a cash received basis only The new accounting policy was in line with that of new holding company SA Breweries

Apart from earnings a share, results cannot be compared due to the acquisition of minority interests in Glass SA and PG Bison, and the issue of ordinary and preference shares

The group reported turnover of R2,8bn (R1,8bn), and operating profit of R270,1m from R212,1m previously.

Net attributable income more than doubled to R79,1m from R34,5m

A final dividend of 85c was declared, to bring the full year dividend to last year's level of 150c a share

On the balance sheet, which is comparable with the previous year, borrowings rose by R68m to R231m to fund working capital requirements and initial restructuring costs provided for in the previous year.

A higher level of borrowings and a reduction in total shareholders funds saw gearing rise to 62% (40%)).

Directors said that during the year, local output of building glass had dropped by 9% and automotive glass for manufacturers by 6% The traditionally resilient automotive glass replacement market also declined Nevertheless, tight cost controls and export sales enabled Glass SA to minimise the effect on profits, they said

PG Bison's profits declined as overhead savings only partly offset the effects of reduced levels of activity.

Its board and laminate volumes declined by 6% and 8% respectively

The introduction in the last quarter of windscreen inspection as part of the UK roadworthy test boosted profits at Belron's UK operation

Further growth was expected in the coming year In the US and Europe, Belron reduced its losses

Results from the Australian operations were disappointing

Since the last quarter, when the operations were separated to concentrate more effectively on the automotive and building glass replacement markets, the performance by the operation had been encouraging.

Directors said there were indications of an improved performance by Belron in the coming year

But depressed trading conditions in SA made it difficult to forecast results for the domestic operations

Foreign operations help PGSI to 45% earnings increase

Star 11/5/93

(193)

By Stephen Cranston

A turnaround in its international holding company Belron has enabled Plate Glass and Shatterprufe Industries (PGSI) to report a 45 percent increase in earnings per share to 304c in the year to March The dividend is maintained at 150c

Operating profit increased from R212 million to R270 million and finance costs increased from R25,7 million to R32,8 million

Because of the buy-out of minorities in Glass SA and PG Bison, earnings attributable to minorities plunged from R59 million to R3 milliom

But the issue of 13,5 million preference shares increased dividends from R9,5 million to R39 million.

Attributable income, however, more than doubled from R34,6 million to R79,1 million

Chairman Ronnie Lubner says earnings in the second half were 168c a share, up 20 percent on the first half

The local operations encountered an extremely difficult trading environment for the full year

Cheap imports

Demand for building glass fell by nine percent as there was competition from cheap imports in the first half.

In the second half, however, temporary duties were imposed, which effectively curbed these imports.

Demand for automotive glass for vehicle manufacturers was down six percent and the normally resilient replacement glass market also declined

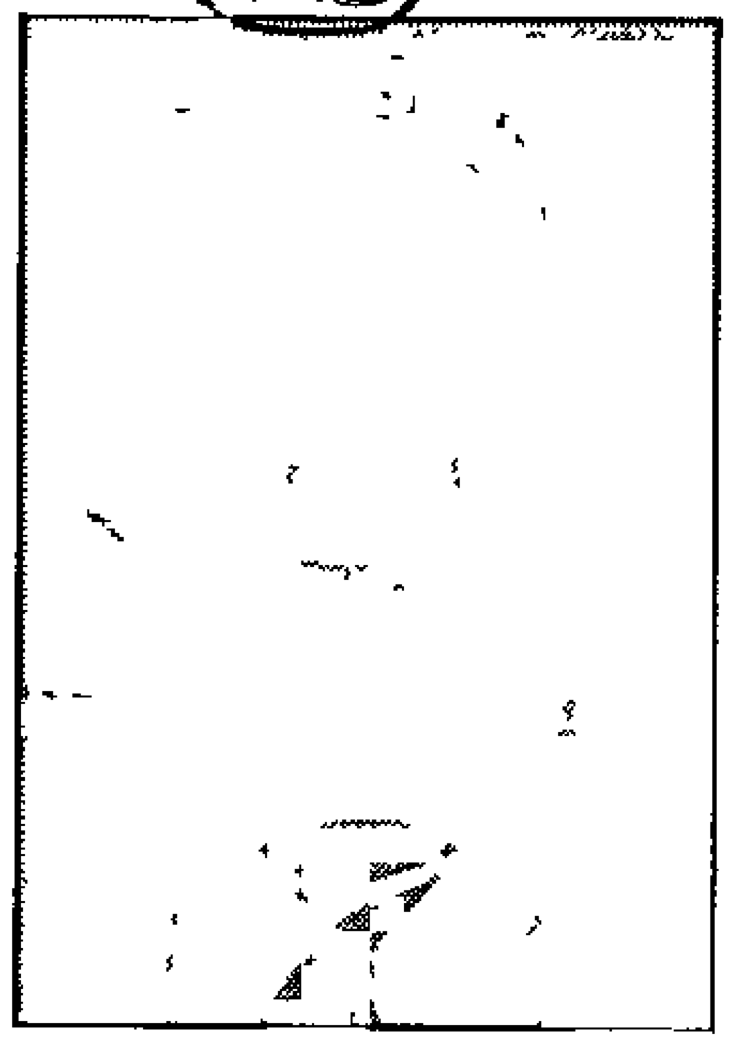
Glass SA was nevertheless able to minimise the adverse impact on profits by cost-cutting and increased exports, but profits fell

PGSI financial director Mike Read says a lot of the benefits of the present cost-cutting will come through this year

The furniture and building industries were also in decline and volume sales of PG Bison's board products fell by six percent and of its laminate products by eight percent.

There was some reduction in overheads, but this was not enough to offset the reduced activity and so its profits declined

The star performer for the year was the UK-based Autoglass operation, which saw its profits boosted in the last quarter by the introduction of windscreen inspection as part of the vehicle roadworthy test



Ronnie Lubner .. local operations had difficult trading year

Lubner says this reinforces the group's confidence in further growth for the year ahead

The Benelux operation is already profitable and in the rest of Europe, including France, Germany, Italy and Portugal, the development process continues and increased market share resulted in a reduction of losses

In the US there was growth in sales and market share. With overheads below those of prior years, there was a significant decrease in losses

In the fourth quarter the Australian operations were separated to concentrate more effectively on the automotive and building glass replacement markets

Disappointing

Lubner says performance since then has been encouraging, but results for the full year were disappointing

PGSI's borrowings increased by R88 million to R231 million and gearing from 40 percent to 62 percent to fund working capital requirements and the restructuring costs.

Lubner says that the results in the fourth quarter and early trends in the new year indicate a continuing improvement in Belron International.

The unsettled political environment and severely depressed trading conditions locally make it difficult to forecast a turnaround for the domestic operations.

But PGSI has spare capacity to cater for any upturn locally and still has recovery opportunities internationally

PPC stays steady despite shaky market conditions

BDay 17/5/93.

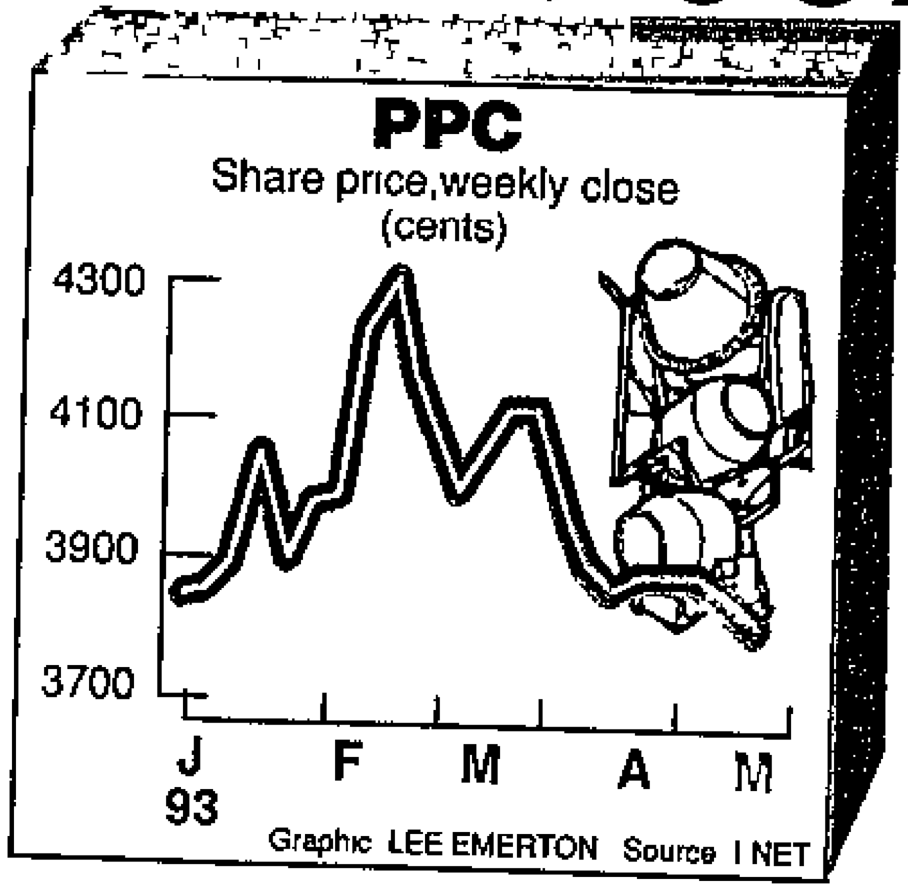
KELVIN BROWN

PRETORIA Portland Cement (PPC) recorded an 11% rise in earnings per share to 137c (123c) for the six months to end March, despite further depressed trading conditions

Productivity improvements and a lower effective tax rate saw net income attributable to shareholders rise by 12% to R55,8m from R49,7m Interim divident remained unchanged at 50c a share

Pre-tax profits increased by 5% to R91,8m (R87,2m) on a turnover increase of the same percent to R408,4m (R389,1m), achieved through continued attention to cost management and production efficiencies, PPC group MD John Gomersall said

The dual tax rate had "a significant effect" on results Taxation was reduced by 8,4% to R37,2m (R40,6m) and after-tax profit rose 17% to R54,6m (R46,6m) Gomersall predicted overall effective tax at year-end would be lower than last year



He expected a slight decrease in profit before tax at the end of the financial year, due to difficult trading conditions, and predicted net earnings would remain the same as a result of the lower effective tax bill

Turnover in the cement divison increased marginally and in the lime division by 6% in the face of restricted price increases and reduced sales volumes However, productivity improvements kept profit before interest and tax at the same level, as the half year to end March 1992, in the cement division

In the lime division, pre-tax profit was 11% higher The packaging division suffered slightly from the generally lower demand for paper sacks

Capacity utilisation continued to be effected by sales falling slightly below 58% in the cement division and remaining around 45% in the lime division In the last six months of the financial year capacity utilisation should remain more or less the same, Gomersall said Investment income was unlikely to reach the same levels as last year, but he did not foresee further "material deterioration"

He was optimistic about long-term prospects There were good signs that plans discussed at the National Housing Forum could impact on housing construction Return of investment confidence from a political settlement would also boost prospects for increased construction activity

Pretoria Portland Cement earns more, but pays same

Star 17/5/93

(193)

By Sven Lünsche

Pretoria Portland Cement's (PPC) earnings for the six months to March were up 11 ~~percent~~ to 137c (123c) a share.

An unchanged ~~interim dividend~~ of 50c has been declared.

Pre-tax profit rose by five percent to R91,8 million (R87,2 million) on the same percentage increase in turnover to R408,4 million (R389,1 million)

The bottom line was further strengthened by tax rate reductions totalling R33,3 million as a result of provision for deferred taxation.

This boosted retained income, after dividends, from R32,9 million to R68,4 million.

Income (after interest and tax) from the cement division was unchanged at R59,6 million, from lime 11 percent up at R28,9 million (R26 million) and from other divisions 28 percent higher at R6 million (R4,7 million)

MD John Gomersall says the results were achieved on the back of successful cost management and production efficiency.

"We expect demand for our products to continue falling in the second half," he says, adding that attributable earnings for the full year should be maintained at last year's R110 million level.

Move to codify cement blending

B/DAY 21/5/93 (193)

PETER GALLI

THE Business Practices Committee is to publish a consumer code for Portland cement and cement blends in a move designed to govern the conduct of local producers.

This follows a number of incidents, particularly in Lebowa, Pietersburg and the northern Transvaal, where the use of blended Portland cement resulted in the construction of unsound buildings

The code — to be released next week — will govern the conduct of local cement producers and provide consumers with a product that conforms to certain standards.

Business Practices Committee chairman Louise Tager said many small builders were often unaware that the cement they were buying was blended and might not conform to industry standards

In many cases the percentage of fly ash mixed with the cement was not disclosed on the package.

"This tends to arise when blended cement is ordered in bulk and then repackaged The fact that, in many cases, the cement is blended and this is not disclosed on the repackaged product constitutes a harmful business practice," she said.

Smaller builders often bought the product at a slightly cheaper price than unblended cement without realising it was a blend and that its use could result in building faults

The code would ensure quality principles and standards were adhered to and would play a major role in safeguarding the interests of end-users — in particular small builders — while preventing any possible exploitation through substandard construction or inferior products, she said

The code was drawn up by the committee in conjunction with the Portland Cement Institute, but will be policed by the industry and the consumer

Tager said it was not the committee's role to monitor the code but rather to respond to any contraventions "In terms of the (Harmful Business Practices) Act, we have the right to investigate any situation that appears to constitute a harmful business practice and recommend to the Minister that this be stopped"

A Portland Cement Institute spokesman said small builders needed to be aware of the dangers of using substandard cement and that the code would assist in preventing these products from reaching the market

FM 21/5/93. (193)

PLATE GLASS

Imperfect glazing

Earnings increases mask a difficult year for Plate Glass & Shatterprufe Industries (PGSI) Turnover rose more than 50%, but operating margins fell to 9,7% from 11,7%

Despite restating the 1992 income statement to reflect current accounting policy, comparisons with 1993 are made difficult by a rights issue of 8,2m ordinary shares, an issue of 13,5m automatically convertible shares and the acquisition of minority interests in both Glass SA and PG Bison

Trading conditions in SA remained difficult, particularly for Glass SA output of building glass fell 9% and original equipment (OE) automotive glass 6% Margins in OE automotive glass are thinner than in the replacement market but even the normally resilient replacement market fell

THE LOOKING GLASS

Year to	Mar 31* '92	Mar 31 '93
Turnover (Rm)	1 815	2 775
Operating income (Rm)	212	270,1
Attributable (Rm)	34,5	79,1
Earnings (c)	209	320
Dividends (c)	150	150

* Re-stated to reflect current accounting policy

Restructuring at Glass SA to improve the distribution system, completed after PGSI bought out Pilkington, should bring lower overheads in 1994

PG Bison also suffered, with falls in board and laminate volumes It too is undergoing a reorganisation which will integrate previously independent business units

Foreign subsidiary Belron International operates wholly in automotive replacement glass installation and is shielded from the depression in car making The UK operation increased profitability in the last quarter

A feature of the financial statements is the 22% fall in shareholders' funds after a greater provision for restructuring costs and a

FM 21/5/93. (193)

downward reassessment of assets This resulted from the acquisition of minority interests in Glass SA and PG Bison, and the increased investment in Belron

Belron was recapitalised, using US$50m from PGSI's April 1992 rights issue to cut debt Group gearing jumped from 40% to 62%, which is expected to add to interest charges Most of the increased borrowings went to fund higher working capital and restructuring costs

Markets will stay depressed till the economy shows signs of recovery As SA's sole glass manufacturer with control of a significant part of the distribution chain, PGSI is in a good position to benefit from an upturn — despite competitive imports The recent bounce in the share price from R42 to R50 seems somewhat premature though a turnaround in Belron could boost profitability significantly

Louise Randell

Kelgran passes final dividend

B/DAY 25/5/93. 193

JONO WATERS

THE poor state of the world granite industry saw producer Kelgran pass its final dividend for the year ended February 1993

Earnings slumped to 8,6c a share against 26,2c a share in 1992 Kelgran did not declare an interim dividend

Chairman Fred Keeley said the results reflected the "extremely competitive market situation in the granite industry worldwide"

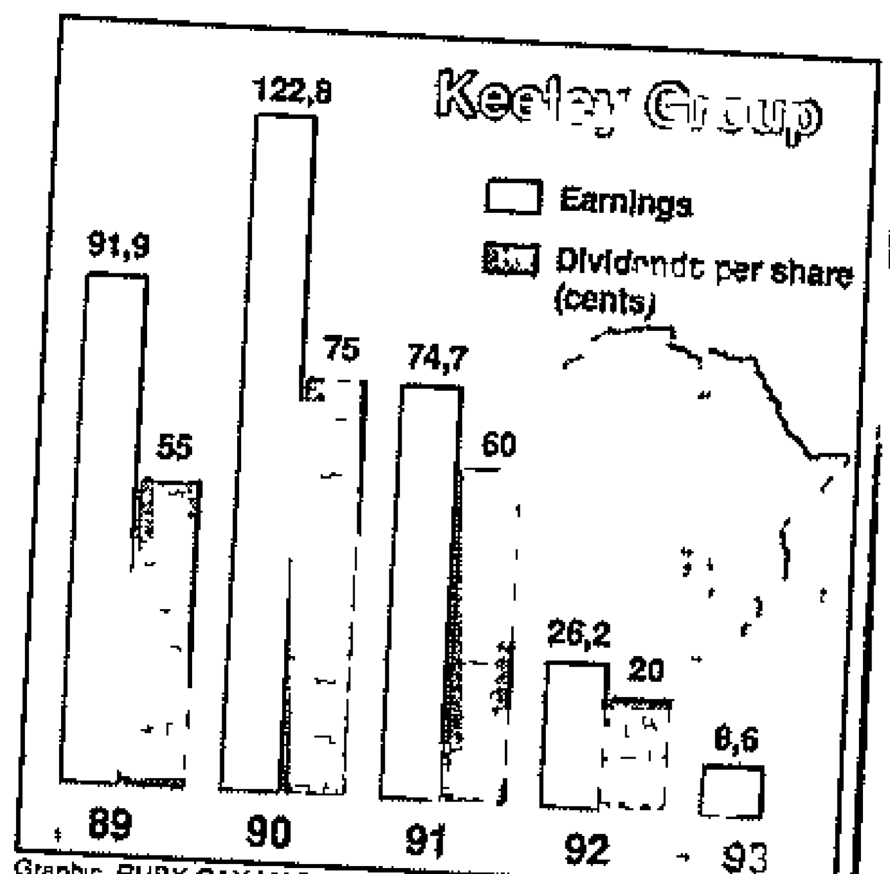
Turnover in the period increased marginally to R196m (R191m) but operating profit fell to R9,82m (R16,9m) Interest rose slightly to R2,24m (R2,06m) and after-tax income was nearly half at R7,58m (R14,8m) The company paid R1,25m in tax compared with a rebate of R3,54m in the previous year

After-tax income was reduced to nearly a third at R6,33m (R18,4m) Net income for the year was lower at R6,07m (R20,3m) because of payments to outside shareholders

Keeley Group Holdings, which has a 50% stake in Kelgran, reported a fall in net income to R3,03m (R10,2m)

The group had reduced its stocks by R4,5m as a result of present market conditions

Port operations continued to perform according to expectations The



Graphic RUBY GAY MARTIN Source KEELEY GROUP

Keeley terminal caters for all granite exports

New marketing strategies implemented in the last six months should yield positive results in the near future "This, combined with an expected upturn in market conditions, should enable the group to improve turnover and profitability"

Keeley was optimistic there would be an increase in demand for the group's granite products in the future

Keeley and Kelgran shares, which both fell from a year ago high of 250c to 65c in October, were yesterday offered by sellers at the last traded price of 100c

Survey predicts cut in Bank rate

BDM 27/5/93

TIM MARSLAND

THE odds favour a one percentage point cut in Bank rate by October, according to economists polled by SPL Treasury Services.

SPL said this should see the home loan rate dropping the same amount to 15% between July and October Its worse case scenario was for the rate to remain unchanged, while its best case showed the rate coming down in June and continuing to fall to 14% by April next year.

However, while the sharp drop in home loan rates over the past 15 months seemed to be over, two more cuts in rates in the next 12 months were possible

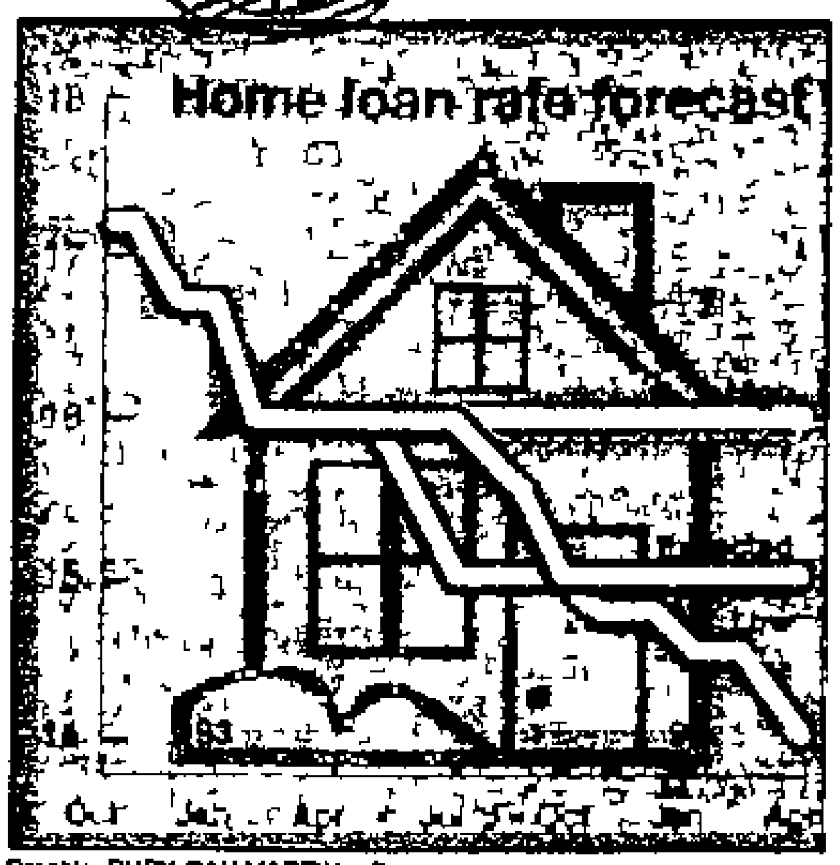
SPL said the overall downward trend in interest rates remained intact, although further movements in rates would be relatively small

The uncertainty in the country was reflected by the big difference between the expected, high and low forecasts.

Longer-dated capital market rates were unlikely to decline much in the next 12 months Any closing of the gap between long- and short-dated interest rates would be due to short-dated rates rising to meet the longer rates, which would remain flat

Forecasts are gathered from a panel of economists and the figures are fed into SPL's interest rate forecasting system.

Economists who took part in the survey were Louis Fourie (Boland Bank), Nick Barnardt (AHI), Ulrich Joubert (Transnet), Adam Jacobs (Absa), Dennis Dykes (UAL), Wikus Marais (Johan Marais Brokers), Eddie Lindeque (Eskom) and Rudolf Gouws (Rand Merchant Bank)



Graphic RUBY-GAY MARTIN Source

Mine safety 'compromised'

EDWARD WEST

SUPPLIERS of raw materials for specialised cement for the mining industry claim that imported cement from China is compromising mine safety

Since the beginning of the year mining houses have been using calcium sulphonate alumina cement imported from China by Fosrock, which had established a joint venture with the Chinese for the export of the cement, said Fosrock chairman Anthony James

This specialised cement maintains its strength in the humid conditions undergound.

Fondarge MD Cecil Seymor, one of the suppliers of the specialised cement, said no long-term tests were conducted on the properties of the cement because of its recent introduction But he claimed initial tests had indicated the cement induced corrosion in structures.

Another competitor who did not wish to be named claimed the sulphur content in the cement reacted with water and rusted steel. This had dire consequences for underground mining which used the cement for rockbolt grouting to prevent rocks from collapsing

James denied the cement compromised mine safety and said he was considering legal action against companies making such claims.

(193)

St Helena mine 'cautious' about gold price rise

BDM 27/5/93.

WELKOM — Marginal St Helena Gold Mines said it needed sustained gold earnings of about R40 000/kg for at least six months to feel benefits

"We're very cautious about the gold price and its current volatility," Gencor consulting mine engineer Peter Robinson told mine analysts

The mine received R33 100/kg for April which includes undisclosed revenue from long-term forward sales positions Current spot earnings would be about R39 000/kg

St Helena is currently mining only its richest ore areas after massive down-scaling since 1989

"We're at a point now where we can't rationalise more unless we close shafts," acting mine manager Jaap Storm said.

The workforce was reduced to 3 000 from 12 000 three years ago

Robinson said sustained higher gold earnings of about R40 000/kg would allow the mine to re-enter the bulk of its ore reserves This would not entail much capital expenditure

Last October the mine turned its full focus on A-grade sections, such as the pillars in the worked-out areas of No 10 shaft which still have spectacular grades of 50 to 100g/ton

St Helena also began using transvac suction units to recover gold dust that was washed into cracks in the carbonaceous rock of the No 10 shaft area — the first SA gold mine to use them in full production

Officials said the contribution by the giant vacuum cleaners had significantly reduced losses

Robinson said the mine aimed to cut current costs of R29 000/kg to R22 000 by using transvac units, and by cross-training workers for a variety of jobs to improve productivity

St Helena was still operating well below capacity, with 68 000 tons a month being mined from its peak of 240 000 tons 10 years ago

However, current gold production of 380kg a month was expected to rise to 520kg even if B-grade areas were not re-opened, he said

The mine has applied for government permission to work seven days a week — Reuter

PGSI restructuring well under way

Star 27/5/93

By Stephen Cranston

The restructuring of Plate Glass and Shatterprufe Industries (PSGI) to cater for the needs of the 1990s was well under way, chairman Ronnie Lubner said last night

In a presentation to the Investment Analysts Society, Lubner said the previously autonomous businesses that formed PG Bison, Bisonbord, Laminate Industries and PG Wood had been brought together into one organisation, with unified divisions looking after sales, operations, distribution and commercial activities

PG Bison MD Leon Cohen said volumes of its chipboard product had declined by 20 percent over three years, and it was important to reduce costs

To do this, duplication of activity had been removed through the new integrated structure

Instead of diversifying, it had decided to focus on its three core products, particle board, medium-density fibreboard and durable decorative surfaces

Cohen said there was considerable scope for organic growth as only 0,7 square metres of board was sold per head in South Africa every year, compared with eight square metres a head in Europe

193

PG Bison was exporting 3,7 million square metres of board a year Cohen said that if this was converted into furniture, it would be a much larger volume than that built by the biggest local manufacturer and would equal the output of five factories

Since PGSI's buyout of Pilkington's share of Glass SA, there have been four divisions

The group had been divisionalised into automotive and building units, known as ASG and PFG Building Glass, with retail arms known as PG Autoglass and PG Glass

Glass SA's exports accounted for 17 percent of turnover, or R128 million, and it was the single largest supplier of mirrors to Japan

Among its notable exports was the entire building glass requirement for Changi Airport in Singapore

Both PG Bison and Glass SA would be major beneficiaries of a low-cost housing initiative

The building of 100 000 new units would provide 750 000 square metres of particle board, providing a four to five percent growth in the total market per year

The same houses would require 3,5 square metres of glass a year, which would give a five to six percent annual growth to the domestic building glass market

John Mason, MD of PGSI's offshore arm Belron International, said the group was pledged to profitability in every market it served within three years, although only the UK, Holland and Belgium were currently providing accepatable returns

He also pledged that Belron would only enter new markets where it could generate a commensurate return on investment over a reasonable period of time

In Australia, where losses continued and there was an 11 percent decline in sales, the business had been refocused into auto glass replacement, windscreen manufacture and domestic replacement glazing. Cost was taken out by the removal of head office overheads

In the US, Windshields America also saw costs taken out of its head office and it enjoyed a 17 percent sales growth, though it continued to make a loss

KELGRAN/KEELEY (193)

Rock bottom? FM 28/5/93.

Probably the best that can be said about Kelgran's results is that, though operating profits are down 42%, it appears as if the haemorrhaging from the balance sheet of the past two years has been staunched There are grounds for believing the drop in profits has also reached rock bottom and that this year should see a recovery in profitability and, it is hoped, a resumption of dividends

End-February borrowings of R58,8m were virtually unchanged from a year ago and compare with R25,4m in February

cont →

FOX FM 28/5/93 (193)

1991 Management has halted the growth in inventories, which rose marginally to R43,6m (1992 R42,2m, 1991 R27,7m) However, Kelgran wrote down stocks by R4,5m to reflect market conditions

One consolation is that at least accounting is conservative The group writes off quarry development costs against income as working costs when they are incurred

Recent horrendous results from competitor Marlin revealed that it did not follow this sensible procedure Capitalised development costs accounted for a big chunk of Marlin's R34m extraordinary losses The decision to pass the dividend cannot have been pleasing for Gencor, which bought into Kelgran, with an option to take control, because of its belief that granite was a growth industry and Kelgran the blue chip

Chairman Fred Keeley makes the almost plaintive comment that "The directors still foresee a long-term increase in demand for granite products" Precisely when this will materialise remains the big question

Administration director Rob Brown reckons some improvement in foreign demand should come through by December but most of the benefit will only be reflected in financial 1995 He points out that rationalising in SA industry over the past year has greatly reduced cut-throat price competition but profit margins have been under severe pressure from foreign customers playing one producer off against another

To counter this, Kelgran has implemented a new strategy, setting up its own offices in cities such as Tokyo, Singapore and Carrara to promote products directly, instead of relying on granite processors and block distributors

The share price has turned around after a long slide that saw it drop from 625c in 1991 to 250c last June and a 65c low in October It is back to 100c, but anyone planning on buying had better assess the state of the world economy because that's what drives Kelgran's fortunes *Brendan Ryan*

Russian cement imports planned

Star 2/6/93

By David Canning

DURBAN — A consortium of disgruntled Natal cement users and merchants is hoping to import cement from Russia in a bid to bypass the sole local producer, Natal Portland Cement (NPC)

Behind the move is the Singh family of Singh's Hardware and Electrical in Stanger The family have interests in a number of businesses, including the Tambotiwood furniture operation and in building materials

However, Raymond Weber, managing director of NPC, said he was not concerned about the possible competition as he did not think the project was economically viable

It is understood the plan for imported cement was discussed at a recent meeting of builders and merchants upset about NPC's "closed shop attitudes and higher coastal prices, compared with inland prices"

They said there had also been problems in getting supplies on time

The Singh family was reluctant to talk about their plans but promised to give details in due course

Weber said he believed the move could be traced back to a disagreement between Praven Singh and NPC, but he was unwilling to give details

According to Weber, rumours of possible importation have been around for six to eight months

He said the consortium would have to capture a fairly large slice of the local market of 50 000 to 60 000 tons a month because a shipload could average around 15 000 tons

(193)

R5 a bag

NPC itself had been offered supplies of foreign cement and had investigated the possibilities It believed continuity and delivery would be a problem

NPC theoretically had been offered cement around R5 a bag — well below the local and foreign cost of production Local merchants sell cement at around R13 a bag

There are no barriers to importation of cement, except for the low buying value of the rand and extremely high transportation costs

Weber said NPC's coastal prices were affected by transportation costs Clinker from the South Coast travels 120 km to Durban while slag from the Transvaal comes 350 km

A major price war erupted in Natal in the mid-80s when Spanish cement was imported At the time the rand weakened and the importers ran out of steam

Weber said NPC had not been affected by the recession

Finns buy SA company

MARIANNE MERTEN

THE Finnish Nordberg Group, part of the Repola Corporation's Rauma Group, said yesterday it had acquired a 55% stake in the privately owned SA stone crushing company Nordberg for an undisclosed sum Buss day

The deal is subject to Reserve Bank approval

Nordberg (SA) financial director Leon Chonin said yesterday he was pleased the Rauma Group had made the investment The SA company would benefit from greater export business and access to Finnish technology 2/6/93

A statement from the Nordberg Group issued in Helsinki yesterday said the acquisition supported the group's "continued commitment to the worldwide crushing industry"

The manufacturing plant at Vereeniging would become one of the three main facilities owned by the Finnish group The others were in Finland and Brazil

Chonin said Nordberg SA expected net sales in 1993 to reach about R80m The group's international net sales would be more than $290m (252)

In 1988, the SA company was sold in a management buyout financed through Firstcorp Merchant Bank when the Repola Group bought the American parent company Nordberg Inc, but could not acquire its SA operations because of sanctions (193)

☐ Nordberg last year won the SA Non-Listed Company Award

Probe into parts, glass firms

EDWARD WEST

THE Competition Board will investigate leading companies in the motor spares and glass sectors

A board spokesman said yesterday the investigation into the motor spares sector involved the FSI group and an acquisition by Varex in the motor engine parts market. Varex had been created by FSI subsidiary W & A last year through a series of mergers and acquisitions

The board said it had to determine if a proposed transaction between Varex, Alert Engine Parts (Eastern Province) and Alert Engine Parts (Namibia) constituted an acquisition as defined in Section 1 of the Competition Act (relating to takeover acquisitions and effects on competition)

The spokesman said the investigation followed a warning to FSI last year of a formal board investigation into any further acquisitions in the wholesale engine parts market (193)

In November the board expressed concern about the concentration of control in the market, after FSI subsidiary Vektra's purchase of Eddies Stores and certain Spareco outlets

Varex chairman Alan Schlesinger said the group held a relatively small share of the overall parts market The proposed acquisition would not change that situation significantly, he said

☐ To Page 2

Probe

Buss. day 3/6/93

☐ From Page 1

The investigation into the glass sector involved Plate Glass & Shatterprufe Industries (PGSI) The investigation — which was prompted by complaints to the board — would set out to determine whether one or more of the companies had a monopoly or was engaged in restrictive practices

The board would also investigate acquisitions planned or made by PGSI in the past five years

The Competition Board investigation follows January's announcement of a second investigation by the Board on Tariffs and Trade in just over a year into what PGSI claimed was the dumping of cheap clear flat glass imports in SA.

Rod Fehrsen, MD of Glass SA (a division of PGSI), said it was inevitable that competitors would retaliate against Glass SA's recent application for protection against dumping of building glass in SA by Far East manufacturers (193)

"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors," Fehrsen said

FM 4/6/93 (193)

SAFICON/BOUMAT

FM 4/6/93

Painful turning point

(193)

Motor and building-product giant Saficon won't remember the 1993 financial year with any affection, but will remember it as an important, if painful, turning point

The decision to acquire a majority stake in Boumat, the building materials distributor and manufacturer, virtually doubled Saficon's annual sales to R2,7bn It also changed the nature of its business from a purely motor-related group, prompting a change in its listing from the motors to the industrial section Year-on-year comparisons use 1992 pro-forma results that consolidate Boumat

Saficon's results speak for themselves Operating profit fell 43%, on static turnover, squeezing margins from 3,1% to 1,7% The pressure on margins came despite the containment of operating costs, which in some areas actually declined

The costs include a non-recurring item of R13m for consulting fees, retrenchments and a factory relocation

Group earnings fell by more than two-thirds to R5,1m — a very thin net margin Of this, R4,2m was accounted for by Boumat, giving a clear indication of how difficult conditions are in the motor business

BEARING THE BRUNT

Boumat	**1992**	**1993**
Turnover (Rm)	1 163,2	1 221,7
Operating income (Rm)	39,3	24,7
Attributable (Rm)	11,5	7,9
Earnings (c)	43	25
Dividends (c)	10	6

Says Saficon chairman Sidney Borsook "We didn't get as much market share in the motor division as we should have But merging the three main motor businesses —

BITING THE BULLET

Saficon	**1992***	**1993**
Turnover (Rm)	2,694	2 696
Operating income (Rm)	83,8	48,3
Attributable (Rm)	17,8	5,1
Earnings (c)	50	14
Dividends (c)	nil	4

* Pro forma — assuming Boumat was fully consolidated from April 1 1991

Cargo, Lindsay Saker and LSM — into Saficon Motors is expected to improve costs and efficiency The shortage of VW passenger cars in the second half of 1993 isn't expected to affect 1994 results

Boumat's Klein *a believer in market share*

According to Saficon CE Kurt Hipper, the national passenger and commercial vehicle market dipped for the fourth successive year and consumers traded down, hurting Mercedes volumes Hipper expects the national dealer market to remain static in 1994 but says Saficon should regain lost market share, thanks to restored supply of VWs and efficiencies from Saficon Motors

Boumat had a mixed year, with a 50% improvement in earnings during the second half but a fall of 42% in EPS for the full year Says CE Adam Klein "This is in the context of a 20%-25% real decline in the whole construction sector over the past 4 years"

In response to the market decline, Boumat made some big changes in management, strategy and operations, including more emphasis on customer focus, better supplier relationships, and pricing These changes were too late to arrest the decline in operating margins from 3,4% to 2%

Dwindling margins are the result of the emphasis on market share Says Klein "I'm a believer in market share, especially when the growth comes" Some relief has come from continuing emphasis on reducing gearing, which cut the interest charge by over a half Boumat is now in a net cash position

While most business comes from housing and housing alterations, Klein believes the future must lie in the social infrastructure — low-cost housing, schools and hospitals This will depend on government funding and the progress of political negotiations

Saficon used to forecast earnings but, says Borsook "We stopped because it's so bloody impossible in present conditions" Assuming that there is no material change in trading conditions, 1994 looks as bleak as 1993

Benefits from restructuring and cost control will filter through, but will not be the growth incentive needed The share price is at a 57% discount to NAV which, Borsook is careful to remind the *FM*, is a sound equity base from which to grow when the economy improves

Louise Randell

Govt rulings a challenge to position of Glass SA

Star 11/6/93

By Stephen Cranston

Glass SA's control of the local industry has been challenged by two government decisions

The Board of Tariffs and Trade (BTT) has refused to extend provisional duties on imported glass, which fall away on Wednesday

The provisional tariffs of 13 to 26 percent were imposed in February as part of a probe into dumping claims made by Glass SA subsidiary PFG Flat Glass

PFG said it would suffer material damage from imports during the investigation period

The decision was taken because unfavourable exchange rates have made glass imports uncompetitive

But Glass SA CE Rod Fehrsen says glass distributors could easily start importing dumped glass again now that the anti-dumping duties have been removed

(193)

"We don't object to fair competition, as long as it is on a level playing field But when excess glass is dumped, it is not competing on equal terms."

But Triangle Glass GM Meri Williamson says that although the decision on provisional payments has no bearing on the BTT's final decision, she expects the BTT to reject the tariffs

"Glass importers already pay duties of 15 percent on glass Additional levies could make this as high as 41 percent, allowing SA's only flat glass manufacturer once again to establish a monopoly"

There were written objections from hundreds of distributors and retailers when the current investigation into imports from Pacific Rim countries began last January after an identical inquiry threw out similar claims by PFG only six months earlier

An application by glass distributors, including Triangle, has led to a Competition Board inquiry into the structure and control of Glass SA's holding company, Plate Glass and Shatterprufe Industries

It will examine whether one or more companies in the PGSI group are in a monopoly situation against the public interest in any sector of the glass industry; whether they are engaged in restrictive practices and what acquisitions, if any, have been made in the past five years

Fehrsen says it was inevitable that competitors would retaliate against Glass SA's recent application for further tariff protection

"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors."

CHINA

FM 18/6/93.

Sleeping giant no longer

Great opportunities — but we must wake up to them

Tony Koenderman, managing editor of the *FM's* magazines division, spent four days in China last week learning about the world's next economic superpower. This is his report

Less than a year ago, residents say, Beijing was empty of taxis Today that Third-World phenomenon, the minibus, has come to China with a vengeance Thousands choke the streets of China's capital, causing traffic jams, pollution and nervous exhaustion in an atmosphere once resounding only with the sound of churning bicycle wheels

The bikes and delivery tricycles are still there (China produces 26m of them a year) but they're fighting for space with motor vehicles In a country with virtually no private-car ownership, a crude street-corner count suggests 60%-70% of vehicles on the road are taxis, 25% are buses, commercial and official vehicles

It's but one visible sign of how fast this huge but still underdeveloped economy is moving For China is shifting from backwardness to modernity (and ultimately affluence) at a pace matched in modern times only by those other Asian tigers And with its 1,2bn people, there can be little doubt that this will be the next world superpower

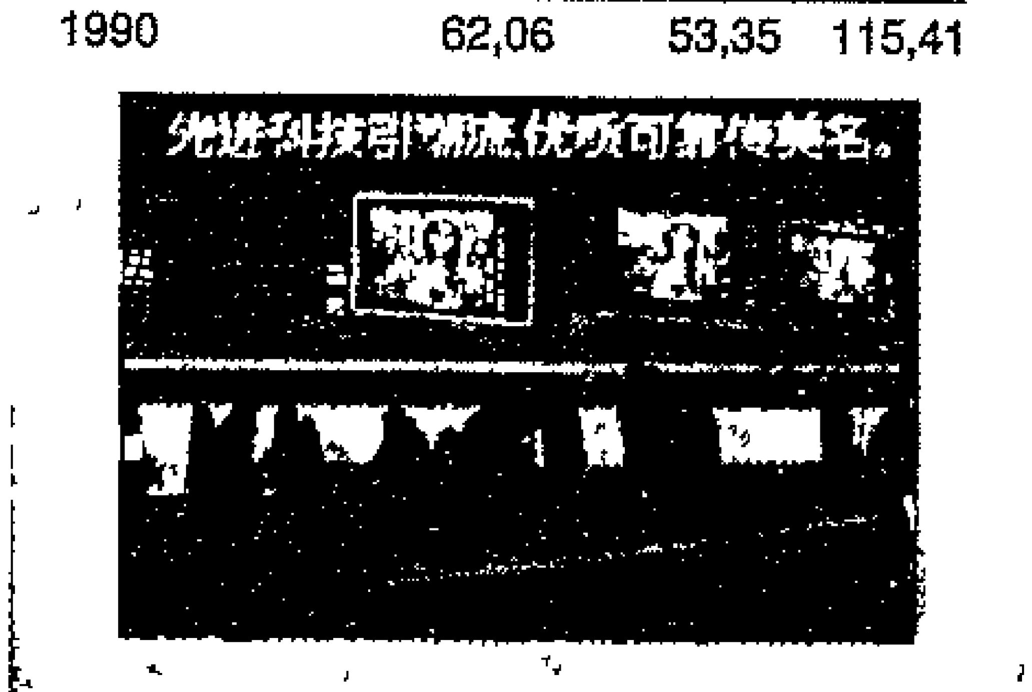
According to the IMF, it's already almost there Perturbed at the way currency distortions distort economic performance, the IMF now offers an alternative way of measuring national economies, using purchasing power parity rather than valuing in US dollars each country's output of goods and services

This controversially upgrades China from the world's 10th biggest economy to the third — after the US and Japan

Back in the world
Total value of imports and exports

US$bn

Year	Export	Import	Total
1952	0,82	1,12	1,94
1980	18,12	20,02	38,14
1989	52,50	59,10	111,60
1990	62,06	53,35	115,41



Chinese officials are understandably concerned, not least because China may suddenly be seen as too well off to receive World Bank aid The much-desired 35-year, interest-free loans are available only to countries with a per capita GDP of less than US$765

"I think the new measure over-estimates the economic strength of China," says Wu Jianmin, director-general of the Ministry of Foreign Affairs' department of information "We are starting from a very low base There is still a big gap with the developed countries The interior is still undeveloped We know we have a long way to go"

He's right, in the sense that China is still an impoverished nation But lots of poor people with small amounts of money can add up to a massive market And, more importantly, China's novel policy mixture of socialism and capitalism promises to change the equation very rapidly

Wu was talking to a small group of journalists visiting China as guests of the Chinese Department of Foreign Affairs and Hong Kong's Cathay Pacific Airways It was the first officially sanctioned SA press group As Wu said "Sometimes journalists can achieve more than diplomats"

Since the process of reform and opening up began in 1978, the GDP growth rate has averaged 8,7% a year, rising to 12,8% last year and an annualised 14,1% in the first quarter of 1993 Before 1978, when the birth rate was much higher (it is now below 2%), the economy grew by 6,1% annually

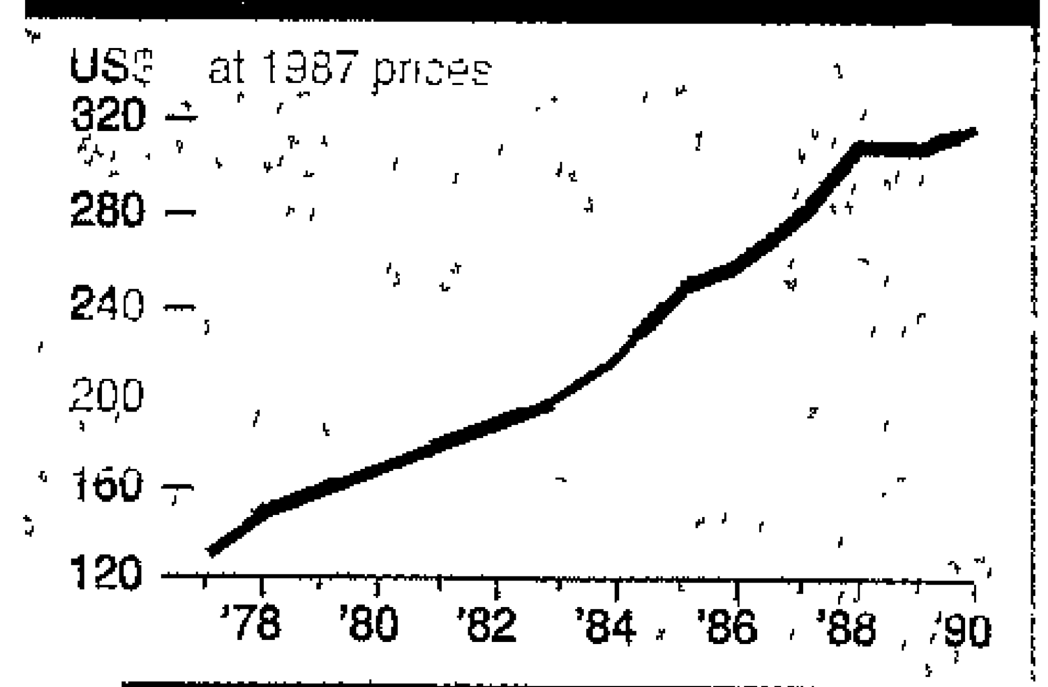
China seems to be managing the process of change from a centrally controlled to a more market-orientated system more successfully than any country in eastern Europe The reason, quite simply, is that it is not trying to liberalise politically and economically at the same time While free-market principles are being embraced enthusiastically, government is keeping a tight rein on political and social change This is not yet a democracy — though it is some way from the repressive communist regime of the past

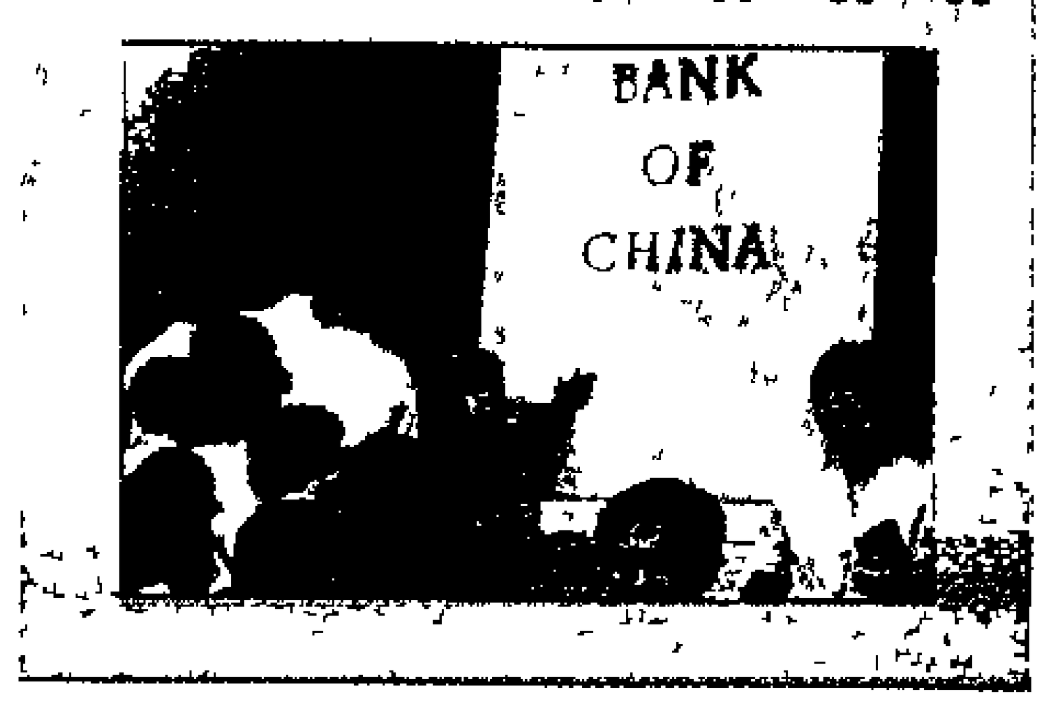
The aim, says Lu Yonghua, deputy director in the State Commission for Restructuring the Economic System, is to establish a "socialist market economy," combining public ownership with a market system In other words, something of a mixed economy, though Lu says it differs significantly from those of northern Europe in that it does not have a high welfare policy

"One of the shortcomings of a high welfare policy is that taxes are too high," says Lu, sounding for all the world like a Western free-market economist "It also produces lazy people and a flight of capital High taxes are a disincentive to investment and to productivity"

The reform process acknowledges the "obsolescence" of the original communist system of centralised economic control, says Lu "The social system in China is different from that depicted by Marx In addition, there is a different mentality We now realise that we must implement the principle of 'to each according to his work, not to his need'" In other words, there are now incentives and

Richer and richer
GDP per person





rewards for productivity, hard work and initiative

"The basic ideas of a market economy — the law of supply and demand, the law of competition and scientific management — have generally been accepted by the people," Lu goes on "Economic development will be regulated by the market, not the macroguidance of the State We will optimise the allocation of resources through the role of the market and the law of competition"

Though public ownership of land and resources will continue to be the dominant feature of the economic structure it will coexist with market forces But the proportion of the mixed economy will increase

Indeed, the non-public sector already has increased its share of economic output from 0,4% in 1978 to 13% in 1992 In commercial output it has gone from 2,1% to 30% No limit is placed on the growth of the nonpublic sector

To achieve this, foreign investment is being courted vigorously with a package of investment incentives including a tax level of

GRANITE

Hard times ahead

193

A tombstone is perhaps the right symbol of the industry right now

The granite business is probably the last relic of the wild days of the great booms of the 19th Century The men of the SA industry have been strong and unsentimental They have taken apparently unacceptable chances, they have experimented, they have fought for mineral rights, port facilities, lower rail tariffs, access to loading points Their fortunes have oscillated dramatically

The leaders of the granite business are regarded with a mixture of awe, respect and smiling cynicism — emotions quite in keeping with Johannesburg's image of its own pioneering past

The recent entry of the major mining groups — Gencor in partnership with Keeley, Anglo with Kudu — does bestow an element of approbation, a sense perhaps that the industry has come of age, that the wilder elements have been called to heel

Economic winter

Unfortunately, this has been achieved at a price Gencor's April 1991 acquisition of a major stake in Fred Keeley's operations, for example, at a cash cost of about R95m, left Keeley with the slow smile of a satisfied tiger It also positioned Gencor perfectly, in time to bear the full blast of an industry moving into recession

An enduring characteristic of the industry is that it is heavily cyclical It is inevitably and directly exposed to that most vulnerable of economic activities, the world construction business Since the peak years of 1990 and 1991, the SA granite industry has faithfully reflected the savagery of the global economic winter Export earnings have fallen, demand has tailed off, the granite sector is in the slough of despond and the share prices of all companies have — dare we say it? — fallen like stones

Granite is classified as a dimension stone, and it keeps company for statistical purposes with marble, slate and travertines Marble, of course, is considered the purest of these

However, marble has capitulated to the environment of industrial society Acid rains, smog, industrial waste — all these attack and destroy marble Classical scholars have good cause, for example, to be concerned about the condition of the Acropolis, succumbing as it is to the pollution from the internal combustion engine

Granite, by contrast, is comparatively impervious to the assaults of modern man Its ability to withstand pollution, its established longevity and its ease of maintenance have turned granite into the favoured means of cladding and flooring — 58% of world use of granite is in these two areas

And granite finds wide use in tombstones, or what is called the monumental business Up to 1959, this was a market dominated by Swedish black granite, since then, fashions have altered perceptibly as the now-famous Rustenburg grey has steadily gained greater acceptance

Among the Japanese, a people much concerned about honouring the dead, South African Belfast black granites have earned particularly high ratings The material is dense, well marked, lustrous and (when sold to the Japanese) without flaw

That earns it substantial premiums In an industry loath to reveal anything about selling prices, and which is suspicious of espionage almost to the point of paranoia, it is nevertheless acknowledged that good quality Belfast black will fetch around US$1 200/m³ — the comparison is Rustenburg, which will earn about $400

SA produces about 700 000 t of granite a year (see table) Most of this is exported (see graph) and the country's records were set in 1990 and 1991 By contrast, the export performance in 1992 was severely reduced — a direct result of the unprecedented slump in the international construction industry

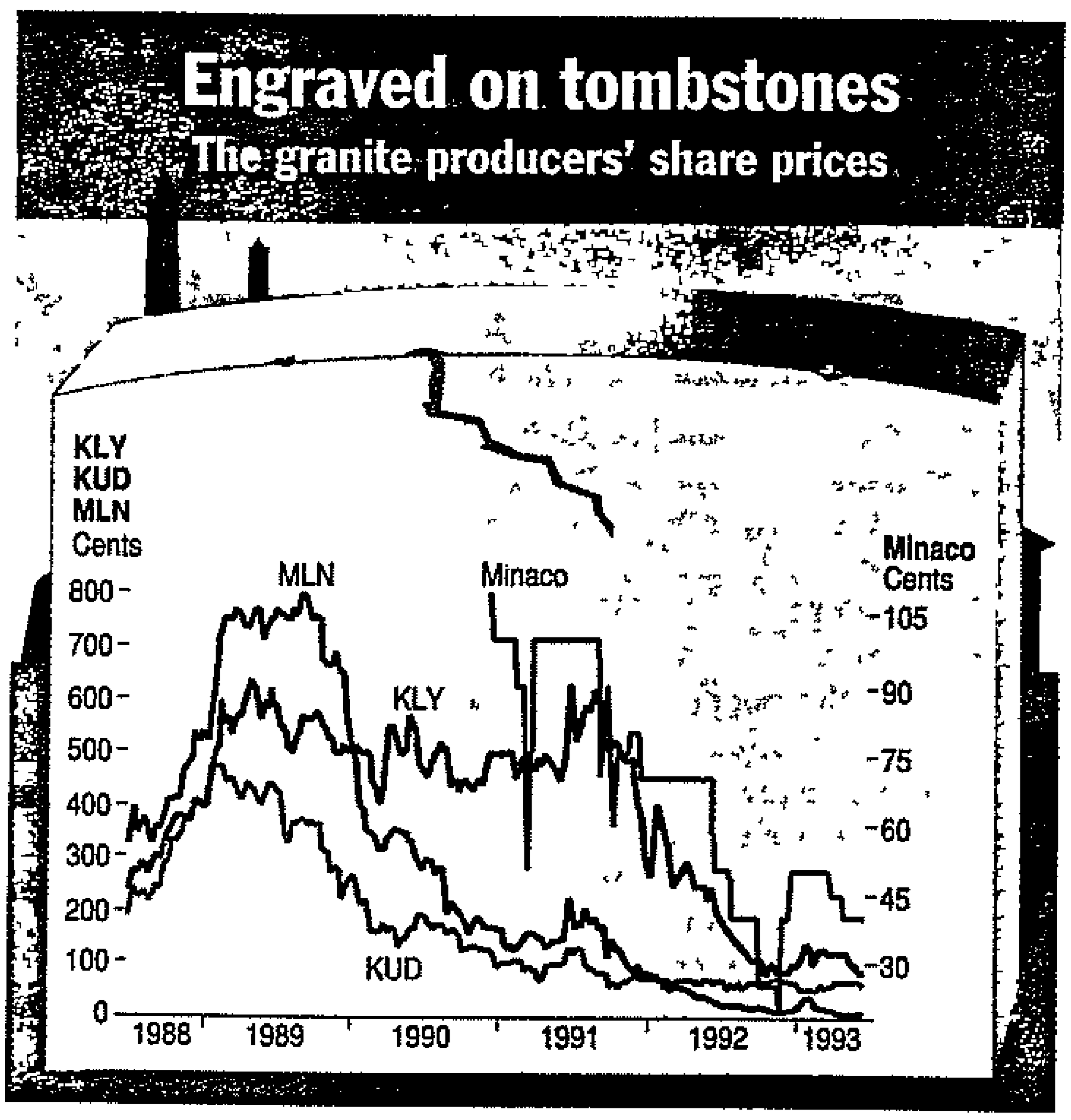
Examples of the comparatively disastrous state of the world property business abound. Donald Trump built a property empire from nowhere over the Seventies and Eighties; he spends all his time now defending it Canary Wharf, the prestige London development designed to set Europe by its property ears, has proved a disaster, in the process it has dragged a successful property group to the liquidation block In Sydney, office developments are stopped dead in their tracks, with two or three completed floors taking on the appearance of derelicts

A Swiss investment analyst gloomily but emphatically says property is like a churchyard at night — decent folk give it a wide berth "The next property cycle," says Geneva investment manager Jean-Antoine Cramer, "will begin to take shape late in the next decade" That means not before the turn of the century On that basis, shareholders in the SA granite business shouldn't expect any dramatic turns in the fortunes of their companies

Confirming this forecast, MD of Hooker Research in Sydney, David Rees, says there was an enormous boom in property values and construction in the late Eighties That fuelled granite consumption However, demand for office accommodation in the cities fell just as new supplies were reaching the market in 1989 and 1990 The office vacancy rate in Sydney CBD is now 22%, says Rees, and the Australian national average is about 21%. "That's equivalent to the CBDs of two cities the size of Brisbane and Perth standing empty"

Commercial construction has shrunk 50% in Australia since 1989 and Rees confirms other countries have experienced much the same contraction "Very slow growth rates in the global economy indicate there will be no turn in construction until 1998 at the very earliest"

Another factor bedevilling the SA industry is the problem of adding value to the product This is a country which, traditionally, has been a supplier of raw materials to developed countries, to the humiliation of our apparent inability to make full use our own natural resources is added the pain of buying back — at mugh higher prices — goods which are based upon SA minerals



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GLASS INDUSTRY FM 18/6/93

Under the microscope

(193)

The only local glass manufacturer, Plate Glass & Shatterprufe Industries (PGSI), will be living in a glass house for the next few months The Competition Board says it will conduct a far-reaching investigation of the

Cont P

group to determine whether any of its companies are monopolistic or use restrictive business practices The board will also review acquisitions made in the past five years and any envisaged

Board chairman Pierre Brooks says the investigation is the result of several factors "In the mid-Eighties a few mergers took place in the industry that the board was not empowered to investigate It nevertheless promised the industry that it would be sensitive to complaints" Brooks has since been inundated with complaints from the automotive- and building-glass industries

He says most of them are over the group's pricing and distribution policies They allege that PGSI is trying to eliminate wholesaler competitors — including importers — by going directly to retailers. Adding to these complaints is the De Loor report, which says many parts of the building industry are too concentrated and should be investigated "This is clearly an issue that can't be resolved merely through a discussion," Brooks says

The most serious recommendation the board can make to the Trade & Industry Minister is that the group should divest some of its holdings, a measure that the board has never taken in its 13-year history

PGSI suffered a second blow when the Board on Tariffs & Trade indicated that it may not impose anti-dumping duties on imported glass The board decided that importers no longer had to make provisional payments to cover any import duties that the board would levy retroactively (*Business & Technology* January 22) The board imposed the provisional payments — as much as 26% of the purchase price on all allegedly dumped glass from the Far East — in February after PFG Flat Glass, a subsidiary of PGSI com-

FM 18/6/93 (193)

pany Glass SA, persuaded the board to investigate charges that building glass from the Far East was being dumped

The investigation — the second in only six months by the Board on Tariffs & Trade after a request by PFG — is expected to end soon Importers are optimistic that the decision to drop provisional payments indicates that PFG's application for greater protection will again be rejected They say glass importers already pay 15% duties and that additional levies on glass classified as dumped could raise this to 41% and create an unassailable monopoly

Overseas competition has recently dropped the price of locally manufactured glass Flat glass measuring 3 mm — one of the most common products — now sells for R10/m², down from R12,50/m² a year ago Cyril Gebhardt, managing director of importer Triangle Glass, says he can land the same glass from China (all duties and surcharges included) at R9,50/m² Industry observers say the board decided to drop the provisional payments because the lower prices of locally manufactured glass are keeping out most imports

Responding to the Competition Board investigation, Glass SA CE Rod Fehrsen says it was inevitable that competitors would retaliate against PFG for its anti-dumping application

"Recent changes in our distribution policy (the group recently re-structured drastically) have also contributed towards complaints We have always abided by Competition Board policy We believe the investigation will demonstrate that the steps we have taken over the past few months are in the best interests of the industry and the consumer"

Competitors disagree Alex Barrell, group chairman of Africa Glass, Glass SA's largest customer and competitor, believes that the investigation will expose restrictive practices Africa Glass has previously accused Glass SA of monopolising the entire distribution chain from manufacturing to retailing ■

Plate Glass 'striving to regain blue chip status'

BIDay 25/6/93

MARCIA KLEIN

GLASS and timber group Plate Glass & Shatterprufe Industries' (PGSI's) results over the past few years had not been up to the standards achieved in the 1980s, chairman Ronnie Lubner said in the group's 1993 annual report

He said in the '80s, shareholders' wealth — including share price growth and dividends — rose by an average 30% a year PGSI aimed to regain its blue chip status through sustained and sound growth

After a disappointing earnings performance over some years, PGSI increased earnings by 45% to 304c a share in the year to end-March on the back of a strong second half improvement in international division Belron International But the SA operations experienced extremely difficult trading conditions and their markets showed sharp declines in activity.

The strong growth in earnings in the past year was a step in the right direction, Lubner said. Results for the fourth quarter and early trends in the new year indicated a continuing improvement in the performance of Belron International

But the political environment and depressed trading conditions in SA made it difficult to forecast the performance of the domestic operations.

Lubner said the group's expectations had not always been fulfilled, but had made it realise the need to reorganise almost the entire group

Glass SA had undergone a major re-organisation to meet increased competition locally and outside SA Volumes and margins were under pressure Volumes would recover in due course, but prices and margins would always be under pressure

Board division PG Bison's domestic markets came under pressure as building activity fell by 7% and furniture industry volumes dropped 6%.

The next year would remain difficult, but some improvement was forecast due to the economies achieved from the division's restructuring The domestic market would continue to decline in the coming year, but some improvement was forecast from economies resulting from restructuring

Belron International, which operated mainly in the automotive replacement glass installation market, experienced demand pressure.

But activity and performance improved towards the end of the year, and sales grew by 9% to R1,4bn Apart from Australia and Italy, all countries showed improvements and operating profit for the group "increased markedly" (193)

Further improvements were expected in the UK, Europe and US, while Australia would show a marked reduction in losses

PG Industries, quoted in Zimbabwe, reported a marked real decline in sales and a fall in operating profit. But earnings rose due to high levels of interest earned.

The outlook for the coming year was uncertain. But PG Industries had contributed R3m to PGSI's earnings on a cash accounted basis and this level was again attainable in the coming year.

Star 25/6/93

PGSI sees vast market potential

By Stephen Cranston

193

South Africans have tended to under-estimate the complexity and time-consuming nature of developing offshore, says Plate Glass (PGSI) chairman Ronnie Lubner

Writing in the annual report for the year to March, Lubner says the group underestimated how quickly it could influence consumer behaviour and create markets for the specialist automotive replacement glass market, but says there is vast potential from the 300 million vehicles in the markets in which it operates

International sales increased by nine percent to R1,381 billion and operating profit improved in every country except Australia and Italy

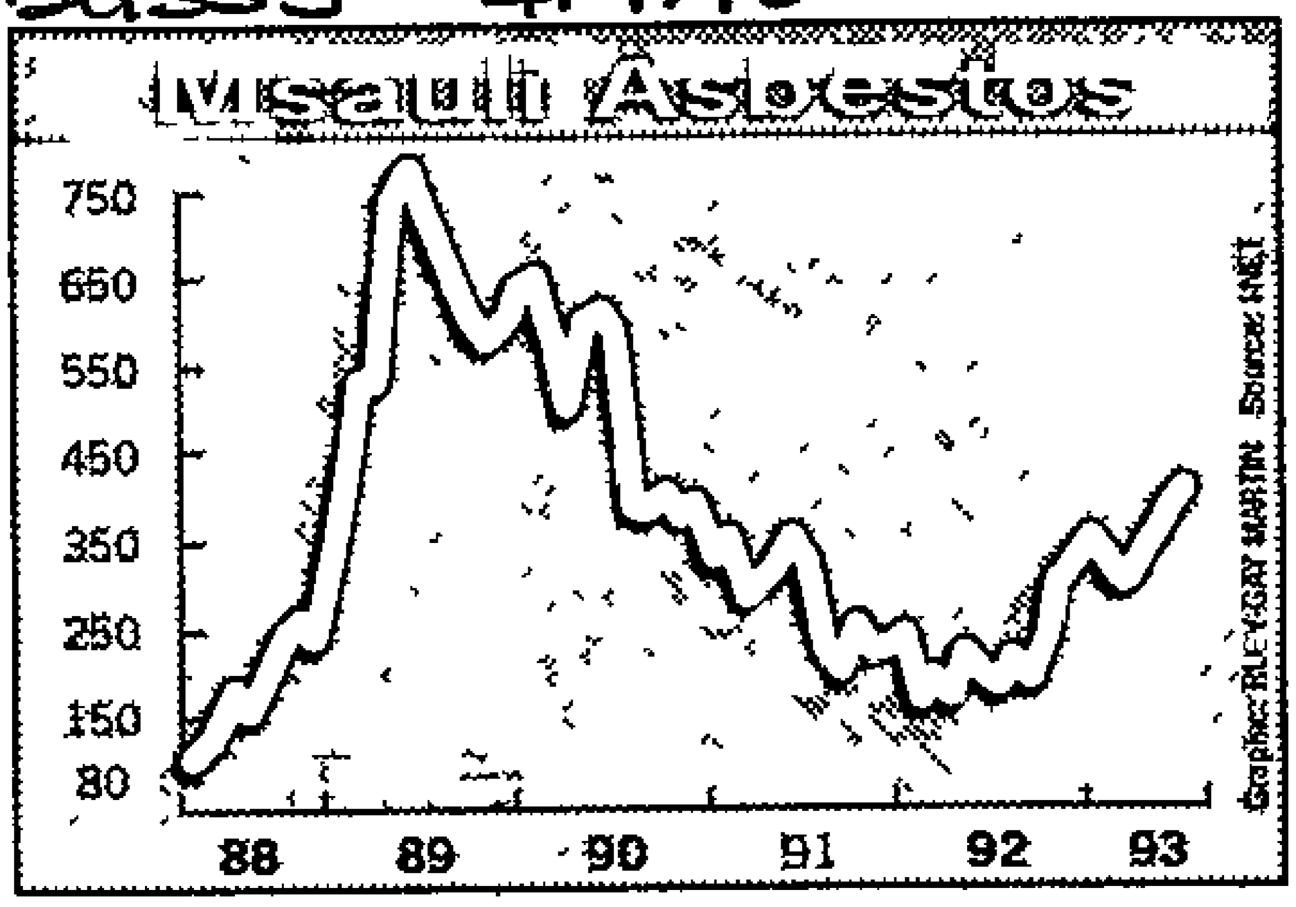
Sales in the UK increased by six percent, boosted in the final quarter by the introduction of windscreen inspection in the annual roadworthy test

Sales in the rest of Europe increased by 12 percent

There was strong growth in sales and profit in Benelux following the introduction of the full range of specialist functions such as 24-hour service, freephone, mobile fitting and direct billing.

Falling rand makes Msauli an attractive buy

S Times (Buss) 4/7/93



THE faster the rand drops against the dollar, the more the market seems to love Msauli — the country's biggest producer of white chrysotile asbestos

Chairman Pat Hart says the company which formed part of the management buyout from Gencor in 1988 exports almost all the 100 000 tons a year produced at its mine about 30km south of Barberton near the Swazi border

Currency watchers expected the rand to decline by 10% during 1993, but it has fallen by that amount in only the first six months

Mr Hart says the asbestos market is tightening, however prices have been one or two percent higher than achieved last year in dollar terms

(193)

"We sell on an annual basis without firm contracts, but usually dealing with the same customers If they initially ask for say, 10 000 tons, then require only 9 000, we are understanding The market has moved in favour of customers," says Mr Hart

He was the managing director of Msauli and its blue asbestos-producing sister Gefco when the major shareholdings were held by Gencor Five years ago Mr Hart led a management buy-out in which Gencor sold its one-third interest in Msauli at 120c a share to Gefco, of which Mr Hart's management consortium bought 48,6%

Since then, Msauli's share price has risen above 700c, retreated to 170c and is now advancing once again — to 385c in only three months

Not only is Msauli's income climbing, it is reaping the benefits of the new dedicated container depot built to control off-mine costs Although an underground operation, its unit costs compare favourably to those of the large opencast Canadian mines because of Msauli's high percentage fibre content

Asbestos demand comes from builders of low-cost constructions, and the Far East has emerged as a most important market — America has almost dried up on asbestos health-risk propaganda Properly handled, it is not the wicked material some would have us believe

Mr Hart is mildly surprised that local demand is not greater However, Msauli would be hard pressed to lift production levels Capital expenditure of about R3-million to R4-million a year will be necessary to maintain an underground ore reserve.

About 1 600 work at the mine, which cannot be classed as long life although it maintains a proven ore reserve of at least five years A tailings retreatment project to boost production has been operating below design capacity — Mr Hart says it is almost on target now

The other attraction about Msauli is its 30% stake in the Von Brandis gold prospect At every opportunity, Msauli says a final decision is near, but none has yet been taken

With such a healthy balance sheet as Msauli's there is no pressure to sell it, on the other hand, development of a mine would almost certainly detract from cash flow until it was properly established, and the gold price is a fickle factor Mr Hart seemed to hint at discussions with interested parties; gold would be very small against asbestos in any event.

Mr Hart says last year was a very good one for Msauli It earned 185c a share, putting the shares on under twice historic earnings at the present price and on a dividend yield of 8,4% He says there is no reason why 1993 should not bear similar fruit

Gefco shares have more than trebled to 65c since September last year, but do not look to be a cheap way into Msauli, which theoretically accounts for only 23% of the share price Msauli is the right choice for rand-hedgers

BOUMAT (193) FM

Truly humbled 9/7/93

It seems Adam Klein, CE of building supplier Boumat, is having a spot of bother He was arrested when he arrived at Jan Smuts airport on July 6 in connection, says a press statement from the company, "with allegations of fraud, theft and forgery "

Chairman Sidney Borsook is reluctant to comment "I hope you understand," he says, "but as the matter's sub judice, I really don't think I can add anything " However, Borsook confirms he has quickly set up a troika to superintend Boumat until, as he puts it, "matters are resolved " The triumvirate comprises Borsook, financial director Peter Glendining and director Richard Evered

As usual in such cases, everyone's developed lockjaw Borsook won't say any more than was dragged out of him, ex-CE David Gevisser, replaced by Klein and still an executive director, resolutely refuses any comment "That wouldn't be fair," he said

Klein (42) has had an eventful career In 1971-1972 he was a fiery president of the

FOX FM 9/7/93 (193)

Klein *a little local difficulty*

Wits SRC After graduating, he spent three years as general secretary of the Garment Workers' Union In 1976, faced with an angry government, Klein took off for three months at Harvard and stayed on to do an MBA and then a doctorate in business administration

Later, Klein worked at Boston Consulting, then formed his own company concentrating on strategic and organisational change for corporations and trade unions Clients included the AFL-CIO and airlines A US citizen by naturalisation, Klein retained ties with SA and periodically taught at Wits and Cape Town business schools

Klein wasn't available when the *FM* finally made contact, courtesy Telkom Says wife Lindsay "I'm really bewildered We arrived from the US just a few hours ago I was so excited about starting a new life in SA "

Klein told the *FM* a year ago "I'm not arrogant or flippant about what I'm taking on here (Boumat) I'm humbled by the responsibility "

David Gleason

BUSINESS DAY, Wednesday, July 14 1993

BiDay 14/7/93

3

Stones fly in glass industry

EDWARD WEST

INDEPENDENT glass distributors have thrown more stones for the Competition Board's current investigation into SA's leading producer, Plate Glass & Shatterprufe Industries (193)

Triangle Glass and other independent glass distributors made representations to the Competition Board concerning Glass SA's proposed acquisition of Hardglass Safety Manufacturers, Triangle MD Cyril Gebhardt said in a statement This development in the R1bn a year glass industry added fuel to the Competition Board's recent decision to investigate the structure and conduct of Glass SA's listed parent Plate Glass & Shatterprufe Industries

Glass SA subsidiary PFG Toughened Glass and Hardglass are SA's two major toughened architectural glass manufacturers Gebhardt said the acquisition would allow Glass SA to further dominate the industry if it went ahead with the deal

A Glass SA spokesman said the group had submitted a motivation to the Competition Board for the proposed acquisition and was awaiting its advice

On a related front, Triangle and its allies were embroiled in a battle with PFG through the Board on Tariffs and Trade (BTT) over anti-dumping duties The BTT had postponed a final decision on this matter after refusing an application by PFG for renewal of provisional duties.

Adding to the furore was a complaint submitted to the Competition Board by car glass manufacturer Glasfit over PFG's refusal to continue to supply toughened glass to it at distributor prices, thus giving PG Automotive Safety Glass, a company within the stable of Plate Glass and Shatterprufe Industries, an unfair advantage.

"Glass SA claims that the additional production capacity at Hardglass will allow it to expand its export portfolio without having to erect a new plant, but we believe the motive is to control the industry and its price structures," said Gebhardt *aper, plastics and packaging*

Major players weather recessionary conditions

BDay 19/7/93

(193)

SA's multibillion-rand paper, plastics and packaging industries have not been immune to the recession, but most companies in these industries, which operate in markets that are linked to consumer spending, have managed to increase their profits and export volumes

Local demand remains subdued, yet the industries have continued to prosper by improving quality, tightening costs and increasing export drives

The paper, glass, metal and plastics packaging market has experienced significant pressure on volumes and margins over the past year But the major players, which include Nampak, Holdains and Consol, have improved by turning their focus towards asset management and tight cost controls Significant investment in expansion and upgrading plant has also placed them in a position to weather the weak trading conditions

Packaging, which has traditionally grown at a rate faster than the growth in GDP, has not been able to sustain its growth in the past year This was largely because of the decline in consumption of beer, soft drinks and other consumer products

Packaging groups are, to a large extent, reliant on sales of consumer products, as a significant proportion of packaging sales relates to food and beverages Beer and soft drink volumes, which showed buoyant increases in the past decade, are currently showing no growth Retail sales have declined in real terms for most of the past year

Declining

Many companies operating in the packaging sector were also affected by price cutting as firms tried to increase share in a declining market

Most have forecast that trading will remain difficult for the remainder of the year as consumer spending and consumption remains at a low ebb But various measures taken in anticipation of the downturn should enable them to maintain earnings off little or no volume growth

Share prices have also held up well, and many of the major packaging groups sit with significant cash piles The problem is how to spend the money

Major paper manufacturers Sappi and Mondi have made significant acquisitions overseas, but it is not that easy for the packaging firms Exports of unfilled products are difficult, although filled containers are obviously exported by their clients Some have previously hinted at offshore acquisitions, but recent Reserve Bank actions with regard to finrand deals could put a damper on these plans

Despite these factors, Barlow Rand's packaging group Nampak overcame lower volumes and recessionary conditions to post a 23% rise in attributable earnings in the six months to end-March Nampak said this was achieved largely through aggressive attention to production and financial efficiencies, and help from the new company tax rate Bevcan, Foodcan, the carton and sack divisions, liquid packaging and flexible packaging improved profits

Reduced demand in the soft drink industry saw the plastics division report a lower profit The paper and printing divisions also dropped operating profit

In the half year to end-February, Malbak subsidiary Holdains lifted its earnings 6% despite tough competitive conditions and reduced consumer spending Beverage can operation Crown Cork, in which Holdains recently acquired a significant stake, improved profitability, as did Holdains Plastics The Kohler paper division marginally increased its contribution, while Graphtec paper merchanting maintained earnings

Increased

Anglovaal subsidiary Consol increased earnings 7% in the six months to end-December, largely because of good results from its rubber interests

Industry sources said the coming year would be characterised by pressure on volumes and increased competition between the major players for market share It is believed that Nampak, Holdains and Consol have about 60% of the market between them into paper collection and

Diversity proves the strength of Consol

B/Day

ANGLOVAAL packaging and rubber subsidiary Consol was formed in 1944 with glass packaging as its only business 19/7/93

The company has diversified over the years It is involved in packaging and rubber, with the packaging sector manufacturing and marketing glass packaging products, glass tableware, plastics and paper packaging, and processing industrial silica sand

Glass packaging supplies general trade bottles and customer specials, providing packaging for beer, wine, jams and preservatives, vegetables, milk products and liquid refreshments (193)

Printed ware bottles, used for milk and yoghurt packaging, are also manufactured The pre-printed bottles allow for extensive re-use without affecting labelling

Glass is 100% recyclable and remelting does not affect the quality Consol is actively involved in promoting awareness, and bottle banks are now a common sight in public parking areas and supermarkets

Speciality

Another important division is speciality glass, which manufactures and markets glass tableware and glass spunware, such as bowls

In 1962, the group diversified into plastics and the division has become a major packaging convertor in southern Africa

In 1980, the group acquired the Consol Paper division when the acquisition of an existing plant provided it with its first venture into corrugated cartons

The 1989 acquisition of Goodyear Tyre and Rubber Company provided it with its most recent major diversification into the rubber sector, and it entered the tyre retreading and distribution business in 1990

Rubber proved to be the cushioning factor for Consol in the six months to end-December, as packaging interests felt the effect of low consumer demand Nevertheless, some divisions, particularly the plastics and corrugated packaging, managed to maintain or improve profits

Consol said although the market was not expected to show any significant improvement, sales volumes were not expected to decline compared with the second half of the previous year

PGSI FM 23/7/93

Foreign boost (193)

Activities: *Makes, distributes and installs flat and automotive glass, produces, makes, processes and distributes timber, board and aluminium products*
Control: *SA Breweries 67,8%*
Chairman and CE: *R Lubner*
Capital structure: *24,7m ords Market capitalisation R1,4bn*
Share market: *Price 5 700c Yields 2,6% on dividend, 5,6% on earnings, p e ratio, 17,8, cover, 2,1 12-month high, 6 700c, low 3 750c Trading volume last quarter, 247 000 shares*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	196,7	190 0	49 4	203 6
LT debt (Rm)	247,1	51 5	133 7	64,1
Debt equity ratio	0 78	0 49	0,29	0 52
Shareholders interest	0 33	0,39	0,34	0,26
Int & leasing cover	4,7	10,3	6,9	7,0
Return on cap (%)	15,9	19,2	12 5	15 8
Turnover (Rm)	3 13	2,30	1,81	2 78
Pre-int profit (Rm)	291,1	298,6	212,1	270 1
Pre-int margin (%)	9 3	13 0	11 6	9 6
Earnings (c)	355	409	209	320
Dividends (c)	222	222	150	150
Tangible NAV (c)	2 560	2 474	2 113	1 273

Given an increase of 53% in EPS, this startling result for some reason seems strangely muted Plate Glass & Shatterprufe Indus-

contd

PGSI's Lubner *earnings can grow in 1994*

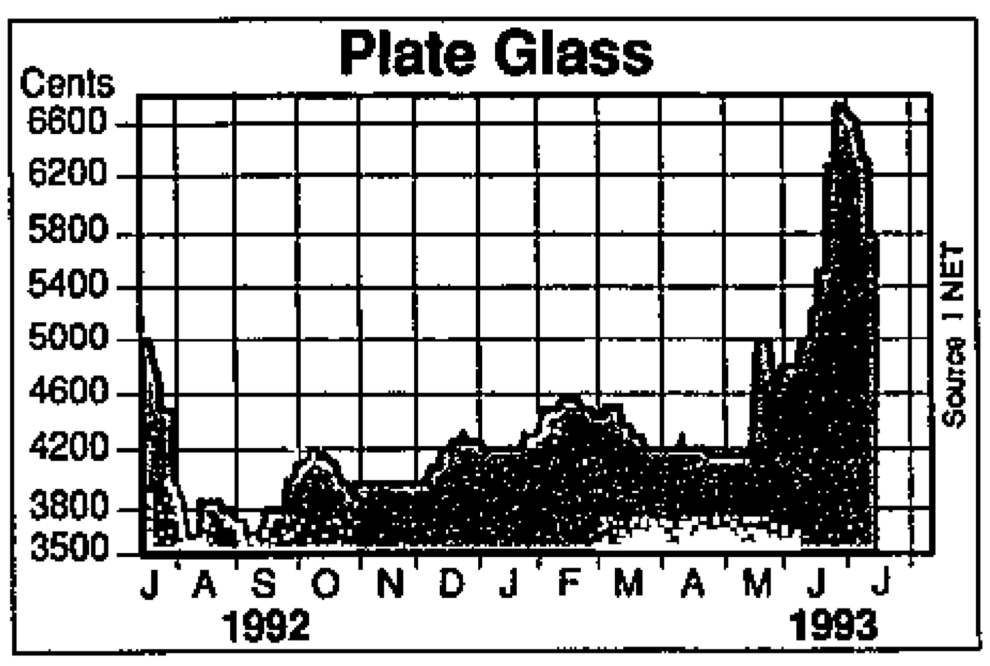
tries (PGSI)'s accounts show extraordinary all-round improvement, particularly in hitherto Cinderella international operations Turnover jumped nearly R1bn to R2,78bn and despite heavy financing costs (R32,5m), a high tax bill of R115,6m (a rate of 48,7%) and pref share dividends of R39m, attributable profit surged to R79,1m

The 1992 outcome was seriously hit by what the directors call nontrading items R75,9m, including whopping write-offs of R40,9m goodwill and R41,7m on discontinued operations Taken below the line, they didn't affect EPS, nevertheless, the comparison with 1993's R3,1m is stark

Short- and long-term borrowings vary enormously between years For example, 1993 short-term debt is R203,6m and long-term R64,1m The previous year, almost the reverse applied short-term R49,4m and long-term R133,7m In 1991, the situation was — yes, you guessed — the opposite short-term R190m, long-term R51,5m Gyrations are related to consolidations and restructuring but are, nonetheless, unsettling

But one can't cavil at the result The big turnaround came from international arm Belron contributing R41m to total operating income of R270m, against a modest R10m in 1992 Finance director Mike Read confirms that trading conditions in SA were again difficult, so the contribution from Belron assumes greater significance

Belron concentrates on the UK, Europe, US and Australia Read says the UK, where Belron had the advantage of buying and building on an existing business, has shown



good returns for some years The trick, he explains, is that Belron can offer insurance companies a special service as it can respond rapidly to a service call for damaged windscreen assistance and bills all work undertaken in a month through a single statement

Last year, that service was given a boost by the inclusion of windscreens in UK Ministry of Transport compulsory three-year vehicle inspections This raised Autoglass's weekly load from 19 000 jobs to 29 000

The same principle of providing a user-friendly service to insurers is being applied in the Benelux countries and is producing good returns In Germany, France and the US, however, Belron is starting grass-roots operations Initially these are costly but Read is cheerful about them Losses have been reduced significantly and he obviously feels profitability isn't far away

PGSI is much less forthcoming about local operations A note in the directors' report simply lumps the three SA and Zimbabwean activities (Glass SA, PG Bison and Zimbabwe's PG Industries) together They jointly contributed R229m to operating income

Read says PGSI is awaiting the take-off in black housing which will substantially benefit Glass SA and PG Bison, a major maker and supplier of chipboards and laminates Where have we heard this before? There has been so much talk, for so long, about huge black housing projects which must — which will — be undertaken that shareholders will be excused if they view them as a chimera

In a peculiar chairman's statement, in which Ronnie Lubner asks himself questions and gives studied replies, he believes earnings can grow in 1994 A caveat is hefty capex (R100m on rebuilding the Springs float tank) and an uncertain SA economy

At R57, on a p e of 17,8, the market certainly expects PGSI to maintain 1993's turnaround Given the potential of the international arm, which lends a currency protection factor, Lubner may satisfy investors

David Gleason

Keeping an eye on PGSI

(193) WM 30/7-5/8/93

Despite losing its blue chip status, PGSI is still an investor favourite. By Mondli Makhanya

LOVED by investors, hated by the competition and well regarded by the employees That is perhaps the best way to describe Plate Glass and Shatterproof Industries (PGSI), the country's premier player in the glass and board industry

The reasons PGSI is seen this way are not hard to find One of its components, Glass South Africa, is the country's only flat glass producer, major distributor and retailer and is constantly consolidating its position This has prompted complaints about monopolistic and restrictive behaviour from other glass retailers To investors the company has continually given excellent returns and Johannesburg Stock Exchange analysts rate it highly In industrial relations and general employee dealings PGSI's board division PG Bison has been one of the more progressive companies in the country, and unions speak well of the company's directors

After a glistening Eighties in which share price and shareholder's dividends grew by 30 percent a year on average, PGSI's performance in the early Nineties fell victim to the recession, costing it its blue chip status on the JSE

The nature of PGSI's business made it particularly prone to the economic slump of the past four years

The building industry — on which particularly the glass division is dependent — saw a seven percent fall in activity in the past year and the furniture industry's six percent decline also hit the board division quite hard. The glass division also suffered from the slump in the motor industry to which it supplies glass for windscreens and windows

But a company watcher says many investors are keeping an eye on PGSI as a good buy the first sign of sustainable recovery "It will get its blue chip status back," he notes.

But it is not just the recession PGSI has had to battle Other players in the market — mainly glass distributors — have been protesting against Glass South Africa's attempts to consolidate its position as the sole supplier

Independent glass distributors recently petitioned the Board of Trade and Tariffs to drop six-month-old anti-dumping regulations which had been imposed at the request of PGSI subsidiary and glass distributor PFG Flat Glass

Another area of attack that PGSI has come under is in the vertical integration of its activities The Competition Board is already investigating the structure of PGSI after independent glass distributors have filed hundreds of complaints of "restrictive practices" against it

Besides having in its stable Glass South Africa as the only producer of flat glass in the country, it also has PFG Flat Glass as the major distributor and installer in the glass industry.

"You cannot have the sole manufacture of glass also having the largest downstream distribution system," says Africa Glass managing director and Flat Glass Association chairman Alex Barrel

But like parent company South African Breweries, which is also constantly subjected to accusation of being a monopoly, PGSI financial director William Read scoffs at these accusations "As far as we are concerned we are not a monopoly All our growth and acquisitions have been within the bounds of the Competition Board"

It is perhaps in its foreign activities that PGSI has performed best. Its European subsidiary, Belron International, contributed a major portion of the company's 45 percent earnings growth last year This, according to Read, was due to Belron effectively covering the whole of the United Kingdom

A deal with the main insurance companies now directs windshield repairs of the insurance houses' clients to Belron outlets for a fixed price all over the country While American subsidiary Windshield America is just breaking even, French and German Belron operations are still losing money due to development costs — but Read reckons the small size of the industry as compared to the large population and size of economies there leaves great scope for growth in those countries.

"In three years we will be making money in every country we are doing business in," says Read who also predicts that PGSI will soon be a rand hedge for investors

Internally, the company is hedging it bets on major reconstruction programmes within the next few years, which Read feels PGSI will be well positioned to take advantage of

Anglo-Alpha stands firm

Star 5/8/93

By Stephen Cranston

There was a decline in the demand for the products of cement manufacturer Anglo-Alpha in the six months to June.

But cost-saving measures introduced last year enabled the group to increase operating margin from 18,2 percent to 21,9 percent.

Earnings per share increased by 30,4 percent to 81,8c on a current-cost basis and by 20,6 percent to 172,9c on the historic-cost basis used by almost all other companies

The dividend has been raised by nine percent to 50c.

The cement division saw sales volumes fall by 6,8 percent, but the reduction in production costs arising from restructuring and plant refurbishment projects over the last three years led to a 17,4 percent increase in net operating income to R62,8 million.

The stone division, which made a loss of R4 million in the same period last year, reported a R4 million operating profit because of rationalisation.

Sales fell for all operations in the industrial division except Cappa Sacks.

(193)

But a more favourable product mix helped operating income increase by 23,1 percent to R24,4 million

Lower interest rates reduced finance costs by 18,7 percent to R12,9 million, but there was an 87,2 percent increase in tax to R29,6 million.

This was partly the result of a sharp reduction in capital expenditure, which is down from R56,5 million to R33,2 million

Gearing was reduced from 23,5 to 18 percent, the return on net assets increased from 10,9 to 11,9 percent and the return on equity from 11,5 to 13,0 percent

The group expects cash from operations to increase by 34 percent in the full year

Cost-cutting spurs Anglo-Alpha profit

From EDWARD WEST ~~210~~ 193

JOHANNESBURG — Cement and industrial minerals group Anglo-Alpha's profit jumped nearly a third in the six months to end-June 1993 in spite of falling sales volumes

CT 5/8/93

The increased profits came from cost-cutting measures These included cutting staff by 700 in the past 12 months, halting refurbishment in the cement division and operating kilns more efficiently, said financial director Trevor Wagner

The group is the second largest member of the cartel of SA's three cement producers

Earnings increased to 81,8c (62,7c) a share, but historical earnings, excluding the R27,4m (R24,3m) inflation adjustment, were up a fifth to 172,9c (143,4c) a share

Wagner said sales volumes fell in general, but sales of an increased mix of higher priced products below inflation price increases, resulted in turnover climbing 8% to R404,7m (R374,8m)

The effect of cost efficiencies introduced in 1992 were reflected in the operating profit margins rising to 21,9% (18,2%), leaving operating profit higher by nearly a third at R88,7m (R68,1m)

Finance costs fell to R12,9m (R15,8m) Tax climbed sharply to R29,6m (R15,8m) The interim dividend was lifted to 50c (46c) Return on net assets and equity was marginally above inflation at 11,9% (10,9%) and 13% (11,5%) respectively

Cash resources rose to R87,1m from R62,6m at the interim stage last year, but were sharply down from the R144,2m at the year-end in December

Gearing at 18% (23,5%) was expected to decrease further after reduced borrowings, and cash flow was expected to increase by more than a third for the year because of improved profitability, the group said in a statement

Low asbestos sales hit Gefco

EDWARD WEST

ASBESTOS and coal group Gefco reduced its loss in the six months to end-June 1993 compared with same time last year, but associate asbestos company Msauli's earnings fell by a third over the same period

Msauli's sales were slightly up at R47,2m (R46,2m), but operating profit fell marginally to R7,7m (R8,5m)

Tax doubled to R3m (1,5m) Interest bearing debt more than halved to R604 000 (R1,3m) B/Day

Earnings a share fell to 70,7c (106,3c), but the interim dividend was lifted to 15c (10c). 13/8/93

Directors said demand had fallen in some markets and sales for the full year would probably be 5% to 10% lower than the previous year (193)

Gefco, the Griqualand Exploration and Finance Company, saw asbestos sales fall to R13,5m (R24,1m) while coal sales were virtually static at R5,5m (R5,6m) in the interim period

The operating loss improved to R491 000 (R2,6m) The loss a share amounted to 1,4c (9c) and an interim dividend of 2c was declared

Msauli lifts dividend

Star 13/8/93

BY DEREK TOMMEY

Despite difficult conditions in the asbestos market, Msauli has increased its interim dividend from 10c a share last year to 15c a share this year

Chairman Pat Hart says shareholders could still look forward to an improved dividend distribution for the year as a whole (193)

However, sister company Gefco has had to cut its interim from 3c to 2c

Despite lower shipping volumes, Msauli slightly increased its sales in the six months to June to R47,2 million from R46,2 million a year ago

A jump in the tax bill from R1,5 million to R3 million, together with the reduction in operating income, resulted in net income falling 34 percent to R4,6 million.

Hart says although sales for the year are likely to be lower than those of last year, second-half results should be better than those of the first half

Msauli's asbestos sales dropped from R24,1 million to R13,5 million, but coal sales were almost unchanged at R5,5 million

Operating income showed a loss of R516 000 (loss of R2,6 million previously) and net income a loss of R516 00 (R3,2 million)

But sales of amosite fibre, treated as a special item, produced a profit of R1,4 million

Restructured Italtile's sales hold up after split

MARCIA KLEIN

A SIGNIFICANTLY restructured Italtile has reported earnings of 44,4c a share in the 16 months to end-June

Results are not comparable with the previous year as the company changed its year-end from February to end-August and disposed of its ceramic manufacturing operations to Ceramic Industries Ltd The disposal, in August 1991, was in exchange for shares distributed to Italtile shareholders as a dividend in specie

CE John Couzis said the split of the retailing and manufacturing operations enabled management of both to focus on their core businesses

Italtile reported turnover of R194,9m in the 16 months, compared with R165,9m in the year to end February 1992 Attributable earnings were R8m (R11,8m)

A 3c a share final dividend brought the 16-month dividend to 8c a share

Couzis said the 16-month period marked "the completion of Italtile's first trading period as a dedicated retailer" Retail sales had increased, and management was satisfied with the margins achieved He said overhead costs were "well within budget"

B/Day 20/8/93

(193)

Star 24/8/93

Glass SA buys out Hardglass Safety Glass

Glass SA, the glass manufacturing and distribution arm of Plate Glass and Shatterprufe Industries (PGSI), confirmed yesterday the acquisition of Hardglass Safety Glass Manufacturers

Kees Cleton, the majority shareholder in Hardglass, welcomed the decision by the Competition Board not to oppose the takeover (193)

Referring to public objections by building and automotive glass manufacturers, Cleton said as far as he knew none of the objectors had been competitors or even customers of Hardglass

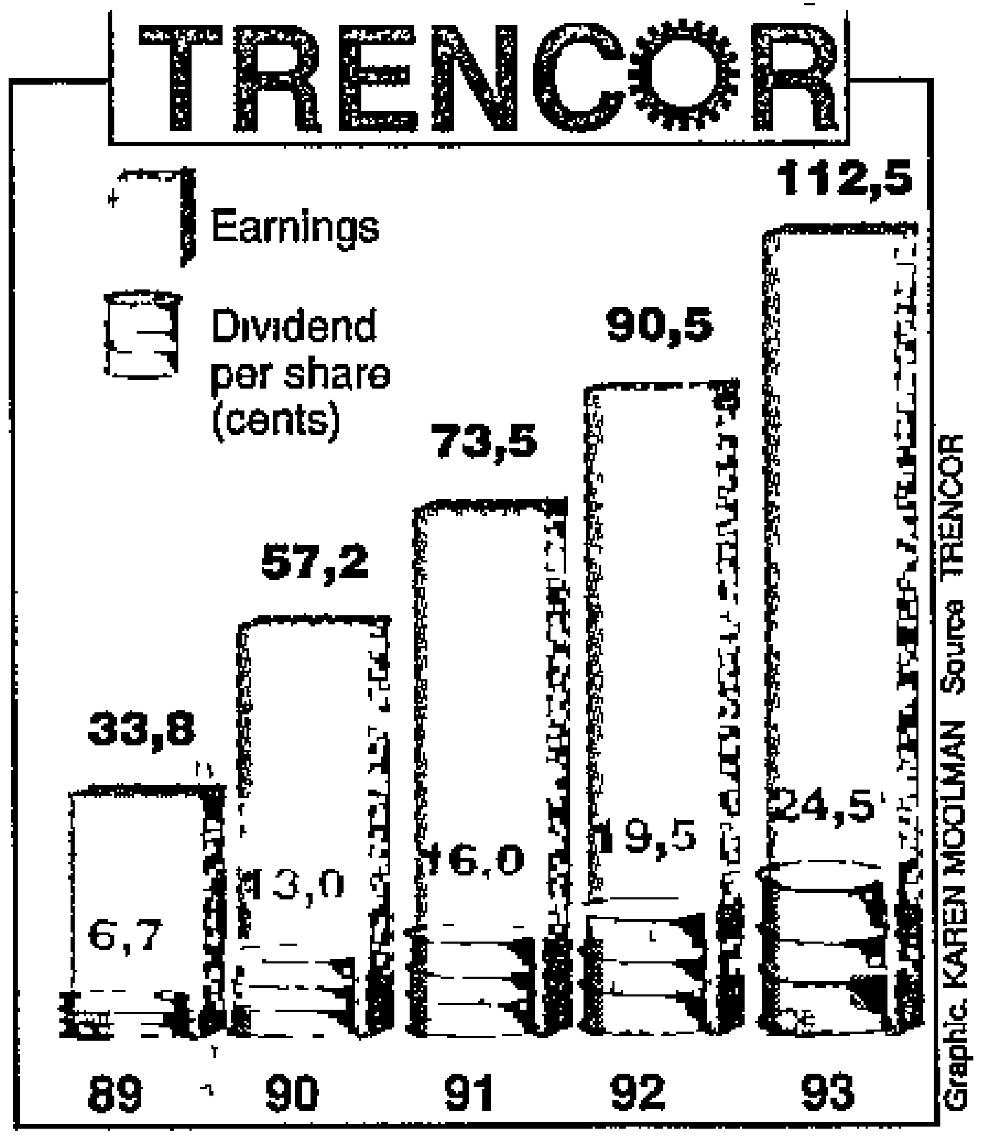
"Having decided to retire, my options were to sell the business or to dispose of the assets offshore.

"Glass SA made the only offer locally and I am pleased that it can be sold as a going concern."

Peter Clatworthy, finance director of Glass SA, said the acquisition would allow the group to service its fast-growing safety glass export market without having to import new plant.

Hardglass would become part of PFG Toughened Glass, a division of PFG Building Glass.

A spokesman for PGSI said the acquisition would not have any material impact on the earnings of the group. — Sapa.



Foreign interests boost Trencor

B/Day 25/8/93 LINDA ENSOR

CAPE TOWN — Diversified industrial holding group Trencor increased earnings a share by 24,3% in the year to end-June. Income from foreign operations and exports, which now represent more than 70% of total earnings, boosted the bottom line.

The group also had large cash resources for most of the year, and these generated substantial investment income.

The results were achieved in the face of difficult trading conditions and a sharp increase in the average tax rate. But executive chairman Neil Jowell said the main divisions performed "excellently".

Earnings rose to 112,5c (90,5c) a share, and after the declaration of a final dividend of 15,5c (15,3c), the total was increased by 25,6% to 24,5c (19,5c) a share.

Parent company Mobile Industries declared a final dividend of 4c (3,95c) on earnings a share of 27,6c (22,1c), which brought the total to 6,2c (4,95c). (196)

Improved operating margins and lower finance charges saw pre-tax profit rise 57,7% to R207,1m (R131,3m) on a 15% increase in turnover to R740,6m (R644m). The pre-tax income margin strengthened to 28% (20,4%), reflecting the contribution from investments. Whereas last year the group carried a net interest cost of R5m, this year interest income of R12m accrued.

At the 1992 year-end, Trencor had R164m in cash and in December sold its Contred tyre division for R210m. Towards

To Page 2

Trencor

B/Day 25/8/93

From Page 1

the end of its 1993 financial year the group paid about R295m for a stake in W & A, leaving it with about R75m in cash.

Most of the operations of the W & A group, in which Trencor acquired a controlling interest, performed in line with budget. W & A traded profitably in the two months it was under Trencor's wing and made a positive contribution to earnings.

"While the group anticipates returning to profitability and dividend payment in 1993, it remains our view that the potential of W & A as a whole will be realised only in the longer term," Jowell stated.

The disposal of W & A's non-core operations had been held back by the difficult conditions in the market.

Trencor's exports and overseas operations — largely in the container industry — benefited from the rand's depreciation against the dollar, which helped offset the pressure on international container prices.

Trencor has a stake in US-based international container leasing operator, Textainer Group, which contributed satisfactorily to earnings. 196

A higher tax rate of 28% (19,6%), lower income from associate companies and a higher payment to outside shareholders resulted in a 26% increase in attributable income to R163,4m (R130m). Interest-bearing debt to shareholders' funds at end-June amounted to 5% (6%).

On prospects for this year Jowell said political instability had wreaked havoc on business and he would be happy to maintain earnings during the transition period.

The profit announcement said the treatment of Trencor's share of associate companies' turnover, pre-tax income, tax and after-tax income had been changed in accordance with generally accepted accounting practice. Comparative figures had been adjusted accordingly.

SHADRACK KHOPUTSE: from fascination to business Picture: KIM LUDBROOK

SI Times (Buss)

Shadrack provides Soweto with a mould for success

29/8/93

By ZILLA EFRAT

SHADRACK Khopotse, 58, has come a long way from his early days as a "boss boy" in fibreglass plants.

He now owns the largest fibreglass pool filter-box factory in South Africa His four sons are in his company, S P Khopotse & Sons, which employs 15 people.

Among his many products, all made of fibreglass, are canoes, satellite dish covers, portable toilets, industrial housing, sandpit covers and water tanks

Expected orders include commentary boxes for a TV company and kiosks for Viva Games Negotiations are also under way, through an agent, to export some products to mines in the United States

The reason for his success, he says, is "not giving up in the bad times"

In 1961, fresh from school, he began work as a carpenter But he was fascinated by the company's fibreglass works and managed to get himself transferred there a week later

The next 23 years were spent in supervisory positions at various fibreglass factories

In 1984, he walked past a statue-making company called Florence Art and was suprised to find it used cement moulds

He bet its owner, Valerie Nightingale, that he could reduce the number of people employed to make a statue from six to one

(193)

Mr Khopotse says. "She didn't believe me, a black man, but she gave me an order"

He succeeded, using rubber and fibreglass moulds, and it was not long before he was working for her

Mrs Nightingale's business, however, ran into hard times With her support, Mr Khopotse began making fibreglass pool filter boxes for his customers on her premises

His workload grew. He took on an employee, opened a bank account and bought his first car

Because he was taking up too much space on her property, Mrs Nightingale asked him to apply for a business licence so that he could trade on his own He was turned down by the Sandton municipality

In 1985, an impressed customer phoned the Get Ahead Foundation and Mr Khopotse's business started to move

Get Ahead gave him premises free of rent for six months and a loan of R10 000 which enabled him to buy tools and a delivery bakkie.

Mr Khopotse says "After that I did not have to stop at every bridge to check if I could get past with all the goods tied on top of the roof of my car"

He repaid the loan in 18 months and in 1988 had to move to new premises because he again needed more space.

Running the business has not been without hiccoughs The recession bit hard this year and Mr Khopotse had to lay off 10 employees

But he can now sleep at night because trading conditions have picked up and orders are rolling in again. Summer, his best season, is almost here.

Mr Khopotse designs and develops all his products and is a master of glass reinforced plastic (GRP) products.

He is by no means keeping his success to himself He helped a businessman in Bophuthatstwana to start a successful fibreglass toilet factory

He is about to start teaching a Soweto man how to work with fibreglass The pupil will then open his own business

COMPANIES

Kudu stages R11m turnaround

KUDU Granite reaped the benefits of reorganisation in the year to June, staging a near-R11m turnaround in earnings despite continued tough conditions in the market.

The company, in which Anglo American has an indirect stake, posted operating income ahead nearly 70% at R13,7m on turnover up at R101,2m (R60,6m) as it exploited its merger last year with unlisted producer Impala BDay 31/8/93

Despite a R3,1m charge to cover retrenchment costs, pre-tax income moved to R5,2m (R3,5m), leaving attributable income ahead at R5,1m (R6,1m loss) (193)

Bottom-line earnings a share moved to 11,7c, against a 15c loss The dividend was held at 4c

MD Peet du Toit said the results underlined Kudu's successful "belt tightening" in the face of conditions which had beggared the international granite market and its producers

ANDY DUFFY

An improvement in earnings and dividends was on the cards this financial year There were tentative signs that the market was beginning to recover

The rationalisation with Impala was complete, Du Toit said.

The merger had linked Kudu with one of Europe's largest distributors, Deutsche Steinindustrie (Destag), in which Anglo held a 35% stake

The move had also strengthened Kudu's balance sheet Shareholders' funds leapt from R38,1m to R60,3m, while borrowings dropped from R37,7m to R19,1m.

Du Toit added that there was further room for rationalisation in the industry.

Marlin Corporation had indicated it was looking for a suitor to underpin its recovery, he said

Kudu was not looking for further merger opportunities.

CONSOL FM 17/9/93

Still financially strong

Activities: *Makes glass, plastic, paper packaging and glass tableware Makes tyres and has tyre interests*
Control: *Anglovaal Industries 59,5%*
Chairman: *C S Menell, MD P J Neethling*
Capital structure: *64,4m ords Market capitalisation R2,40bn*
Share market: *Price 3 725c Yields 1,9% on dividend, 6,5% on earnings, p e ratio, 15,3, cover, 3,5 12-month high, 4 200c, low, 3 050c Trading volume last quarter, 193 000 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	21,9	22,9	28,7	43,9
LT debt (Rm)	144	136	61	63
Debt equity ratio	0,67	0,51	n/a	n/a
Shareholders' interest	0,34	0,40	0,46	0,40
Int & leasing cover	7,8	10,3	521	33,1
Return on cap (%)	24,3	31,4	29,9	33,2
Turnover (Rbn)	1,56	2,07	2,10	2,17
Pre-int profit (Rm)	215	319	291	281
Pre-int margin (%)	13,8	15,4	13,9	13,0
Earnings (c)	157,7	194,3	216,7	243,3
Dividends (c)	45	55	62	70
Tangible NAV (c)	314	453	546	524

With recession having curbed volumes of almost all local businesses, rubber and packaging group Consol must derive satisfaction from holding net cash of R49m It provides capacity to increase its rand hedge element by developing exports — now providing only 1,5% of turnover — or to make another acquisition (193)

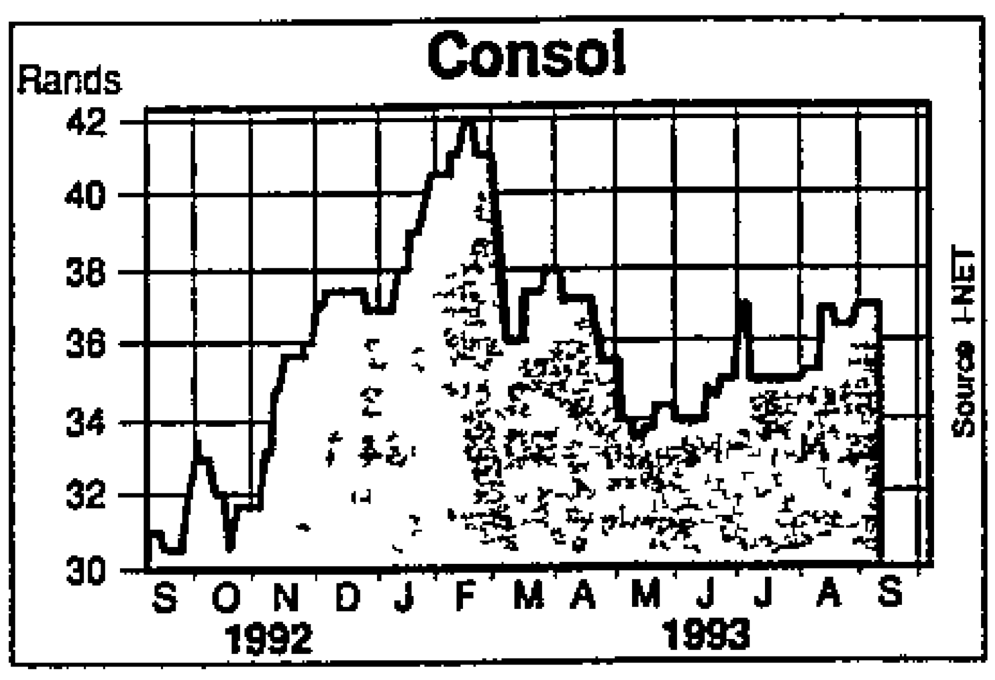
Group MD Piet Neethling admits there are plans for an acquisition during this financial year, though he would not say whether this is offshore Goodyear's ownership of all its plants outside SA means any foreign tyre

FM 17/9/93

acquisition would place Consol at loggerheads with its American counterpart But there could be other options Consol could easily place paper to fund an acquisition

Contred, the rubber division (now wholly owned, and housing Tycon and Tredcor), was the star performer with higher unit sales and operating income rising 7,4% to R141,8m on declining industry volumes With a 51% contribution to group operating profit, this marked the first time the majority came from rubber operations and not packaging

Whether this will become a trend is not clear Though market share has been gained in the face of stiff local competition, volumes have been affected by the increasing number of tyres entering SA through the homelands despite a permit system and tariffs. The tyre industry has grown by less than 1% during the past five years, imports have increased almost 70% Greater competition is expected to affect the industry in 1994, when the Gatt rules will require removal of the permit system In the longer term, the industry will see a phased reduction of import tariffs, now 30% on new tyres and 20% on used.



Consol's packaging division, in particular its glass bottle operation, has been the cash generator, providing the financial clout to diversify into rubber It holds about four-fifths of the glass container market. So the 12% decline in bottle volumes impaired packaging's operating income, which slid 13%, squeezing margins to 14,8% (17,4%)

This ability to provide massive cash flow would have encouraged management to allocate about R110m in provisions over the next few years to rebuild furnaces and recondition glass-making machinery Consol has to be equipped with the latest technology if it is to vie successfully for the business of producing containers for exports such as wine.

Capex of R150m, almost double last year's figure, will not materially affect the interest bill which, for the 1993 year, was R8,4m and covered 30 times. The increase was attributed largely to the acquisition of Trencor's remaining 25,6% minority shareholding in Contred for R210m and R50m for the redemption of preference shares However, the higher spending will bring down the effective tax rate

Though conditions aren't expected to improve much this year — 1993 saw turnover up only 3% with operating profit down 4% — Neethling is confident EPS will continue to grow The 1993 year's EPS were boosted by the substantial reduction in preference dividends to R1,6m (R6,7m) and the lower tax rate of 39% (44%) Earnings climbed 12,5%

The share's rating on a p e of 15 might look expensive, considering the poor market outlook But it reflects Consol's ability to produce good results in toughening conditions Further rerating of the share will depend partly on how difficulties in the tyre market are addressed *Marylou Greig*

JSE suspends Quagga shares

ANDY DUFFY

THE tardiness of granite producer Quagga Holdings caught up with it yesterday when the JSE suspended the company's shares

The company, which has been put into provisional liquidation by Standard Bank, had been warned two weeks ago by the JSE that it faced suspension unless its financial statements were produced by the end of this month B/Day

The JSE had been forced to put a similar ultimatum to Quagga in January, but that time Quagga delivered the goods at the eleventh hour 30/9/93

Quagga director Jay Voster said the 1993 financial statements had been delayed because the company wanted to announce the purchase of a smaller company in tandem with its year-end results (193)

He said Quagga planned to apply to the JSE to change its year-end to the same as that of the new buy, though it was not clear whether the application had been posted

It was immaterial The deal with the unnamed company fell through with failure — after seven months of talks — to agree a price

Quagga's fortunes declined still further earlier this month after Standard Bank, upset by Quagga's failure to meet commitments on its R1,4m overdraft, applied for a liquidation order

The suspension brings to an end several difficult years for the granite company In the latest annual results — for the year to February 1992 — it made a net loss of R2,6m, on turnover slightly ahead at R4m

The company had embarked on a sale of assets, and changed direction from extracting granite to treating it

Voster, who joined the Quagga board three months ago, said he was unsure what would happen now Chairman Bushy Meiring was unavailable for comment

Sasol brick is cheap and easy to use

SASOL Coal has developed a low-cost brick to replace standard concrete blocks used in the construction of ventilation walls underground

8/Day

Industry spokesmen believe the new brick will also substantially reduce the price of low-cost housing, and there are plans afoot to establish a R2,3m plant to produce the bricks on a large scale

Sasol Coal mining projects manager Koos de Beer said the organisation had built a show house at Secunda Collieries to introduce the market to the new brick

In addition, he said, all the ventilation walls in the Twistdraai Shaft at Bosjesspruit Mine — one of the three underground mines at Secunda Collieries — were being constructed with the brick

6/10/93

The cost savings offered by the brick were extensive, said De Beer, and the payback period on the establishment of a new plant to manufacture the bricks was estimated at about 11 months

The brick had an interlocking design which eliminated the need for mortar and plastering, which were used traditionally to ensure ventilation walls were airtight

"There is no mortar in the normal sense — the bricks are effectively glued together and sealed at the vertical joints with a mixture of cement and water"

De Beer noted that it took a quarter of the time to build a ventilation wall using the brick This, he said, led to an average cost saving of 35% over conventional methods as a result of reduced labour and material costs

(193)

Sasol had manufactured a purpose-made trailer to transport the bricks, said De Beer, and had produced a half brick and a special corner brick, which was T-shaped, for internal wall junctions.

Corobrik warning on industry frustration

(193) CT 13/10/93

From MAGGIE ROWLEY

RICHARDS BAY — The building industry and business at large was fast approaching the point where the bubble of frustration would burst, executive chairman of Corobrik, Errol Rutherford warned

At a media presentation in Richards Bay yesterday Rutherford hit out at the "politicking" which was delaying developments on all fronts

"We are tired of ceaseless talk, of high level bungling, of endless red tape and plain inactivity We have born the brunt of high interest rates, heavy taxation and massive investment to raise potential productivity and quality standards to among the best in the Western World

"Right now we need to see the politicians settling their differences as quickly as possible"

Rutherford said a positive stimulus was needed soon to prevent companies in all sectors from downsizing to the extent that they would be unable to cope with demand when it regains normal levels

He said that while brick sales had picked up this year after registering steady declines in 1992 margins remains under severe pressure and their plants were running at an average capacity of 50% with bricks generally selling 5% below last year's prices

Rutherford said the brick stockpile had fallen to below 100 million bricks for the first time in four years

He said the group had secured facebrick export orders to the Far East and Middle East and in the past 15 months 22 million bricks had been sent to Singapore

Thanks to reduced freight costs and the depreciating rand, what had started out as a marginal exercise to keep factories working had turned into a profitable venture Exports to Singapore alone had totalled R27m with the order securing at least 45 jobs

He said Corobrik was actively seeking other export opportunities and had been participating in trade fairs

Charles Lemley, Corobrik's director for Northern Natal and Zululand said Richards Bay was one of the only areas in the country experiencing boom conditions due to the mammoth Alusaf smelter project

More than 12 million bricks would be required for residential developments by April next year To help meet this demand eight million surplus bricks from Corobrik's Glencoe plant in Natal were being railed to Richards Bay with four million already having been landed

● Richards Bay was actively seeking additional investments in the area so that momentum created by the R7,5bn Alusaf project was not lost, said town engineer Frik Bosman

He said the Town Clerk was currently overseas on a KwaZulu investment drive and "we are also talking to a lot of South African companies about investment in the area"

The town, he said, had a concentration of primary industries and development of secondary industry was required

Anglo-Alpha in buy-out

(193) CT 15/10/93

Business Staff

ANGLO-ALPHA, the cement, stone, lime and industrial minerals producer has increased its investment in Brickor Precast (Pty) Ltd by buying out the Tongatt-Hullett Group and Kurt Martinuessen's interest

However, the directors say Anglo-Alpha will immediately merge the new wholly-owned subsidary with Grinaker Precast and sell off part of its merged interest to retain only a minority stake in the precast business

PG throws the first stone in windscreen war

S[?] Times (Buss)

PLATE Glass Group has slashed the price of car windscreens temporarily in an effort to fight off importers and competitors, writes DON ROBERTSON 17/10/93

The group has tackled independent glass suppliers for two years Its request for dumping duties on flat glass from China and other countries failed last year.

It is now taking on the lucrative windscreen business PG Autoglass has reduced prices on windscreens to as low as R175 for some vehicles, mainly mini-bus taxis. The offer lasts until Saturday (1993)

As recently as two weeks ago, the recommended retail price of its windscreen for a Nissan E20 was R778, although sometimes considerable discounts were offered The Plate Glass price for a Toyota Hi-Ace windscreen is R175 compared with as much as R940 previously

Windscreen importers say these prices are barely above production costs They are unable to compete

PG Autoglass managing director Stewart Jennings says the lower prices are offered at only two or three centres and are "normal loss-leader strategy" He says prices have been cut to counter growing imports

The offer, to PG Autoglass' own retailers only, is seen by competitors as being well timed From November 1, the Road Traffic Quality System (RTQS) comes into effect and 12-seater minibuses will have to be tested annually Vehicles with chipped or cracked windscreens will fail a roadworthy test

It is estimated that between 40 000 and 50 000 windscreens are sold in the after-market a year, many to taxi owners

The Competition Board is investigating the activities, past and future acquisitions of PG Group A final report is expected in four to six weeks, says board chairman Pierre Brooks

PG Group has had a monopoly in flat glass and windscreens for many years Its hold on the the windscreen market was broken three years ago when Glastam, which distribtes through Glasfit, established a plant in Babalegi It now has 56 franchise holders and has taken about a third of the market

Brick mountain grows in spite of industry shake-out

B/DAY 18/10/93

ROBYN CHALMERS

THE brick stockpile held by SA's building industry has reached about 450-million as the slump in the sector continues

This is an increase of about 50-million compared with last year and double the stock held during the building boom in 1985

Clay Brick Association president Mike Wilkin said the number of brick manufacturers had shrunk from about 450 in 1980 to an estimated 105 producers (193)

"Even though technology had given this smaller base increased production capacity, available statistics showed that in 1990, production had been 4-billion units compared with a peak of 6-billion units in 1983," said Wilkin

This pointed to a decrease in capacity in real terms of between 25% and 40% Corobrik, SA's largest brickmaking group, closed 15 factories between 1984 and 1991

This left 37 plants throughout SA operating at about 60% capacity

Corobrik executive chairman Errol Rutherford said the group held about 300-million bricks, but was reducing this because of the cost of holding stock

He said the industry needed a stimulus soon to stop companies downsizing to the extent that they would be unable to cope when demand regained normal levels.

The most immediate boost for the industry would be government's initiatives on low-cost housing, which had yet to get off the ground

"The construction of low-cost housing requires no importation of skills, materials or technology It makes use of local resources and could provide work for many more people than the industry currently employs," said Rutherford

Cullinan Brick executive director Roddy Stewart said the company's brick stockpile amounted to about 20-million, which was lower than nine months ago.

No end to the building recession was in sight, said Stewart, who expected demand to remain stagnant until the elections next year Thereafter, any upturn depended on political stability and the cessation of violence, but Stewart was optimistic that the tide could turn by the middle of next year

PPC prospers despite hard times in building

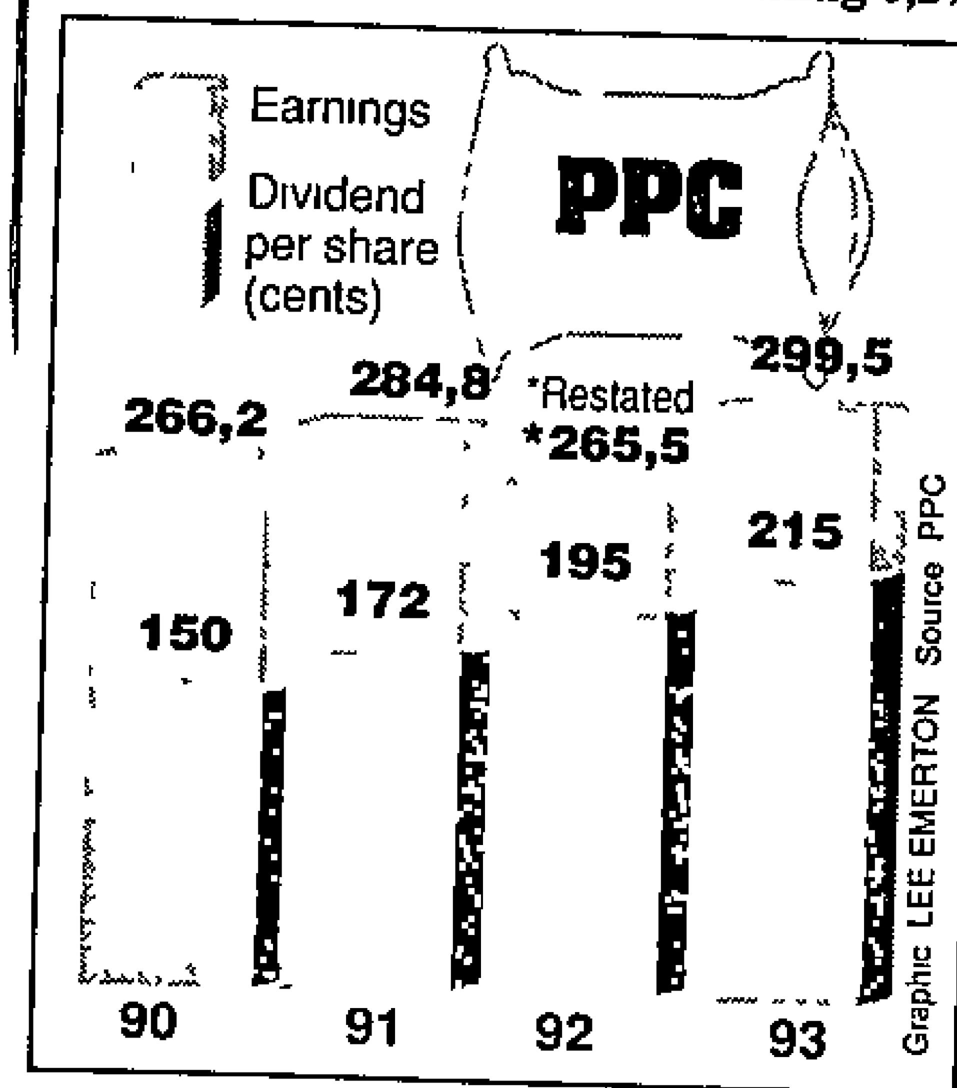
B/Day 5/11/93

EDWARD WEST

A LIGHTER tax burden, cost controls and asset management helped Pretoria Portland Cement (PPC) overcome tough conditions in the construction industry and earnings climbed 13% in the year to end-September 1993 (93)

PPC's cement sales reflected the difficult building and construction sector and fell 5% to 2,8-million tons Cement plants operated at 56% of capacity and lime sales were virtually unchanged at 973 000 tons.

Turnover rose 9,2% to R884,6m (R809,9m) and operating income was 7,8% higher at R198,9m (R184,5m), helped by two cement price increases totalling 9,2%



and one lime price increase of 6,5%.

Earnings a share increased to 299,6c (265,5c) A final dividend of 165c was declared lifting the dividend for the year by a tenth to 215c (195c).

Interest paid of R6,1m was offset by R20,5m investment income and pre-tax profit was 8% up at R213,3m (R197,9m) The tax rate was lower at 44,7% (48,1%) The R90,9m (R88,9m) tax bill included R10,4m secondary tax on companies

The benefit of the tax rate on deferred tax was reported as a R38,5m extraordinary item and transferred to reserves. Because of the distortion from the partial method of accounting for deferred taxation, the group changed to the comprehensive method and 1992 earnings were restated downwards by R4,3m

Strong cash flows enabled cash holdings to increase to R157m (R112m) Long-term finance of R35m was raised to fund plant expansions at Slurry and Hercules which increased total debt slightly However, gearing was 10%

Cash generated, enhanced by the sale of the 50% stake in Parem Enterprises and low capital expenditure during the year, amounted to R67m Major capital expenditure to be completed in 1994 included a R20m silo and palletising system at Hercules and a R17,6m palletising and road dispatch system at Slurry.

Wealth tax only option?

South 14/8 – 18/8/93

Reaction to the first volley in the wealth tax debate by the ANC's trade and industry coordinator, Tito Mboweni, has taken the form of instant outrage and rejection. But given South African inequalities, this is one debate that won't go away. **CHRISTELLE TERREBLANCHE** sums up some of the existing arguments.

MR Tito Mboweni's call for an "economic reconstruction levy" — or wealth tax — to supplement the state coffers has become the centre of controversy in the tax debate

An adviser on tax for both the ANC and National Party, Prof Dennis Davis, of the Centre for Applied Legal Studies at the University of the Witwatersrand, has since pointed out that the chances of increasing personal and company tax are slim.

The other side of the tax coin, however, remains that not enough state money is available to address the country's problems. Where should it come from?

"It is highly unlikely that a new government would impose a reconstruction levy or wealth tax similar to that in West Germany after World War II," said Davis.

He stated that against the background of a possible federal system, which would be expensive, such a tax would be complicated administratively.

(320)

However, Davis pointed out that a similar successful levy was raised from 1965 to 1973 in Chile to sponsor a compulsory education programme.

The levy trapped about 40 000 tax evaders.

The suggestion has caused a storm of resistance.

Dennis Davis

The National Party called it "reckless", cautioning that it will chase away foreign investors and stunt growth. The party's flagship, "Die Burger", compared it to "organised theft".

A Democratic Party spokesperson on finance, Mr Geoff Engel, said "Tito Mboweni's statement on a one-off wealth levy or taxes will only encourage the further flight of capital from South Africa and greater tax evasion.

"The provocative statements of Mr Mboweni are grossly undermining confidence, job creation and any chance of economic recovery."

Mboweni has since pleaded that he has been misquoted and that his suggestion was not official ANC policy He merely tried to open debate on the issue

The notion of a reconstruction tax was raised in a document compiled last year by Labour Research Service's Gordon Young, called "The price for Apartheid· The wealth tax and how it can pay for the re-construction of black communities."

Young said it was impossible calculate the revenue that would obtained from this tax, but rough calculations of five percent the 20 wealthiest families could R500 million a year.

Witwatersrand economist Neva Seidman-Makgetla — that a three percent tax on over R200 000 would amount R4,5 billion a year This affect only 10 percent of the lation.

However Mboweni has that the levy he suggested would across the board, for all earning a decent living wage.

Young dismissed several tives, among them a capital tax or property levy, because of difficulties in administering it.

"It taxes people whose capital worked hard for them and while a wealth tax penalises whose capital is not income," he writes.

He also stated that one of problems with tax on assets, is its low return compared other investments.

Davis also saw a capital gains as "debatable", and cited ment of Finance research showed it could only yield R300 million and R1 billion at most.

"It is not a money spinner will probably not feature in year's budget," he says.

He predicts however that V will stay since it has proven ful.

"I also don't foresee a change personal income tax or tax, especially not an increase

"Some tax incentives for and foreign investments might necessary, though."

CDT seminars to be held

THE COMMUNITY Development Trust is to hold two seminars, "How to Fundraise" and "How to Plan and Manage Community Projects," on Tuesday August 24 and Thursday August 26 in Cape Town.

The CDT recently opened offices in Cape Town, after working predominantly with community organisations in Johannesburg, says the Trust's Western Cape regional manager, Mr Tony Philip.

Philip says the fundraising seminar has proven successful in Cape Town and Johannesburg.

The seminars cost R50 each, and bookings are not accepted without payment For more information contact Tony Philip at 531-4482.

PPC cements growth

(193)

CT 5/11/93

Own Correspondent

JOHANNESBURG — A lighter tax burden, cost controls and asset management helped Pretoria Portland Cement (PPC) overcome tough conditions in the construction industry and earnings climbed 13% in the year to end-September 1993

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Turnover rose 9,2% to R884,6m (R809,9m) and operating income was 7,8% higher at R198,9m (R184,5m), helped by two cement price increases totalling 9,2% and one lime price increase of 6,5%.

Earnings a share increased to 299,6c (265,5c) A final dividend of 165c was declared lifting the dividend for the year by a tenth to 215c (195c)

Interest paid of R6,1m was offset by R20,5m investment income and pre-tax profit was 8% up at R213,3m (R197,9m) The tax rate was lower at 44,7% (48,1%) The R90,9m (R88,9m) tax bill included R10,4m secondary tax on companies

PGSI earnings soar on offshore success

CT 8/11/93 (193)

From EDWARD WEST

JOHANNESBURG — Plate Glass & Shatterprufe Industries' (PGSI) offshore development strategy paid off in the six months to end-September, with Belron International the main contributor to a 74% increase in earnings to 241c (138c) a share

Belron International is PGSI's overseas automotive glass operation.

The interim dividend was lifted nearly a third to 85c (65c). Attributable income more than doubled to R73,4m (R34m)

PGSI chairman Ronnie Lubner said the results were largely due to improvement in offshore operations Most of the 600-plus overseas automotive glass outlets had reached varying degrees of profitability.

Turnover climbed 17% to R1,58bn (R1,35bn) which, with a 2,2% increase in margins, resulted in a 47% increase in operating profit to R172,5m (R117,2m) Although the tax bill increased a third to R58,4m (R43,9m), the tax rate fell to 37% (43%) from the utilisation of losses incurred during the offshore development phase and the lower company rate in SA.

Borrowings of R303m (R188,3m) remained more or less constant over the six months The 61% gearing would be reduced significantly by year-end as current levels of profitability improved cash flow

Lubner said domestic operations Glass SA and PG Bison also performed well in spite of the absence of any real growth in the markets they served

Exports were a major contributor to Glass SA's results, with group companies becoming important offshore customers PG Bison's results were good — albeit off a low base — since they were achieved in a period of reorganisation, which included voluntary redundancy for 300 employees

Construction of a R100m board manufacturing plant in Zimbabwe was well advanced and PG Industries was expected to become an important supplier to southern Africa, said Lubner

PGSI would show some improvement in the second half if local and overseas markets did not deteriorate, but the earnings growth of the first half was not expected to be repeated in the second

He said the results justified an insistence that international operations would have a major effect on profits once they had moved beyond development phase

Achieving profitability in the US and Australia was pleasing, but although the German and French networks were improving, they were not yet contributing to the bottom line and would require further development costs, Lubner said

PGSI buoyed by its offshore interests

B/Day 8/11/93

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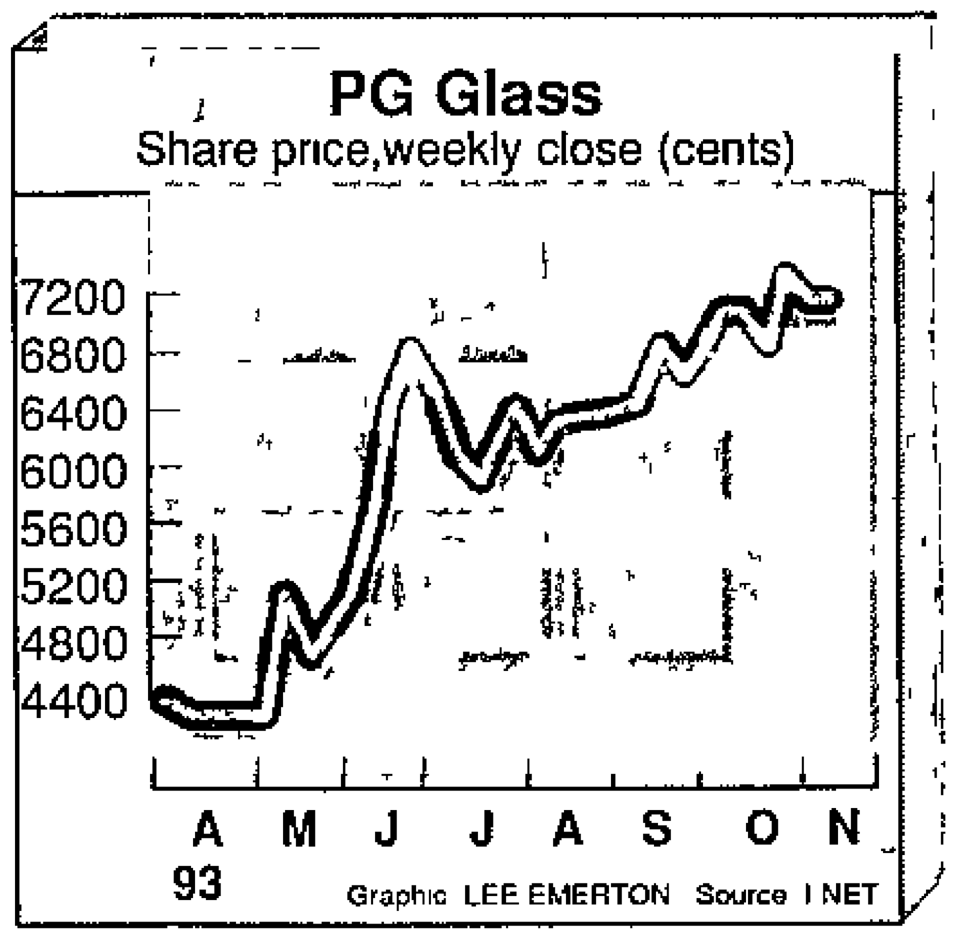

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□ To Page 2

PGSI

B/Day 8/11/93

□ From Page 1

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Consolidated Mining trebles its figures

Bday 12/11/93

ANDY DUFFY

HIGHER revenues and operating improvements lifted earnings at gold and asbestos company Consolidated Mining Corporation more than threefold for the six months to September.

The firm lifted earnings a share to 2,04c (0,6c) and restored its interim dividend at 1c. Turnover rose 12% to R88,7m, while pre-tax income jumped to R15,4m (R6,8m). It also gained from a tax credit of R0,5m.

CMC chairman Gerald Rubinstein attributed the performance to "the healthy state of our gold and asbestos operations" and an improved gold price. He said all group companies, except the Wits Nigel gold operation, were paying dividends. The Droogebult section of the formerly moribund mine was restarted in July and would begin paying dividends soon.

The company offloaded its control of loss-making diamond operation Carrig on Wednesday after a deal to merge it with Rex Mining.

CMC's valuation of unlisted HVL, in which it held 35%, was R15m.

(193)

FM 19/11/93 (193)

KUDU GRANITE
FM 19/11/93

Clearing hurdles

Activities: *Granite quarrying and marketing*
Control: *Destag 53,6%*
Chairman: *J W Houghton, MD P J du Toit*
Capital structure: *38,9m ords Market capitalisation R31,1m*
Share market: *Price 80c Yields 5,0% on dividend, 14,6% on earnings, p.e ratio, 6,8, cover, 2,9 12-month high, 80c low, 50c Trading volume last quarter, 90 000 shares*

Year to June 30	'90	'91	'92	'93
Debt				
Short-term (Rm)	6,7	15,2	31,9	17,2
Long-term (Rm)	6,0	5,3	5,8	1,9
Turnover (Rm)	35,7	39,1	60,6	101,2
Operating profit (Rm)	9,8	3,4	8,2	13,8
Taxed profit (Rm)	7,8	0,7	3,7	5,1
Earnings (c)	50,1	3,2	15,3	11,7
Dividends (c)	16,0	—	4,0	4,0

For a group that has turned in a solid performance in an industry which is supposed to be turning around after two years of recession, some of the comments made by chairman John Houghton and MD Peet du Toit are surprisingly negative (193)

Consider this "The world commodity markets remain depressed, those associated with the construction industry more so than others The relative price stability that has prevailed in respect of southern African materials appears to be under threat as the producers compete for a smaller market"

That jibes somewhat with what Fred Keeley, chairman of market leader Kelgran, had to say just last month, when his interim figures were released Keeley reckons the recession of the past few years is coming to an end

"There are encouraging signs in most traditional markets of increased activity, both in the construction and monumental industries Additionally, the lifting of international sanctions against SA will have a positive effect on future group results, allowing the exploitation of new and developing markets," is how Keeley sees the situation

When questioned, Houghton says Keeley is right about the recovery but he points out that profit margins in the industry are still under pressure Kelgran's turnover rose 34,3% in the six months to end-August but operating profit fell 17,3% Houghton adds his review was written two months ago, when the picture looked rather worse than now, and he did not want to appear too optimistic as the industry has had a number of false dawns during the past two years

The year to June was the first since Kudu's merger with Impala Granite That was part of the shake-out forced on the local granite industry by tough years which led to intensive price competition in Rustenburg grey material, the industry's bread and butter product

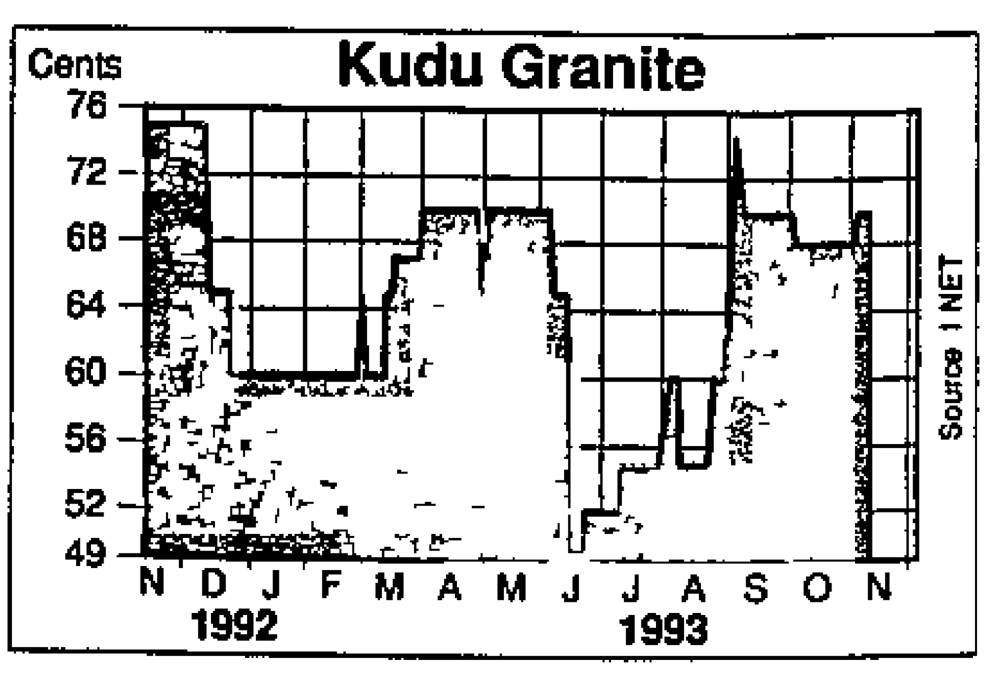
The shake-out is now largely complete, with Kelgran firmly in the Gencor stable and Kudu now linked to Anglo American Corp, which has 35% in German firm Deutsche Steinindustrie, Kudu's ultimate controlling shareholder The merged group's operating profit was enough, after allowing for non-recurring charges, for a maintained dividend after issued shares doubled to 38,9m.

Despite lower prices for Rustenburg grey granite and lower production volumes during the year to June, Kudu's profit margins were improved through cost cutting and productivity, granite stocks were reduced to R15,1m (1992 R16,4m) Quarry rationalisation and closure costs, with retrenchment payments, resulted in a non-recurring charge of R3,1m

Houghton avoids making concrete predictions for this year which is annoying but perhaps understandable, given the domestic uncertainties Instead he generalises that "the company is well-poised to continue growing and to take advantage of new opportunities presenting themselves around the world"

If one were to quibble with Kudu's position, it is on the cash flow side which was a negative R7,5m for the year That's despite conversion of R12,5m of former debt into prefs on favourable terms Against this the pegged dividend looks generous Houghton feels it's justified given the non-recurring nature of much of the costs during the year.

The share stands at a 12-month high of 80c, having recovered from the 1992 low of 40c and the Impala/Kudu merger offer price of 65c Assuming Houghton and Keeley are correct and the granite market is finally turning, it should move higher *Brendan Ryan*



Kudu's Du Toit *price stability under threat*

FM 19/11/93

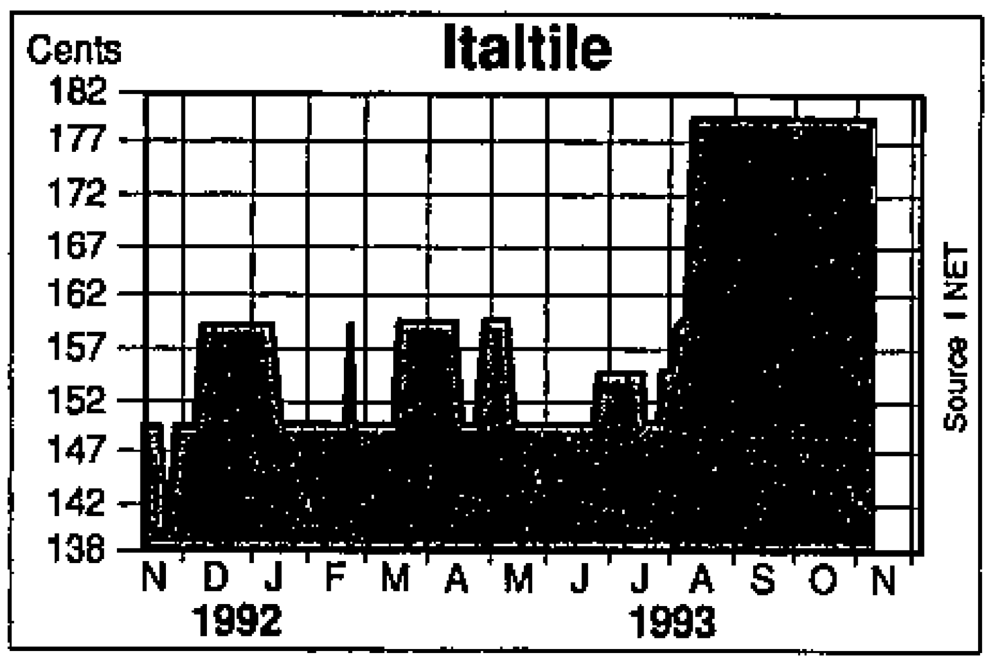
(193)

ITALTILE

Moving stock

Activities: *Retails ceramic tiles, sanitaryware and bathroom furniture*
Control: *Ravazzotti family trust*
Chairman: *G Ravazzotti, CE J Couzis*
Capital structure: *18m ords Market capitalisation R32m.*
Share market: *Price 180c Yields 3,3% on dividend, 18,5% on earnings, p.e ratio, 5,4, cover, 5,6 12-month high, 180c, low, 140c Trading volume last quarter, 6 500 shares*

Comparing 1993 results with those of the previous year is like weighing apples against oranges, shareholders have been presented with figures for the 16-months to end-June 1993 and the 12-months to end-February 1992 In the 1992 year, the tile-making operations were sold to Ceramic Industries



Realignment of the focus on to the core business of retailing through the chain of Italtile centres, CTM outlets and franchise operations resulted in the loss of the merchant network — a traditional market to Ceramic Industries Nonetheless, by improving the product range and expanding customer service, retail sales increased. EPS for the 16-month period were 44,4c, of which 19,4c came in the last six months

The decline in local interest rates and the devaluation of the lira presented the opportunity for acquiring imported material at competitive prices last year. Management decided to convert cash resources into stocks, by year-end Italtile was holding R44m in stock and short-term debt totalled R23m.

CE John Couzis expected the high stocks would be realised in the normal course of business within six months Financial director Peter Swatton confirms this "Most of the stock, bought at 1988/1989 prices, has been sold since year-end," he says "This will be reflected in the December interim turnover figure" Hopefully, borrowings, too, have reduced substantially

Meanwhile, cash (R3,3m) and short-term investments (R25,5m) were a healthy R28,8m at year-end There are no long-term borrowings (Debt of R18m was eliminated with the sale of the manufacturing operations in August 1991)

Swatton says this year is promising "Italtile should show real growth in turnover and attributable profit"

The thinly traded stock has stagnated at 180c for three months Rallen (the Ravazzotti family trust) holds 57,6% and, if real growth materialises, there is little chance of chairman Gianni Ravazzotti parting with any of his equity

Kate Rushton

PG denied stake in competitor

S Times (Buss)

PLATE Glass Holdings' (PGH) bid to buy into its only competitor in the windscreen market has been thwarted in the Transvaal Supreme Court, writes **DON ROBERTSON**

Glass SA, a member of PGH, had asked the court to sanction the registration of 292 shares in Glastam, the holding company of car windscreen distributor, Glasfit. Glass SA acquired the shares from a private company, Ackerman and Zylstra (Pty), previously Alpha Glass 21/11/93

The 292 shares represent about 7% of Glastam's share capital Until three years ago, when Glastam established a manufacturing plant in Babelegi, the Plate Glass group was the country's only manufacturer of windscreens

Glastam shareholders were subject to an agreement with the Industrial Development Corporation not to dispose of any shares without its consent 193

Alpha Glass had orginally advised Glastam shareholders of its intention to sell shares for R1,46-million to Glass SA Their notification to Glastam was not replied to and Alpha Glass was sold to Glass SA for R2 Alpha Glass shareholders, Hennie Ackerman and Willie Zylstra, then informed the IDC that they intended to sell the shares to PGH

The Competition Board is investigating the PG Group's acquisitions A final report is expected in weeks

Lifting of levy cheered

■ BY THABO LESHILO

The scrapping of anti-dumping duties on flat glass imported from China and Hong Kong has been cheered by the industry

Up to 78c per square metre will still be levied on imports of 3 mm glass from Thailand and Singapore, however Star

Duties of up to 26 percent were slapped on shipments from the Far East in February after allegations of dumping made by South Africa's only manufacturer of flat glass — PFG Building Glass. 24/11/93

The move was strongly opposed by Triangle Glass and other independent distributors who said it effectively eliminated trade for importers in the R1 billion-a-year industry.

Although the tariffs fell away provisionally in June, the industry continued to await a final decision (193)

The delay caused anger in the industry, leading to accusations that the Government was dragging its feet on the matter

Triangle managing director Cyril Gebhardt said yesterday he was happy the tariff had been scrapped.

But he pointed out that local distributors had had to pay 26 percent provisional tax on imports for three months while the board considered the matter

"The situation, however, is still unhealthy, with a single manufacturer monopolising the glass market, contrary to efforts now being made by Gatt to have restrictive trade protection eliminated."

PG invests in Z$200m fibreboard factory

BIDCOM 11/2/93

MUTARE — P G Industries yesterday announced the construction of a major Z$200m fibreboard factory in Mutare. The project, to be known as Zimboard III, would specialise in the manufacture of fibreboard, a new product widely used in manufacturing furniture and doors.

P G's Mike Jennings said this constituted the single largest investment by the company in Zimbabwe. (193)

He said although there was one such factory in SA, the Mutare factory, expected to be completed by November next year, would be technologically advanced and would have a larger output than SA's

Construction of the factory was expected to be completed by November next year

Plans to construct the factory had been in place since 1987 when the project had been estimated to cost Z$38m.

"This project will create employment for not less than 120 people and will also indirectly create more jobs for the forestry and transport industries," Jennings said.

He said 80% of production would be for export and 20% for local use — Sapa.

Dismal forecast for cement industry – PPC

(193) CT 3/12/93

By MAGGIE ROWLEY
Deputy Business Editor

THE demand for cement has been running at a 13-year low for more than 12 months with little improvement in demand forecast before the April elections, says John Gomersall, MD of Pretoria Portland Cement.

Cement demand at 7,7million tons was no better than volumes in the industry in 1980 with per capita consumpiton having fallen from 300kg in 1974 to 192kg in 1992.

Gomersall said in an interview that PPC was currently running at 56% capacity and was well able to cope with any increase in demand.

Last year the cement division accounted for 61% of turnover and 63% of operating profit of the group.

This year price increases had been kept below inflation, rising by 6% in January and a furthet 3,4% in July to give a total increase of 9,6% this year, which at time of implementation was well below inflation.

He said the cement cartel had agreed that from January 1, the average national price of cement would increase from 4,6% and had pledged that the regular July increase would not exceed 3% resulting in the national average cement price rising by about 7,7% next year.

Gomersall said while little improvement was seen in the short-term the high road scenario for the cement industry from 1995 was an annual growth of 8%

Demand for cement was directly linked to Gross Domestic Fixed Investment and as such was expected to increase as the economy improved and a new Government of National Unity initiated a thrust towards reconstruction.

In his annual review released this week, Gomersall said a future government was likely to focus on house building in order to address the housing backlog. Further spending on education, health and tourism infrastructures would further increase demand for cement during the next decade.

The World Bank norm was that GDFI should comprise 25% to 30% of GNP. In South AFrica it was currently around 16% and building and construction had fallen about 50% in real terms since 1980.

Calling for a national house building programme to make inraods into the immense backlog, he said house construcion was labour intensive, generates jobs both directly and indirectly and had a substantial multiplier effect.

Most other building materials industries had under-used capacity, he said.

In addition, spending on housing would place no pressure on the current account of the balance of payments.

"This together with increased housing construction to address the enormous backgo, should bring a significant increase in cement demand after a 13 year period of no real growth," he said.

Defending the cartel system operating in the cement industry, he argued this resulted in distinct benefits to the consumer

PPC FM 10/12/93

Good housekeeping pays

(193)

Activities: *Produces cement, lime and related products*
Control: *Barlows 59,6%*
Chairman: *W A M Clewlow, MD J E Gomersall*
Capital structure: *40,8m ords Market capitalisation R2 203m*
Share market: *Price 5 400c Yields 4,0% on dividend, 5,6% on earnings, p e ratio, 18,0, cover, 1,4 12-month high, 5 400c, low, 3 650c Trading volume last quarter, 564 591 shares*

Year to Sept 30	'90	'91	'92	'93
ST debt (Rm)	2,5	1,7	nil	13,4
LT debt (Rm)	30,0	36,0	30,0	56,5
Debt:equity ratio	(0,02)	0,04	(0,03)	(0,13)
Shareholders interest	0,59	0,62	0,60	0,60
Return on cap (%)	19,9	20,7	20,1	19,0
Turnover (Rm)	740	819	899	885
Pre-int profit (Rm)	179,8	195,1	197,7	208,9
Pre-int margin (%)	23,3	22,6	22,8	22,5
Earnings (c)	266	285	266	300
Dividends (c)	150	172	195	215
Tangible NAV (c)	1 321	1 435	1 459	1 622

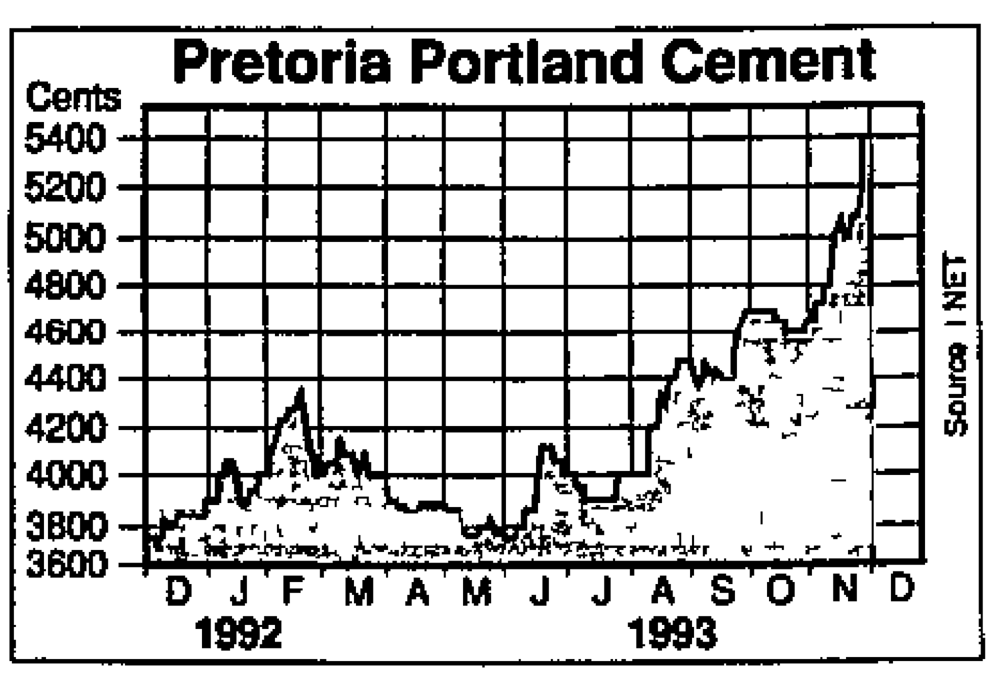
Annual reports such as that from PPC offer a refreshing break from the more common corporate horror stories about the recession The message here is simple times may be tough but, if the business is correctly managed, acceptable results can be produced

The key to success here seems to be meticulous attention to detail, encompassing every facet of the company It is illuminating to take a look at some of the less obvious highlights of the past financial year and the effects these had on earnings

A good starting point is the value added statement which reveals that, presumably through cost-cutting and improved efficiencies, costs of materials and services were reduced by 2% or R7,7m This accounted for more than half of the 1993 improvement in operating profit (before interest and investment income), which rose from R184,5m to R198,9m

The importance of these cost reductions becomes apparent only if one considers the effects if they had risen in line with the 9% gain in turnover — which would also have been acceptable relative to inflation The cost of raw materials and services, instead of declining R7,7m, would then have risen by about R40m and operating profit would have dropped 18% instead of improving by 8%

An example of how PPC is managed is provided by its net working capital require-



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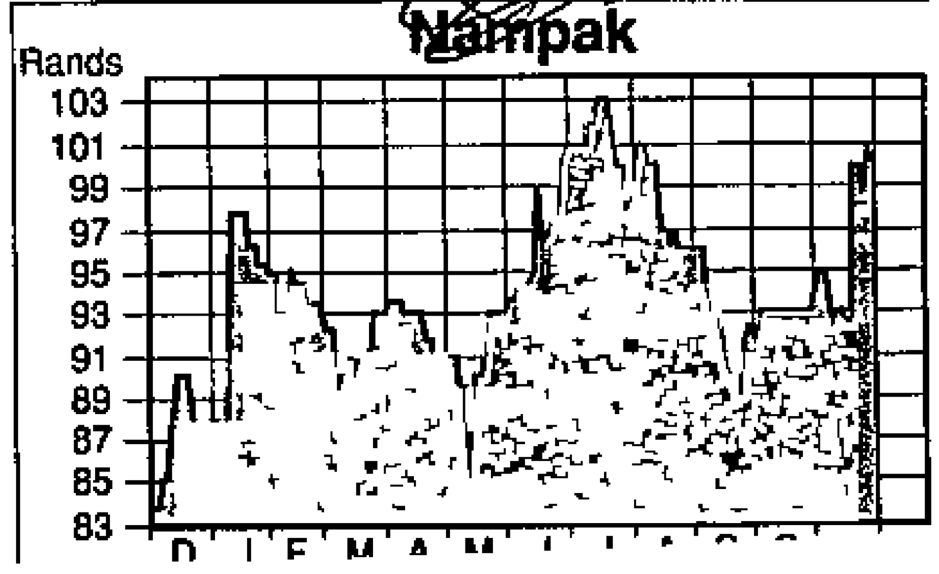

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Share market: *Price 5 400c Yields 4,0% on dividend, 5,6% on earnings, p e ratio, 18,0, cover, 1,4 12-month high, 5 400c, low, 3 650c Trading volume last quarter, 564 591 shares*

Year to Sept 30	'90	'91	'92	'93
ST debt (Rm)	2,5	1,7	nil	13,4
LT debt (Rm)	30,0	36,0	30,0	56,5
Debt equity ratio	(0 02)	0,04	(0,03)	(0 13)
Shareholders' interest	0,59	0,62	0,60	0,60
Return on cap (%)	19,9	20,7	20,1	19,0
Turnover (Rm)	740	819	899	885
Pre-int profit (Rm)	179,8	195 1	197,7	208,9
Pre-int margin (%)	23,3	22,6	22,8	22,5
Earnings (c)	266	285	266	300
Dividends (c)	150	172	195	215
Tangible NAV (c)	1 321	1 435	1 459	1 622

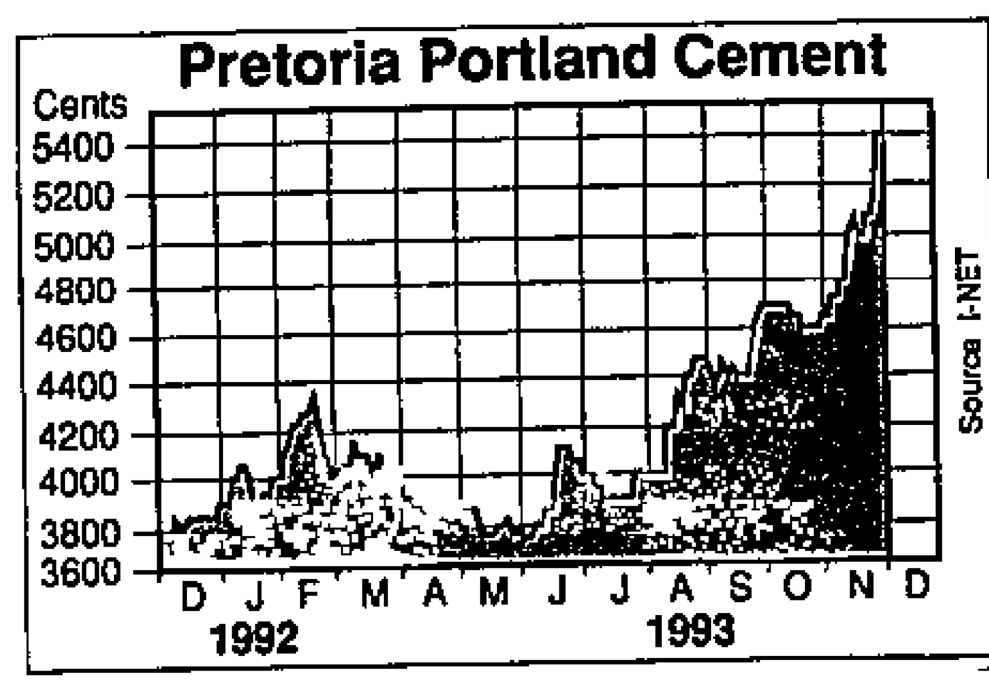
Annual reports such as that from PPC offer a refreshing break from the more common corporate horror stories about the recession The message here is simple times may be tough but, if the business is correctly managed, acceptable results can be produced

The key to success here seems to be meticulous attention to detail, encompassing every facet of the company It is illuminating to take a look at some of the less obvious highlights of the past financial year and the effects these had on earnings

A good starting point is the value added statement which reveals that, presumably through cost-cutting and improved efficiencies, costs of materials and services were reduced by 2% or R7,7m This accounted for more than half of the 1993 improvement in operating profit (before interest and investment income), which rose from R184,5m to R198,9m

The importance of these cost reductions becomes apparent only if one considers the effects if they had risen in line with the 9% gain in turnover — which would also have been acceptable relative to inflation The cost of raw materials and services, instead of declining R7,7m, would then have risen by about R40m and operating profit would have dropped 18% instead of improving by 8%

An example of how PPC is managed is provided by its net working capital require-



CERAMIC INDUSTRIES

FM 24/12/93

Change of pattern

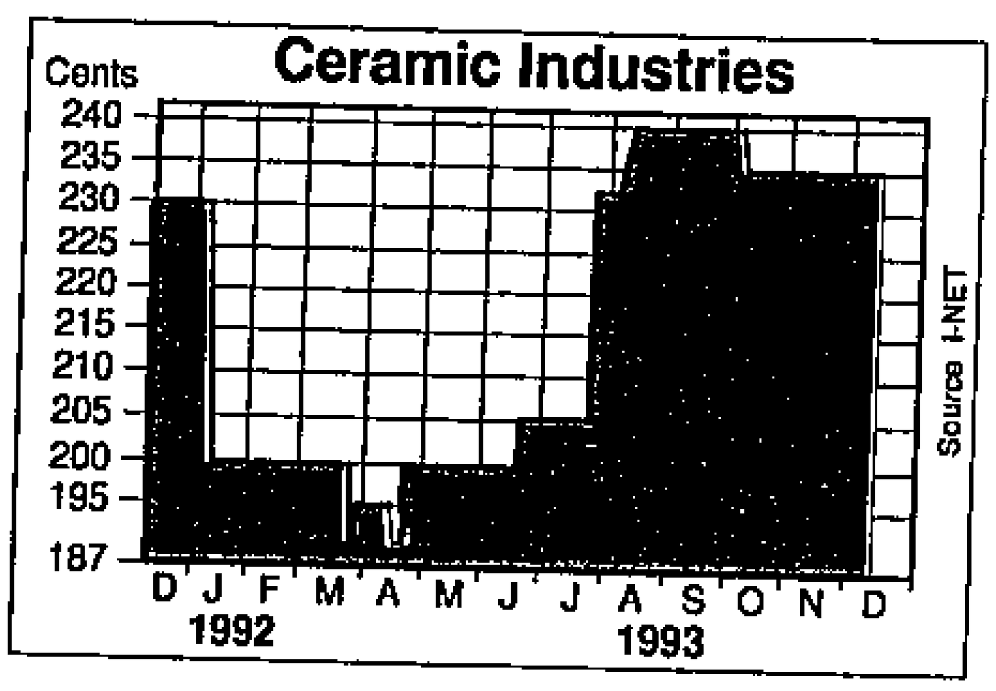
Activities: *Makes ceramic tiles and sanitaryware*
Control: *Ravazzotti family trust*
Chairman: *G Ravazzotti*
Capital structure: *18m ords Market capitalisation R41,4m*
Share market: *Price 230c Yields 3,6% on dividend, 17,8% on earnings, p e ratio, 5,6, cover, 4,9 12-month high, 240c, low, 190c Trading volume last quarter, 67 000 shares*

(193)

A year-on-year comparison of Ceramic Industries' results is impossible in 1991 the business, capital structure and shareholders of Ceramic Industries changed entirely, current figures cover 17 months

Nonetheless, certain numbers are informative Taking into account cash (R1,5m) and short-term investments (R22m), the balance sheet is ungeared The income statement for the period to July 31 shows EPS of 59,1c — 40%, or 23,9c, being achieved in the last six months

Restructuring took place during the 1993 year Tile maker Samcatiles, one of the three divisions, introduced a new shift system, wall tile production increased 24%, though the workforce was cut 40% Inefficient plant and machinery was also replaced Financial manager Ian Juszkiewicz says the floor tile



FM 24/12/93

plant closed one of its three kilns, but production remained unchanged (193)

Betta Sanitaryware kept its momentum throughout the year and it has attracted export orders Split tile maker National Ceramic Industries (NCI) faced fierce competition from other flooring material manufacturers and had to continue with its cost reduction programme focusing on savings in raw materials

Juszkiewicz says he "definitely wants (group profit) to beat inflation" this year Rationalisation will continue However, he doesn't expect any major changes in workforce numbers

Listed at 400c in February 1992, the thinly traded counter fell below 200c in April this year before recovering to 240c in August The 5,6 p e is well below the building sector's 9,1 average

Ceramic Industries lacks a sound track record Analysis of the performance will only be possible when comparable figures are available The Chinese are expected to become a force in the world tile market and will be price competitive Ceramics will have to compete with leading international manufacturers

Kate Rushton

MANUFACTURING - NON METALLIC MINERAL

PRODUCTS - 1994

FM 21/8/92 (193)

CEMENT INDUSTRY

The cracks are showing

The long-awaited recovery in the cement industry finally began late last year, fizzled in the second quarter of this year and probably won't get back on track until next year at the earliest

"The industry will stay where it is until the civil engineering and building industries pick up," says Vincent Bray, executive director of the SA Cement Producers' Association This, of course, depends on the country's politics getting sorted out and the economy recovering

After sales turned slightly upward in December, this year started well, with sales up in each of the first three months over the same months last year In the first quarter sales totalled 1,78 Mt, up 7,4% on last year's first quarter, but the recovery started to crack in April Sales have been down in each of the last four months, compared with last year For the year to July sales totalled 4,2 Mt, down 2,4% on the first seven months of 1991

"It would help if low-cost housing would get off the ground but most contractors and informal builders have moved out of, or have stopped working in, the townships," Bray says

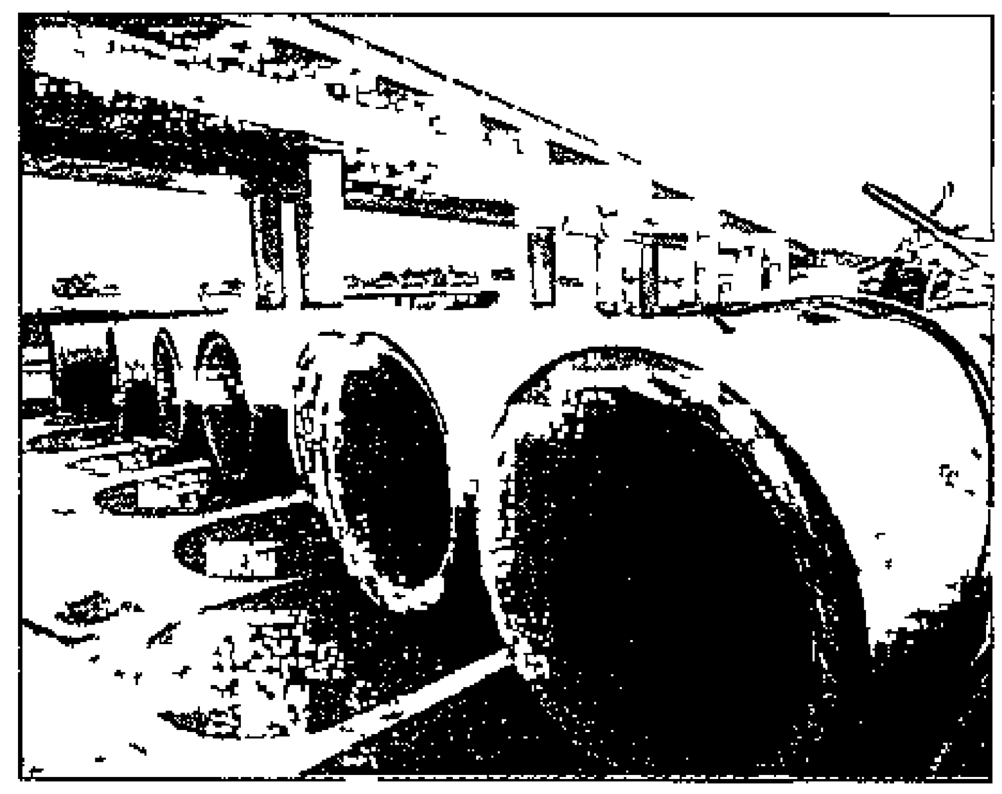
On the plus side, the Lesotho Highlands Water Project will be demanding greater quantities of cement — the main ingredient in concrete — as the work increases Bray scotches two contradictory beliefs about the project that only imported cement will be used, and that it will save the local cement industry Only SA cement will be used, but the project will absorb less than 1% of available capacity

Nevertheless, the scheme is the biggest civil engineering project under way and is expected to use 650 000 t of cement and fly ash over the next four years This is a big enough demand for the industry to have commissioned recently a R9m bulk-handling facility at Ficksburg, in the Free State, to serve Phase 1A of the project

"But the rest of the news from the SA Federation of Civil Engineering Contractors is doom and gloom," Bray says

Federation economist Henk Langenhoven says "There is no doubt that we're still declining Contractors expect a 2,5%-3,5% fall this year and expect growth only in 1993 They are so lean now, however, that they will be able to hang on to workers until their fortunes do pick up The industry employed 94 000 in the third quarter of 1989 (the last quarter before the recession began) and has only 59 000 now The biggest lay-off was in the third quarter of last year when the labour force declined by 11% This slowed to 3% in the fourth quarter and 1% in each of the first two quarters of this year "

He attributes the slowdown in lay-offs to a short-lived upturn in business "We actually had a good second half of 1991 in terms of tenders invited and contracts awarded, but



Civil engineering *no light at the end of the tunnel*

both of these were down in the first half of this year The industry lost all its gains in the first quarter of this year We anticipated that the second half of this year would be down, which is what is happening Because of inflation, we expect this year's turnover to equal last year's "

The cement industry also cannot expect much help from the building industry Building Industry Federation of SA executive director Ian Robinson says his industry uses about 5,5 Mt of cement a year "but usage has dropped by 10% since 1989 and employment by 17% "

The only good news is that Langenhoven and some others at the civil engineering federation "believe we're witnessing a bottoming out of the recession " ■

Corobrik is grabbing markets

(193) ARCT 22/8/92

Business Staff

WALLS built of Corobrik products could soon be springing up across Africa, the Middle East and Asia

The first major international breakthrough came this year with a six-month contract to supply clay bricks in the M290 format — at a rate equalling 1,7 million imperial bricks a month — to Singapore's Housing and Development Board

Corobrik has just won an eight-month extenion to this contract which will keep bricks flowing to the Far East until at least July 1993

Mr Graham Bounds, Corobrik's newly appointed exports director, said the contracts were won against tough competition from several other international manufacturers

"We were well matched on price and quality but had the upper hand with the flexibility to meet stiff contract requirements of specified size and high-volume delivery service"

With the local building industry at a low ebb, they were keen to develop export markets

They company is now looking closely at the Middle East and Africa to take up current surplus capacity

During past economic downturns the only course has been to mothball certain plants Now with the combination of an export-boosting exchange rate and South Africa's return to favour Corobrik have some exciting new alternatives

Glass SA to lay off 400 as restructuring starts

BDAY 26/8/97 EDWARD WEST 193

ABOUT 400 Glass SA employees would be laid off as operations were restructured to improve the group's price competitiveness, CE Rod Fehrsen said yesterday

The restructuring followed the acquisition by Plate Glass and Shatterprufe Industries (PGSI) of a controlling interest in the R800m a year Glass SA after the withdrawal of Pilkington plc from SA in March

Fehrsen said the domestic glass industry was becoming increasingly competitive, particularly after the lowering of tariff barriers for cheap foreign glass had put pressure on domestic prices

The new structure would strengthen focus on specific markets, increase efficiencies and improve export competitiveness, he said

Four new divisions would be established PFG Building Glass, PG Glass, Automotive Safety Glass and PG Autoglass They were formed by regrouping business units previously operating within the PG or Pilkington structures

Restructuring included the consolidation of all building glass and processing operations on a single site in Springs and remodelling of the distribution division into specialist business units

The building glass distribution division, PG Glass, planned to close unprofitable branches, open additional bulk distribution centres and rationalise management overheads, he said

Tough time for Blue Circle's profits

BDAY 27/8/92 (193)

DUMA GQUBULE

BLUE Circle has reported a 28,6% decline in profits on a marginally lower turnover of R376m for the half year to end-June

Deputy MD Angus Morrison said the results reflected the recessionary conditions in the building and construction industry

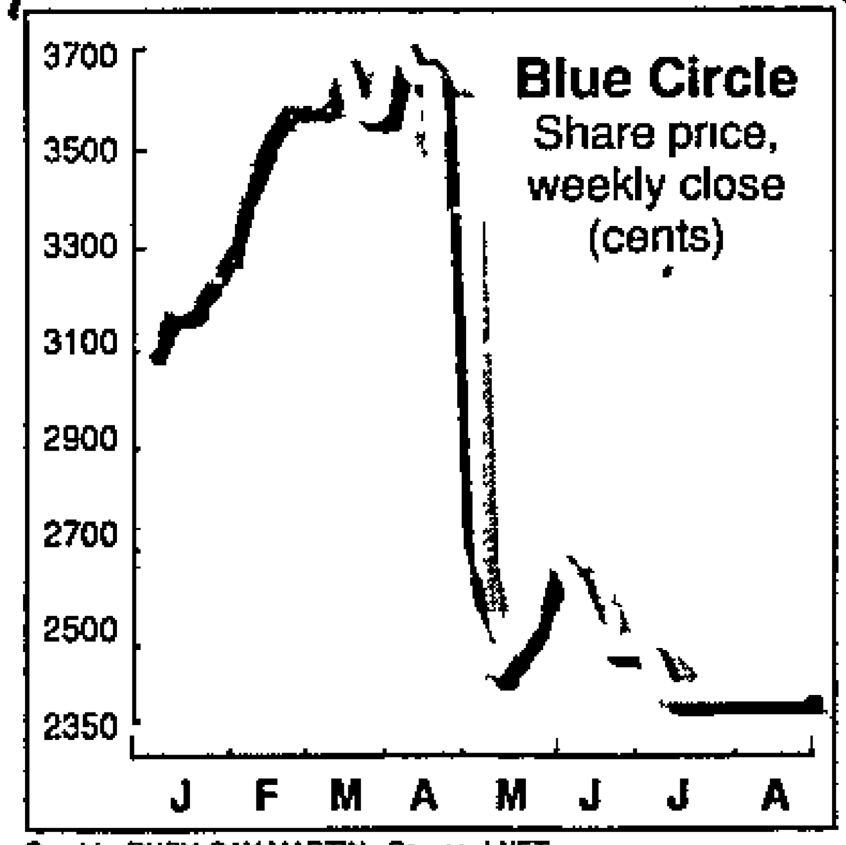
Volumes had declined in the group's materials division and, to a lesser extent, in the cement division

The company, a subsidiary of Murray & Roberts (M & R), saw its turnover slip to R376m from R382m

A squeeze on margins resulted in a 27% drop in operating profits to R40m (R54,7m)

Finance charges soared to R7,7m from R0,7m — because of higher capex and seasonally higher working capital requirements, Morrison said

The tax rate fell to 22% from 28%



Graphic RUBY-GAY MARTIN Source I NET

and pre-tax profits were 35% down at R25,1m (R38,6m)

Attributable income came to R27,8m (R40m)

Earnings a share, diluted now by more shares in issue, fell to 82,3c from 141,4c

For shareholders who chose to participate in the group's capitalisation issue (44,4 shares for every 100 held) — after M & R bought former UK parent Blue Circle Industries' 42% holding earlier this year — earnings a share declined by 16% to 118,8c

A dividend of 27,5c (55c) a share was declared

For shareholders who elected to receive capitalisation shares, this was the equivalent of 39,7c a share

The company said shareholders who had received capitalisation shares should compare earnings and dividends a share on the increased number of shares which they were now holding

Those who received a special dividend of R11 a share in cash had diluted their shareholding, but would have benefited from investing the dividend in addition to the normal dividend payment of 27,5c

MidWits earnings rise by 16%

JONO WATERS

IN SPITE of the current state of the mining industry, Anglovaal's investment, finance and exploration company Middle Witwatersrand (MidWits) increased its attributable earnings by 16% in the year to end-June 1992 BDAY 26/8/92

Profit attributable to shareholders rose to R54,1m (R46,6m), which provided earnings a share of 16,8c (14,5c) The group declared a final dividend of 5c (4c), which brought the total dividend for the year to 7c (6c) Pre-tax profit was 2,8% higher at R80,9m from R78,7m in the comparable period last year

The tax bill decreased by 21,7% to R27,3m (R34,9m) and Midwits earned R8,83m (R10,1m) from associate companies These included Rhino Andalusite Mines, ET Cons, Anglovaal Coal, East Rand Coal, Lavino, Lucus Block Minerals and Prieska Copper Mines

Preference dividends for the year amounted to R6,95m (R7,23m)

When the interim results were announced earlier this year, the board expected earnings similiar to last year The board warned earnings were subject to uncertainties such as world metal markets, interest rates and De Beers' Venetia diamond mine development

MidWits has a 65,6% stake in Saturn Mining, Prospecting and Development, which is entitled to 12,5% of Venetia's profits until the mine's full capital cost has been recovered After this, Saturn will be entitled to 50% of the profits

World stone industry weathers fitful year

BDAY 26/8/92

193

MATTHEW CURTIN

INVESTORS may not be enthusiastic about the SA granite sector, where shares have plummeted this year, but Italian stone association Societá Editrice Apuana (SEA) says in its 1992 report that worldwide the industry has weathered a year of fitful economic growth with ease

The report said the world stone trade grew by nearly 7% to 9,1-million tons from 8,5-million tons in 1991

SA exporters maintained their 7,2% share of world trade, as exports rose 6,6% to 650 000 tons. That was in spite of fierce competition and sharp increases in Chinese and Indian exports SA was the fifth largest exporter in 1991, after Spain, India, China and Italy which dominated the trade, exporting 2,2-million tons of granite and marble in the year

SA exported 313 000 tons of granite to Italy compared with 274 000 tons in 1990, and 100 000 tons to Japan, unchanged from the year before These two markets accounted for nearly two-thirds of SA granite exports

The SEA report said that after a poor first half of the year, the stone sector regained more normal growth

Previous forecasts that exports would grow at 6,5% a year were confirmed by the sector's performance in 1991 in the face of the Gulf War, the slump in North American construction and problems associated with economic change in Eastern Europe

The report said the rate of growth could exceed current levels, with world production rising from the current 30-million tons a year to more than 60-million tons by the end of the decade

Demand in the Far East was particularly strong Consumption in Japan and Taiwan was high enough to absorb local supplies, with India and China able to meet demand elsewhere in southeast Asia Latin America was increasingly well-placed to serve North American markets when they picked up

The report said the impact of economic slow-down in 1991 on the use of granite and marble was offset, to a higher degree than other competitive materials, by a number of factors, most importantly their adaptability to a range of uses "structural works, the funeral trade and urban landscaping"

Substitute

It said architects and builders continued to prefer stone over other materials — granite is particularly hardwearing and resistant to city pollution And construction projects already under way before the start of the year continued to use stone until completion

However, substitute materials, especially ceramics which could be made to look like stone products and were far cheaper, gained in popularity

Most shares in SA granite companies are hovering new lows on the JSE

Market leader Kelgran, the operating company of holding company Keeley, has shed 20c or 14% in the past month, closing at 125c yesterday Marlin Corporation closed untraded at its low of 23c yesterday, with Kudu 20c off its low at 40c Minaco Granite closed untraded at a low of 40c

Gold loan rates cut 0,5%

JONO WATERS

BDAY 26/8/92

FIRST National Bank (FNB), a leading provider of gold loans to the local jewellery industry, dropped its gold loan interest rates by 0,5%, senior GM Norman Axten said yesterday

The reduced rates are 4% for quantities over 5kg and 5% for quantities under that amount

The international gold loan interest rate in dollar terms is 2,7%

"By reducing the gold loan interest rates, we hope to stimulate the gold and jewellery industries by offering members a competitive advantage to market movements," Axten said.

EXECUTIVE SUIT

STAR 27/8/92

(193)

Construction slowdown impacts on Blue Circle

Severely depressed activity in the building and construction industry has led to a 28,5 percent decline in Blue Circle's earnings to R27,8 million for the six months ended June

Turnover at R376 million was R6 million down from the corresponding period in the previous year

High capital expenditure and the seasonally higher working capital required during the first half of the year resulted in substantially higher financing charges of R7,66 million compared with R742 000 previously.

This was however partially offset by a lower tax rate due to allowances on capex.

Tax paid amounted to R7,20 million compared with the previous amount of R15,33 million.

A dividend of 27,5c a share has been declared out of earnings of 82,3c a share.— Sapa

London offers four bursaries for blacks

The City of London is to offer four bursaries to black employees of South African financial institutions, the Lord Mayor of London Sir Brian Jenkins said in Johannesburg yesterday

Sir Brian said the bursaries would enable the four candidates to study further in financial and legal services at the London Polytechnic summer school.

STAR 27/8/92

Recognition

He said the bursaries were in recognition of the long-standing business connections between his city and South Africa and to mark the first visit to the country by a Lord Mayor of London since the Second World War

Expanding on his purpose in visiting South Africa, Sir Brian said it was to sustain and support London's role as a business centre.

Transactions

London was the world's financial capital, outpacing both New York and Tokyo in terms of international business transactions, he said.

He pointed out that about twenty percent of the world's banks and insurance companies had their headquarters in the British capital city — Sapa.

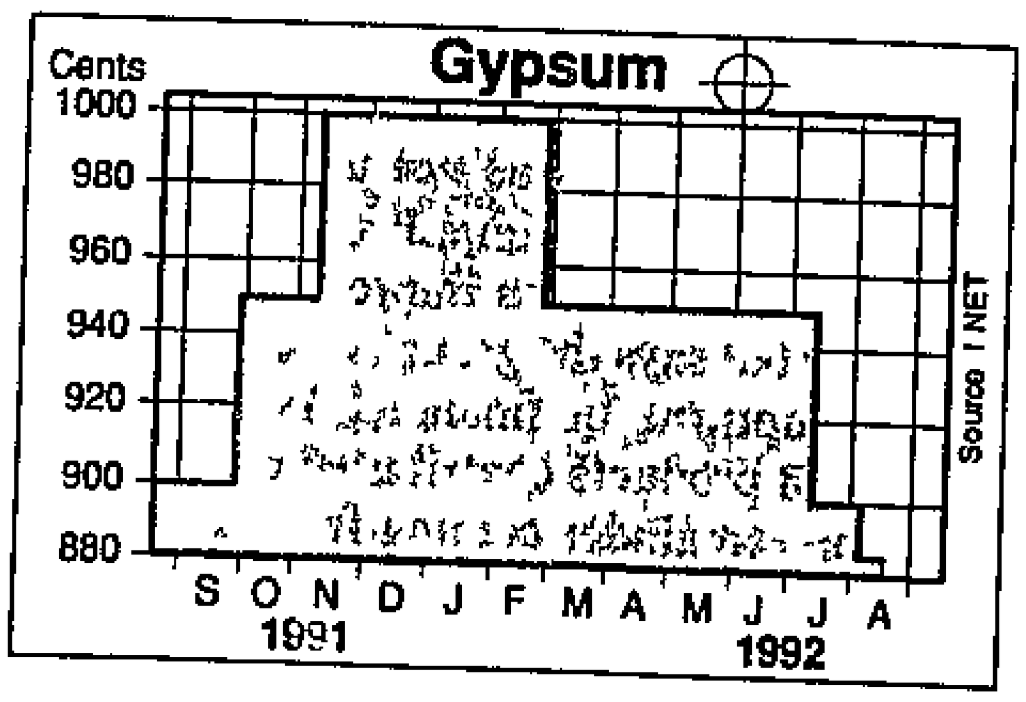
GYPSUM (193)

Caught out

FM 28/8/92

Though Gypsum Industries' new R70m Brakpan factory will prove an astute investment when building activity picks up, the group,

FM 28/8/92 (193)



along with many others, has been caught out by the length of the recession

The plant came on stream last year, in line with Gypsum's plan to bring on the operation shortly before the expected upturn Though the expansion programme reduced 1992 EPS, the investment means Gypsum is now the country's lowest cost producer, according to MD Grant Snowden, placing the group, which makes ceilings and walls typically used in commercial buildings and housing, in a good position when demand improves

Though gearing jumped to 52% at the 1991 year-end (1990 12%) because of the Brakpan project, 1992's cash flow meant this dropped back to 37% at year-end

The current oversupply of office space probably limits near-term growth in this area, but Gypsum will benefit directly through State spending on schools, affordable housing (where ceilings are included) and health centres

The group is controlled by BPB Industries Plc, Europe's leading gypsum group Chairman Derek Fairbairn says effects of 1992's low activity levels were worsened by increased competition from substitute materials Fibre cement is one such material

Regrettably, management has decided not to disclose turnover as from the 1992 year Snowden believes the damage done by disclosing turnover is probably greater than the benefits gained by shareholders through providing the information

continue →

Activities: *Makes gypsum-based building products*
Control: *BPB Industries Plc (50,01%)*
Chairman: *D A Fairbairn, MD S G Snowden*
Capital structure: *8,2m ords Market capitalisation R72m*
Share market: *Price 885c Yields 7,9% on dividend, 13,6% on earnings, p e ratio, 5,6, cover, 2,7 12-month high, 1 000c, low, 885c Trading volume last quarter, 22 000 shares*

Year to Jun 30	**'89**	**'90**	**'91**	***'92**
ST debt (Rm)	3,2	7,0	8,0	3,9
LT debt (Rm)	1,1	0,9	41,1	15,4
Debt equity ratio	0,08	0,12	0,52	0,37
Shareholders' interest	0,66	0,64	0,45	0,51
Int & leasing cover	49,9	n/a	131,0	4,3
Return on cap (%)	35,8	30,7	18,0	21,0
Turnover (Rm)	147	166	180	—
Pre-int profit (Rm)	28,8	30,6	30,0	24,8
Pre-int margin (%)	19,6	18,4	16,6	—
Earnings (c)	163	187	195	160,7
Dividends (c)	51	60	60	60
Net worth (c)	593	720	838	913

* For nine months to March 31
† 1992 return on capital, EPS & DPS annualised

 FM 28/8/92 (193)

Gypsum's Snowden *now the lowest cost producer*

As the commercial market is likely to decline further and the housing and export markets show only mild growth in the coming year, Fairbairn says no upturn in profitability is expected, while "maintaining existing profit levels will be a major achievement"

Gypsum's p e of 5,5 is probably fair in the circumstances

William Gilfillan

Granite producer shows soft side

By Stephen Cranston

193

STAR 4/8/92

Kelgran chairman Fred Keeley attributes the granite producer's 42 percent decline in earnings per share to a reduction in large building contracts in North America, parts of Europe and the Far East

Mr Keeley says the strong competition among granite manufacturers for less available work has reduced profit margins

Kelgran's operating margin fell from 25,5 percent in the year to February 1991 to 10,4 percent last year

The return on equity dived from 61,4 percent to 24,4 percent

Granite shares have fallen sharply in recent weeks Since June 1, Kelgran has fallen from 240c to 145c, Marlin from 40c to 25c and Kudu from 68c to 60c

Mr Keeley says that over the past year granite production was maintained at levels above demand

This had increased stockholding by 58 percent, which would enable the company to supply granite at competitive prices

Mr Keeley says that the company is expanding its search for new materials in repsonse to industry requirements and he expects a breakthrough in the present financial year

Kelgran is concluding an agreement with Rand Mines to acquire granite rights over more than 600 farms

The rights will provide additional long-term reserves and create the potential for quarrying many new materials

MANUFACTURING — NON metallic mineral products

1994

MARLIN Fm 22/7/94

Still heavily borrowed

In April, shares of granite producer Marlin staged a strong recovery, hitting a high of 90c before easing to current levels The rerating was remarkable considering that the share was trading at only 8c a year ago

The run reflects Marlin starting to turn its losses, though it remains debt burdened and possibly in need of recapitalisation There has also been a recovery in granite markets

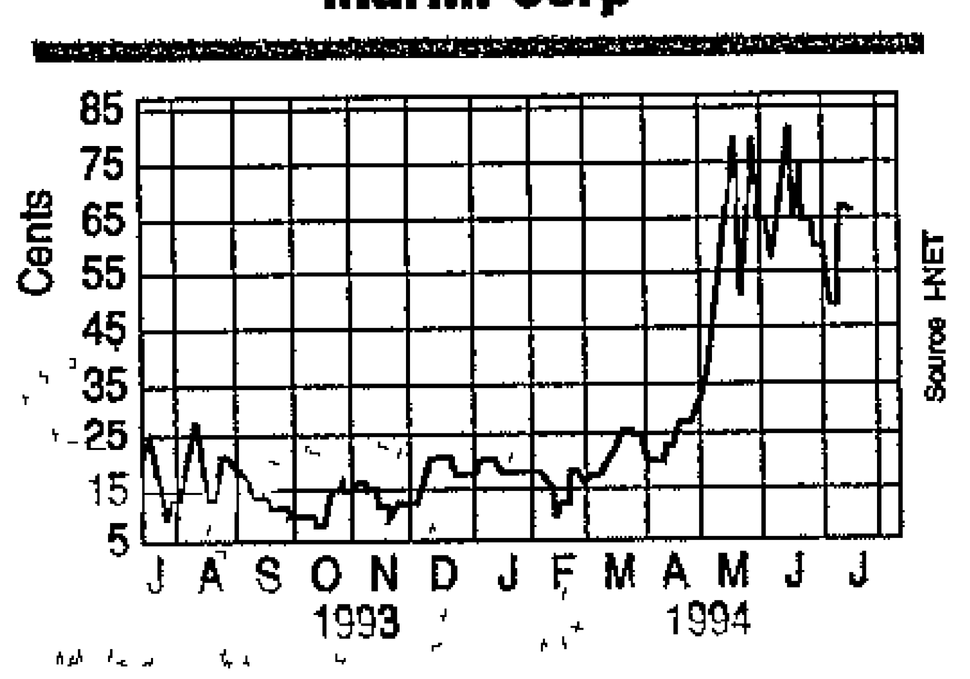
The problem is trying to gauge if the price recovery has run its course Prospects are vague — gleaning information from the 1993 annual report is like trying to get blood out of a slab of the Belfast Black this group specialises in

(193)

Marlin's loss of R4,6m, or 10c a share, is markedly better than the 1992 result, when Marlin appeared to be in serious difficulty

But the central problem remains high debt Marlin has taken some strong measures to cut debt, including selling its 50%-interest in Barracuda Granite Tile Chairman Peter Gain does not disclose the sale price, but says future results and cash flow will improve as a result of the disposal

Marlin Corp



Activities: *Quarrying, processing and trading in granite*
Control: *Marlin Holdings 69% Ultimate holding company is USAT Trust*
Chairman: *P B Gain, MD G R Treagus*
Capital structure: *46,8m ords Market capitalisation R30,4m*
Share market: *Price 65c Yields 14,8% on earnings, p e ratio, 6,7 12-month high, 90c, low, 8c Trading volume last quarter, 5,6m shares*

Year to December 31	'90	'91	*'92	'93
ST debt (Rm)	13	29	59	50
LT debt (Rm)	7,9	11	6,3	3
Debt equity ratio	0,04	0,21	0,63	0,56
Shareholders' interest	0,64	0,61	0,55	0,55
Int & leasing cover	n/a	5,5	n/a	0,2
Return on cap (%)	15,0	7,1	n/a	0,9
Turnover (Rm)	91,6	120,7	150,4	54,4
Pre int profit (Rm)	17,5	15,9	(0,7)	1,3
Pre-int margin (%)	13,7	11,5	n/a	2,4
Earnings (c)	37	23	(35)	(10)
Dividends (c)	14	5	nil	nil
Tangible NAV (c)	213	234	191	170

* 18 months to December 31, 1992

He adds that borowings have been reduced by R13m That helped nearly to halve interest payments to R6,6m, but the accumulated loss of R27m is eroding shareholders' funds and total assets Net borrowings still stand at nearly R48m, some 60% of equity

A clear indication that debt is still dangerously high comes from the auditors, who qualified the annual report for the second year running, saying Marlin's ability to re-

Fm 22/7

main a going concern depends on its bankers and a return to profitability

In addition, turnover was slashed as Marlin subcontracted its quarries for half the financial year Gain says this provided opportunity to trim down and reduce operating costs, as well as reassess its strategic position in granite markets to benefit from any upswing

Marlin remains SA's main producer of high quality Belfast Black granite, but that market was affected by cheaper substitutes from Zimbabwe Gain will not disclose production figures, but output of Belfast Black

194 (193)

must be down substantially on the 1 500 m³ a month Marlin was producing when demand was strong He denies that the market for Belfast Black is weak, saying Marlin is producing more than half the total output from SA

Gain also says there are signs that trading conditions are firming and expects improved demand for exports Locally, subsidiary Marble Pentelic is reported to be receiving a high level of orders

But amid talk of seeking an international partner and holding a rights issue to further reduce debt (neither of which are confirmed), Marlin seems to be pinning its hopes on establishing a new quarry in the US with a joint venture partner

The new quarry, to produce Camellia White and Pink granite for export from the US, is in North Carolina Negotiations are apparently at an advanced stage to sell half the project to an "overseas group" for cash

Marlin also has other interests in the US, mainly in Atlanta, Georgia, and presumably elsewhere in the world It does not provide details of these other investments outside SA, but does consolidate them, unseen, in results The only financial information on foreign subsidiaries is that they have a net asset value of about R22m (1992 R36m) and their contribution to non-distributable profit improved from R9,6m to R11,3m

Gain expects a return to profitability this year, particularly in the second half, due to increased demand, mainly from overseas The US joint venture, he says, will be an additional boost

These developments are enough to arouse the interest of a speculative investor, but against this is a share price which is not supported by the state of Marlin's balance sheet and the lack of information on prospects Until debt is firmly under control and there is a return to profits, there seems little incentive to invest

Shaun Harris

SALVAGING RUBBLE Earning a living from the rubbish dump Picture FANIE JASON

S1 Times CC (Metro)

Rubbish keeps wolf from door

By GARY COLLINS

IN THE poverty-stricken Cape Flats townships, earning enough money to keep body and soul together is a day-to-day struggle.

A group of township residents have managed to eke out a living salvaging builders' rubble and scrap from a Philippi dump site

The men and women work side by side seven days a week, sifting through rubble to find unbroken bricks which they clean and sell to builders for a pittance.

14/8/94

Toil

In a good week they can earn up to R250 However, the 14-hour days and backbreaking toil are no guarantee they will earn anything, as more people are forced to the fringes of township life in the struggle to survive

One of them, Nonambali Soyikana, said "The trucks do not come on Sundays but I still dig for bricks in case there are some I missed in the week

"Times are hard but I must dig for bricks so my family can eat

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Nonambali sets herself a target of collecting and cleaning 100 bricks a day and at 10 cents a brick she just about manages to feed herself and seven children But they are often at the mercy of unscrupulous merchants.

Andrew April, 60, from Manenberg, whose last full-time job was as a truck driver in 1988, said "We try to charge 20 cents a brick but if the 'skelm' merchants don't want to pay us we must take what they offer."

Italtile pushes its earnings up 20%

BDay

ROBYN CHALMERS

CERAMIC tiles and sanitaryware retailer Italtile raised attributable earnings 20% to R7,2m on a pro forma basis for the year to June as it bedded down its recent restructuring

This translated into earnings of 40,1c (33,3c) a share and directors declared a final dividend of 5c, bringing the total dividend to 8c (6c).

Turnover grew 10% to R160,4m, and the retailer's operating profit was 47% higher at R10m

Pre-tax profit increased to R9,3m from R7m, but a significantly higher tax charge of R2m (R1m) saw post-tax profit rise 21% to R7,3m

Interest-bearing debt was slashed to R5,2m from R23,2m, largely as a result of Italtile's move into the cash sale business. CEO John Couzis said cash sales rose 38%

12/8/94

(193)

FM 12/8/94

GYPSUM INDUSTRIES

Positive strategies

FM 12/8/94

Manufacturing building products for the construction industry, which is only now emerging from the doldrums, should be a depressed business, producing poor or static results This has not been the case for Gypsum. (193)

Last year, the gypsum and plasterboard maker put in its best performance since listing more than 40 years ago, operating margins widened from 12% to 18,1% and gearing was eliminated (Notably, these increases were not off a low base.)

FM 12/8/94

Activities: *Mining and selling of gypsum and manufacture of rhinoboard and cornice for domestic and commercial ceilings and walls*
Control: *B P B Industries Plc 50% (UK)*
Chairman: *P L Herring; MD. S G Snowden*
Capital structure: *8,2m ords Market capitalisation R205m*
Share market: *Price 2 500c. Yields 3,5% on dividend; 11,4% on earnings, p'e ratio, 8,7; cover, 3,3. 12-month high, 2 500c, low, 850c. Trading volume last quarter, 32 000 shares*

Year to March 31	†'91	*'92	'93	'94
ST debt (Rm)	8,0	17,2	15,7	0,1
LT debt (Rm)	46,8	15,5	0,4	0,04
Debt:equity ratio	60,3	36,9	11,4	nil
Shareholders' interest	0,45	0,44	0,54	0,62
Int & leasing cover	132	4,5	5,4	n/a
Return on cap (%)	18,0	13,6	14,8	23,3
Turnover (Rm)	n/d	n/d	199	216
Pre-int profit (Rm)	30,0	24,8	23,8	39,2
Pre-int margin (%)	n/d	n/d	12,0	18,1
Earnings (c)	195,2	120,5	112,5	285,8
Dividends (c)	60	45	60	87
Tangible NAV (c)	838	913	966	1 164

* 9 months to March 31 1992. † 12 months to June 30 1991

(193)

The year-end March balance sheet showed net cash of R20m and, accordingly, interest income received accelerated from R583 000 to R2,4m. With a lower effective tax rate — 40% against 1993's 48% — this translated into a more than doubling of EPS to 285,8c off only a 9% rise in sales.

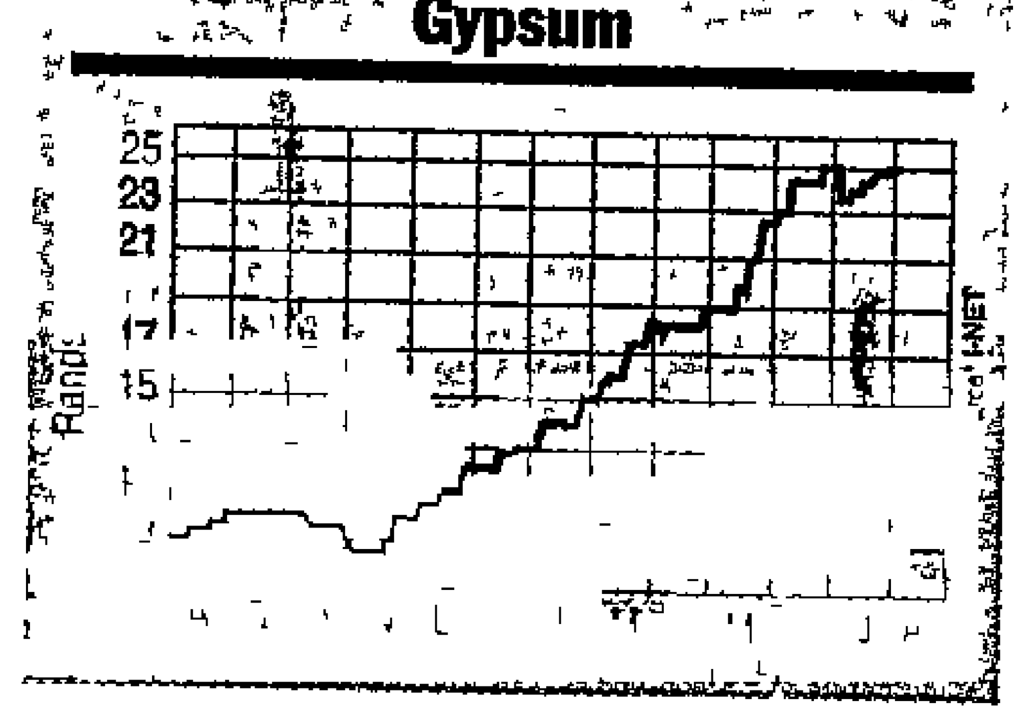
This result was partly because of strategies, including converting long-term debt to short-term to force early repayment. The cost base has been driven down — mainly through technological development.

Though stock rose only marginally last year, debtors grew 12% to R34m and creditors fell R16,8m to R22,8m. Debtors, contends MD Grant Snowden, "are very tightly controlled."

Gypsum's Snowden . . *debtors tightly controlled*

Management is planning significant capital expenditure (R31m) from existing funds plus those expected to be generated this year — R10m since year-end Debt should be unaffected The aim is to become partners in the construction of new homes, schools and clinics (193)

FM 12/8/94



Snowden says many in the market see the RDP as a means to a quick profit, whereas "our position is one of helping to create sustainable long-term demand for new ceilings and walls through increased skills training in the building industry"

However, the commercial market is likely to remain low and the profits of Donn Products division, which has a range of ceilings, walls, access floors and shopfronts, will be under pressure "It will be very difficult to maintain profits at 1994 levels," adds Snowden, "particularly in view of the disruption resulting from the additional public holidays in April and May But providing fixed invesment maintains its positive run, the outlook is good."

Shareholders will have to console themselves with the rising share price From only R8,50 in November, it has soared to R25. On a p.e of 8,7, it is not overvalued Further upward movement is likely

Kate Rushton

Bid to corner African market

193

CT 10/8/94 (89D) 15

Business Editor

ACOUSTICAL Fibreglass Insulation (AFI) — believed to be the only fibreglass manufacturer in Africa — is in the process of setting up a network of agents in East Africa

Mike Myers

Marketing director Mike Myers, who recently conducted a series of seminars in Kenya, says he is confident that SA can capture the entire fibreglass market in Africa from European and Far Eastern manufacturers

Myers said the majority of East African manufacturers, who use fibreglass to make household products such as sanitaryware as well as the bodywork of motor vehicles, still use only hand lay-up manufacturing methods

Following the AFI seminars some of the largest Kenyan manufacturers have visited SA to find out more about the savings in money and materials made possible by modern technology

Myers said AFI had a significant advantage over overseas competitors "because we are a lot closer to sub-Saharan Africa than the other producers As a result we are well placed to guarantee faster deliveries and close enough to deliver active technological support"

When the East African network has been established AFI will undertake similar marketing campaigns in Central and West Africa It also has plans to market insulation materials for heavy industry throughout Africa

It currently provides these materials to companies such as Sasol, Genref, Caltex and Eskom

SONDOR

Fm 16/9/94

Prospects improving

Despite healthy increases in sales (24,7% compound), for the past four years, Sondor has posted no real earnings growth No clear explanation for this disappointing performance is provided in the annual report

(193)

In 1987, when Sondor was listed on the JSE, it was heavily invested in film schemes to avoid income tax By the time the Commissioner for Inland Revenue closed the loophole, the scheme had delivered ostensible tax savings of R7,8m, all of which was claimed back After much lobbying, the Commissioner offered Sondor a compromise settlement, and it stumped up R4,3m in May last year The payment was stated in Sondor's accounts as an extraordinary item It therefore did not influence attributable earnings, but it reduced NAV by 19%

Though the economy affected Sondor's performance, the figures suggest that management has let profitability deteriorate The margin suggests that overheads have risen unacceptably In terms of working capital management, an anticipated improvement in the economy appears to have been more evident to Sondor than to most This would explain the 46% jump in stock at year-end (financed mostly by creditors)

But newly appointed CE Barry Tilney says the purchase of the loss-making Fyfe Tapes three years ago was a major reason for static profits It is being turned around, he says, but it's taking time

(193)

Tilney says this and other problems are being addressed Further innovation is to be introduced, he says, and adds that the company is having a good year Turnover in July and August was considerably higher than a year ago

From a low of 40c in July 1993, the share price climbed to 150c in June before falling back Sondor is controlled 53% by its directors, and Anglo American, through subsidiary Zimco, owns 38% That leaves only 9% held by the public; the stock seldom trades But Sondor operates in secondary industry and supplies important specialised materials to the motor and other industries that have been hit hard by recession In a better economy it is capable of producing quality earnings.

The share offers value because of improving prospects, new management could improve efficiencies For small investors not worried about liquidity the share could be a buy

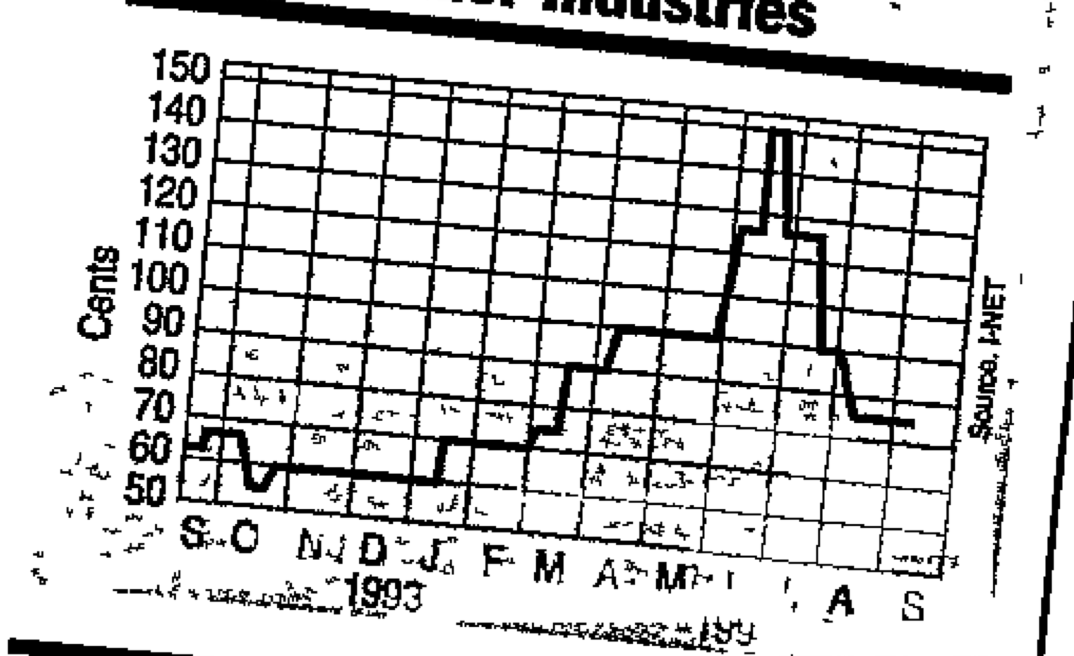
Gerald Hirshon

Fm 16/9/94

Activities: *Makes and converts closed cell expanded rubber and plastics*
Control: *Directors 53%*
Chairman: *S L Goldman, MD B Tilney*
Capital structure: *24m ords Market capitalisation R20m*
Share market: *Price 85c Yields 5,9% on dividend, 13,9% on earnings, p e ratio, 7,2, cover, 2,4 12-month high, 150c, low, 55c Trading volume last quarter, 82 000 shares*

Year to March 31	**'91**	**'92**	**'93**	**'94**
ST debt (Rm)	0,7	0,8	0,9	1,9
LT debt (Rm)	1,9	1,3	1,0	0,5
Debt equity ratio	0,15	0,14	n/a	0,19
Shareholders' interest	0,7	0,7	0,7	0,6
Int & leasing cover	1,8	2,0	0,5	0,4
Return on cap (%)	30,0	26,3	20,4	23,0
Turnover (Rm)	19,2	25,6	30,0	34,3
Pre-int profit (Rm)	5,3	5,2	4,4	4,9
Pre-int margin (%)	27,4	20,3	14,6	14,5
Earnings (c)	12,9	0,7	11,9	11,8
Dividends (c)	5,5	6,0	4,5	5 0
Tangible NAV (c)	55,3	54,1	61,4	50,0

Sondor Industries



CONSOL FM 16/9/94

Still tilted upwards

193

Activities: *Packaging (glass, paper, plastic and glass tableware) and rubber products (automotive tyres and industrial rubber products)*
Control: *AVI (60,3%)*
Chairman: *C S Menell, MD P J Neethling*
Capital structure: *64,4m ords Market capitalisation R3,35bn*
Share market: *Price 5 200c Yields 1,4% on dividend, 4,9% on earnings, p e ratio, 20,2, cover, 3,5 12-month high, 5 700c, low, 3 450c Trading volume last quarter, 68 944 shares*

Year to June	'91	'92	'93	'94
ST debt (Rm)	22,9	28,7	43,9	107,4
LT debt (Rm)	136,4	61,4	63,3	169,4
Debt equity ratio	0,51	(0,22)	(0,08)	0,34
Shareholders' interest	0,40	0,55	0,51	0,46
Int & leasing cover	10,3	521,9	33,3	10,1
Return on cap (%)	31,4	21,2	22,4	20,0
Turnover (Rm)	2 072	2 098	2 166	2 443
Pre-int profit (Rm)	319,4	290,9	280,5	285,5
Pre-int margin (%)	15,4	13,9	13,0	11,7
Earnings (c)	194	217	243	257
Dividends (c)	55	62	70	14
Tangible NAV (c)	453	546	524	538

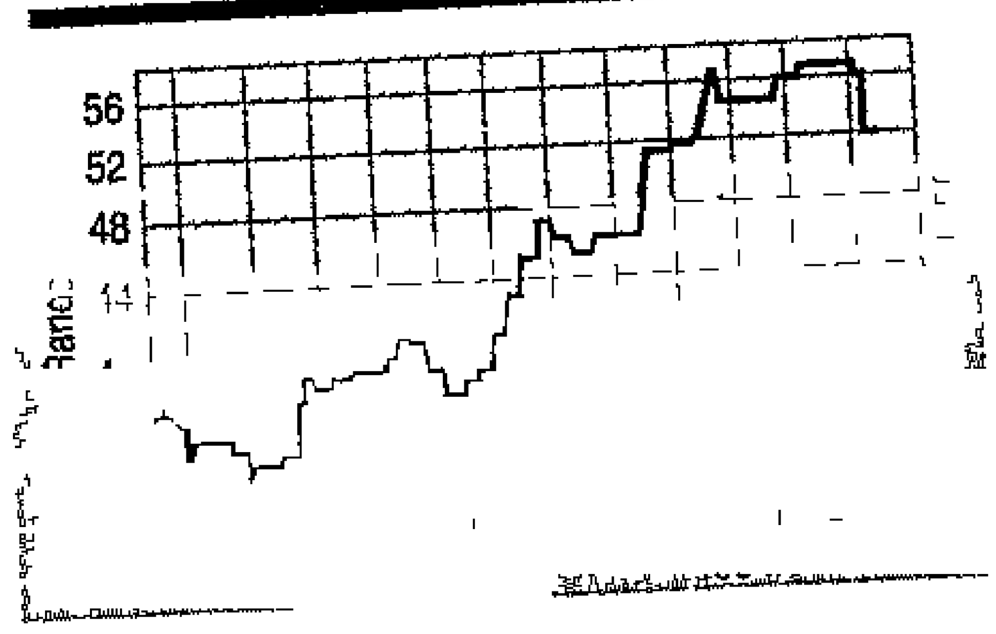
Consol is one of a select group of companies able to have kept up earnings growth throughout the recession Chairman Clive Menell and MD Piet Neethling believe the trend will continue But for this to happen, especially in the short term, there may have to be greater reliance on acceptable trading than in recent years and an accompanying abatement of labour unrest

Factors contributing to Consol's 1994 results were covered at the prelim (*Fox* September 9) Looking at the broader picture, though, the extent to which earnings over the past few years have benefited from lower tax must be recognised Since 1991, the effective tax rate has declined ten percentage points from 46% to 36% Without this, 1994 EPS would have been 215c intead of the 257c achieved and the net growth over three years would have been 21c (11%) from 1991's 194c instead of 63c (32%) Tax alone has accounted for two-thirds of the growth for the period

Clearly, it would be unwise to count on lower tax as a source of future earnings growth Fortunately, however, a number of factors should enable Consol to maintain its upward trend, given a reasonably stable

FM 16/9/94

Consol



trading background These, in no particular order, include

❑ The R205m acquisition of Interpak may have been strategically important but was also costly in terms of earnings in 1994 At the time of the deal, it was envisaged (based on historical results) that Interpak would dilute EPS by 2,6% Menell notes the outcome was in line with expectations With Interpak contributing for a full year for the first time, though, and with rationalisation benefits, this problem should be reversed from the current year,

❑ Like most other companies, Consol has been involved in various rationalisation programmes designed to reduce overheads and improve profits In the 1994 financial year, however, fundamental changes occurred in the loss-making rigid plastics sector of the packaging division where, midway through the year, an asset swap was arranged with Nampak in exchange for that group's blown plastic container division This led to other changes in Consol's factory and warehouse The combined effect is expected to restore the operations to profitability Last year's loss was large, without this, group EPS could have risen 15%-20% So an improvement here could significantly affect overall group results,

❑ Possibly resulting from the Interpak acquisition and the changes to the rigid packaging division, working capital control suffered a setback last year, with the ratio of working capital to turnover bulging to 20% from the 17%-17,5% of the previous two years Though the figures are distorted by acquisitions, the resultant additional funding requirement was probably between R60m-R70m, accounting for 20%-25% of the R269m movement from a net cash position of R48,9m in 1993 to 1994's net borrowings of R220m If this can be reversed, the release of cash tied up in working capital would help finance a heavy capex programme (R215m to be spent this year against R165m in 1994), limiting further increase in debt to fund the programme

The share price has had a good run over the past year but has been under pressure recently, probably reflecting fears of the effect of the motor industry strike on original equipment sales If so, the reaction has been extreme as sales are more likely to have been delayed than lost and could well be made up in the months ahead

But it does underline an important point in assessing companies such as Consol In packaging in particular, the customer base is varied and, regardless of how well such companies manage their affairs, results can be affected by conditions in almost every sector of the economy

Because of the spread of interests between the packaging and motor sectors, which are of roughly equal importance to Consol, the share is difficult to value on a yield-relative basis Compared with the packaging sector where it is listed, it is underpriced on a p e of 20,2 and a dividend yield of 1,4% The sector averages are 31,3 and 0,9% respectively Even against the industrial market, where the p e and dividend yield are 19,6 and 1,7%, one wonders whether Consol's rating does justice to its track record

Brian Thompson

193

TRANSPACO

Asset cushion

FM 16/9/94

Activities: *Makes and distributes plastic and packaging products*

(193) (189)

Control: *Directors 74%*

Chairman: *S Abelheim, Joint MDs M B Abelheim, P N Abelheim*

Capital structure: *11m ords Market capitalisation R2,2m*

Share market: *Price 20c 12-month high, 22c, low, 20c Trading volume last quarter, 33 000 shares*

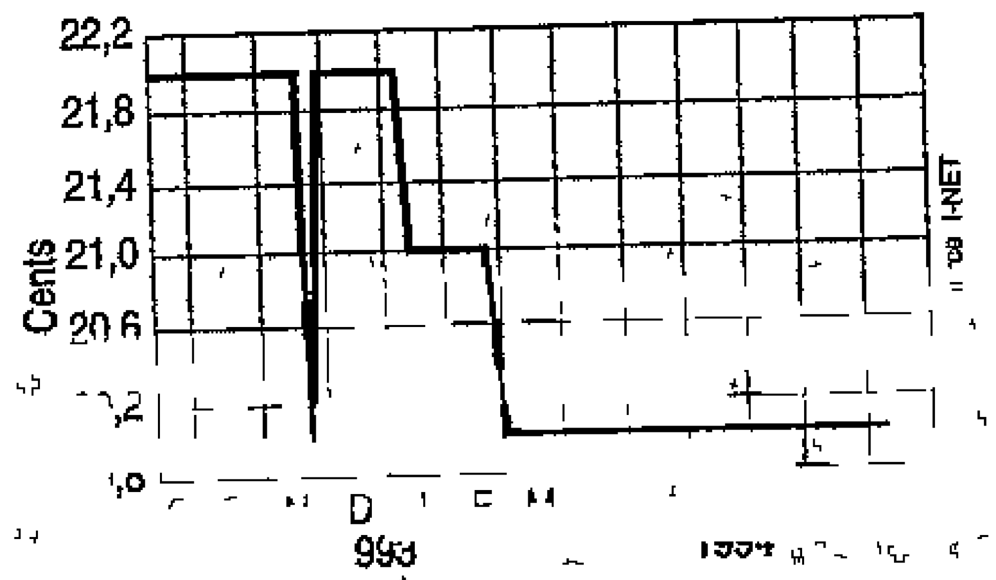
Year to March 31	'91	'92	'93	'94
ST debt (Rm)	3,6	3,7	6,2	6,6
LT debt (Rm)	2,1	1,5	1,6	1,6
Debt equity ratio	0,82	0,62	0,99	1,10
Shareholders' interest	0,31	0,30	0,31	0,30
Int & leasing cover	3,2	3,2	1,5	0,73
Return on cap (%)	15,4	8,1	7,9	4,0
Turnover (Rm)	51,4	50,4	54,8	51,3
Pre-int profit (Rm)	3,3	1,9	1,9	0,95
Pre-int margin (%)	6,3	3,7	3,5	1,9
Earnings (c)	9,5	5,3	7,3	—
Dividends (c)	4	2,5	0,5	—
Tangible NAV (c)	59	63	70	65

At half-time, when six-month trading profit fell from R754 000 to R150 000, the directors forecast that (a) the second half would be better and (b) there would be a profit for the full year

Well, they were 50% correct, the second half brought a trading profit of R800 000 (12 months before R1,4m) But with finance charges little changed at R1,3m there was a pre-tax loss of R338 000 (1993 R948 000 profit), and a R160 000 tax charge in respect of profitable subsidiaries worsened the position at net level further to a R498 000 loss (R799 000 profit)

The directors blame this on recession,

Transpaco



(193) (189)

ongoing violence and severe competition They say further steps are being taken to streamline operations, and believe the group is well placed to benefit from any improvements in the economy Emphasis is being placed on improved margins, reduced expenditure and "overall consolidation of activities" Chairman Sam Abelheim hopes these steps will "improve profitability" — which sounds slightly less optimistic than the view expressed in the preliminary report, that management looks forward to a "successful turnaround" this year

The company was listed in 1987 and earnings peaked as far back as 1989 The steady downward profit trend of recent years was briefly checked only by an abnormally low tax charge in 1993 Liquidity has also deteriorated

The one plus factor is a share price less than a third reported NAV This cushion is presumably why the share price is virtually unchanged over the past year, despite the worse than expected results, but is unlikely to trigger any great investor interest until there is solid evidence of a revival in trading fortunes It should be noted that shares seldom change hands, so even small orders either way could have a disproportionate effect on the price *Michael Coulson*

FM 16/9/94

COMPANIES

Price cuts on ceramics pay off

ROBYN CHALMERS

CERAMIC tile and sanitary ware manufacturers Ceramic Industries' strategy of reducing prices to boost market share paid off for the year to July, with attributable income rising a third to R10m

Earnings a share rose to 55,7c from 41,7c and directors declared a final dividend of 6c, with the total dividend up 11c from 8c

Turnover rose a fifth to R129m and continued attention to productivity and plant efficiency levels helped boost operating income 45% to R9,6m

Interest received fell to R1,9m from R2,1m, but this was offset by a lower interest bill of R1,2m against R2,2m previously This left pre-tax income almost 60% higher at R10,3m

The group's tax charge stood at R261 000 due mainly to the 5% transition levy and the STC tax on dividends

Executive chairman Gianni Ravazzotti said the group had started importing technology to enable it to become a global player in the future

Ravazzotti said strong emphasis had been placed on human resource development with training at factory level

Ceramic Industries would begin a major capacity expansion programme in June

The focus of the scheme, costing R40m, would be to increase production at three factories BDay 16/9/94

This included doubling the production capacity at the Betta Sanitaryware factory, increasing the production output at the NCI factory and increasing production at the Samca factory by 100 000m² of floor and walls tiles a month

Ravazzotti said trading conditions were expected to improve along with the economy. "With our streamlined production processes and flatter management structures, Ceramic Industries is well poised to take full advantage of the expected boom in the building industry." (F13)

COMPANIES

TEJ is firmly back in the black

EDWARD WEST

CAPE TOWN — Knitwear company Towles, Edgar Jacobs (TEJ) has moved back into the black after a big increase in earnings to 40,3c a share in the year to June compared with a 37,5c loss the previous year. BDay 19/9/94

Turnover was up only 9,3% to R39,59m, but operating profit increased to R2,94m from R682 000 in 1993 Taxed profit amounted to R1,37m compared with a R906 000 loss the previous year

The debt.equity ratio improved to 0,80 1 over last year's 0,94 1 and cash flow went from a negative R2,18m at the end of the previous year to a positive R333 000

MD Tony Owen said on Friday the turnaround resulted from the filtering through of benefits of an export drive — started in 1992 — and efficiency and retrenchment programmes (193)

The export drive had enabled the company to maintain consistent production throughout the year, overcoming the traditional slumps in local markets because of seasonal factors.

Both the knitwear and weaving factories were fully booked for the next six months and, if current economic conditions continued, the company should meet the sales budgets set for the balance of the financial year to June 1995

In the annual review, Owen said that with export markets firmly established and delivering material benefits in terms of linear levels of production and recovery of factory overheads, further productivity and efficiency improvements were expected

But government's indecisiveness in planning a medium term export assistance strategy was making it risky to conclude prices for the second half of 1995

Foreign granite cutters to set up shop in SA

BDay 14/9/96

MICHAEL URQUHART
and JOHANNES NCGOBO

FOREIGN granite cutters are moving to set up shop in SA to be closer to the source of their raw materials.

Sources said Italian stone cutting company Henraux had bought private SA cutter Technostone, and Natural Stone Products had entered a joint venture with Japanese companies Mitsubishi and Matsushita, as well as German company Destag, to establish a new cutting centre in GaRankuwa.

Kudu Granite chairman Jonathan Houghton said the moves represented a general trend towards beneficiation at the source of the granite. He said this made economic sense as it saved on freight costs, which could comprise up to 50% of the cost of a block of granite.

He said labour and land were also cheaper in SA, which enticed the foreign companies to SA.

Houghton said this would mean increased sales for SA granite producers as the new factories would source their material from local producers.

Sources said the interest shown by foreign companies in SA was a positive move, as it added value to SA products before they were exported.

Henraux, which produces 100 000m² of polished granite a month worldwide, would quadruple the size of Technostone's current factory, one source said. At its peak it would be producing 5 000m² to 6 000m² of Rustenberg material a month

He said Henraux had a number of quarries in Zimbabwe and knew the southern African region well.

The new plant in GaRankuwa — which cost R15m — would be capable of producing 10 000m² a month, and the plant would be solely dedicated to the export market.

Both plants would cut and polish Rustenberg material, which the sources said was currently popular overseas (193)

Northern Transvaal economic, commerce and industry minister Thaba Mafumadi said earlier this week that foreign companies would begin pouring millions of rands into the region's mines to create thousands of jobs by next January.

This follows talks between the province and Italian and Japanese companies on processing raw material from existing mines.

The provincial government owned a chrome mine in Sekhukhuneland. Other mines in the area (granite and platinum) belonged to JCI and Gencor Ministry spokesman Ali Masemola said the Japanese had shown interest in chrome mining and in setting up a smelting industry

Weak management control takes Cullinan to R21m loss

BiDay 6/9/94

MICK COLLINS

INEFFECTIVE management control coupled with external factors has pushed Cullinan Holdings deeper into the red, with the company reporting a R21,2m loss (R186 000) for the year to June

The industrial ceramics and electrical-powered products group saw turnover slip to R426m (R430m) as Eskom's electrification programme stalled before the election and plant breakdowns at Iscor resulted in considerably lower refractory sales

Operating income slumped to a loss of R3,5m (R11,5m) while after tax losses came in at R17m (R1,3m loss) Earnings a share plunged to a loss of 146,2c from a profit of 1,3c last year The dividend was again passed

(193)

Net borrowings increased to R101,6m (R67,1m) while ordinary shareholders funds declined to R83m (R118,1m) as a result of a change in tax policy

The group made a loss of R10,8m on discontinued operations while the sale of investment properties and the writing down of a loan on share purchases added R2,5m to extraordinary losses

Gearing shot to 102,6% from 50% while net asset value dropped to 571c from 813c

Chairman Alan Clark said the board had decided on an immediate independent critical review of senior management Where weaknesses had become apparent controls would be reinforced

A strategic downsizing exercise aimed at a major reduction of borrowings and costs was also being carried out

Clark said the downsizing would involve the sale of certain of the group's existing divisions Negotiations had already started but details could not be divulged

On the outlook for the group he said the divisions which would remain comprised effective stand-alone businesses with considerable recovery growth potential

The results for the year would be clouded by the downsizing programme and the positive effect of the restructuring, together with an expected recovery in the trading environment, would only flow in the second half of the year

ITALTILE FM 18/11/94

Retailing focus

Activities: *Retails ceramic tiles, sanitaryware, bathroom accessories and related products*
Control: *Directors 60,7%* (193)
Chairman: *G A Ravazzotti* *CEO J Couzis*
Capital structure: *18m ords Market capitalisation R54m*
Share market: *Price 300c Yields 2,7% on dividend, 13,4% on earnings, p e ratio, 7,5, cover, 5,0 12-month high, 337c, low, 165c Trading volume last quarter, 34 600 shares*

Year to June 30	'92	*'93	'94
ST debt (Rm)	nil	23,2	5,2
LT debt (Rm)	18,1	nil	nil
Debt equity ratio	nil	nil	nil
Shareholders' interest	0,43	0,41	0,57
Int & leasing cover	14,0	8,0	5,6
Return on cap (%)	16,1	8,4	9,7
Turnover (Rm)	165,9	†146,2	160,4
Pre-int profit (Rm)	18,3	†8,6	10,6
Pre-int margin (%)	10,0	†4,7	6,3
Earnings (c)	67,0	†33,3	40,1
Dividends (c)	14,0	†6,0	8,0
Tangible NAV (c)	275	312	345

* 16-month trading period † Pro-forma

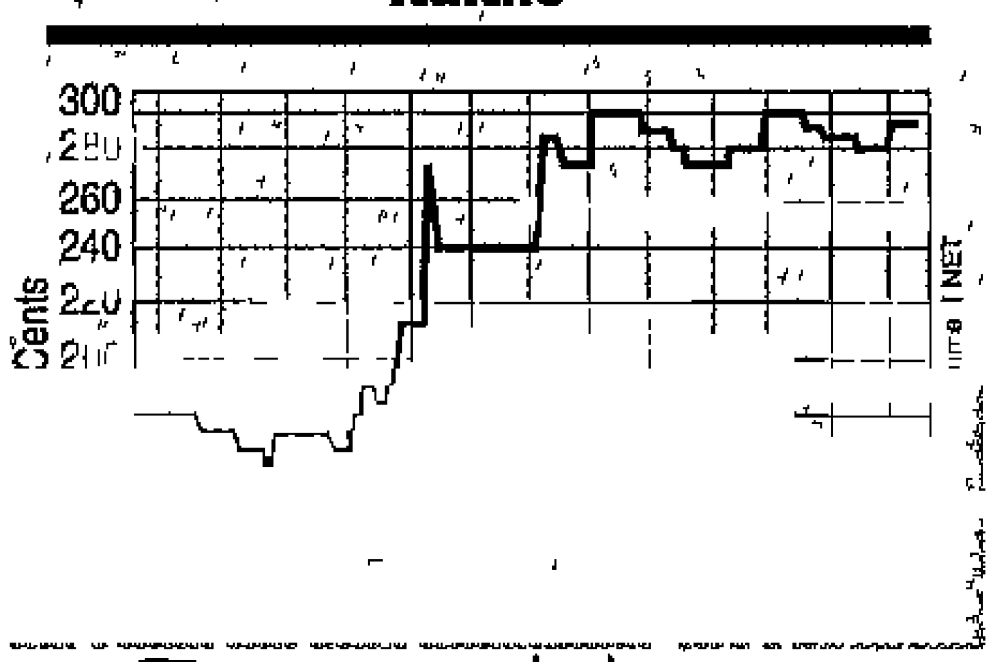
In February, Italtile's listing was transferred from the building and construction sector to stores The share immediately rocketed out of the doldrums, gaining 110c to 300c during the next four months

Two factors lay behind this rerating First, the building industry — Italtile's chief market — is no longer perceived as deeply depressed Though markets remain sluggish and competitive, increased renovation work and DIY have replaced contracts lost during the late Eighties and early Nineties, when fewer new buildings were going up

Second, benefits of refocusing Italtile into a retailer are evident in the 1994 results (In August 1991, it sold all its manufacturing operations to Ceramic Industries for R44m in shares and now sells through a chain of Italtile centres, CTM outlets and franchise operations)

Turnover rose almost 10% The shift in sales mix to a predominantly cash business, improved margins and the reduction in overheads brought about by the refocus

Italtile



FM 18/11/94

resulted in a 40% jump in operating profit Chairman Gianni Ravazzotti believes the introduction of a profit incentive accessible to all employees helped Also, borrowings fell R18m, funded by a maturing portion of short-term investments and cash Interest paid fell from R5m to less than R2m

Negotiations to form a partnership with a European-based company are complete This, says Ravazzotti, will assist in continuing to source competitive imported material and, with an expanding economy, will ensure EPS growth (193)

Little more than a year ago the share price stood at a 46% discount to NAV — but no longer Given the sound financial statements, the 7,5 p e against the stores sector average of 27,2 suggests the share is still cheap

Kate Rushton

Keeley reaps benefits as upturn boosts granite

BDay

MICHAEL URQUHART

SA's largest granite producer, Keeley Granite — which was taken over by Gencor in March — lifted attributable income 30,5% to R8,3m for the six months to August compared with the same period last year as higher production and a reduction in stocks boosted the bottom line

The results were achieved on a 21% higher turnover of R150,8m as conditions in the granite market improved with the world's economic recovery

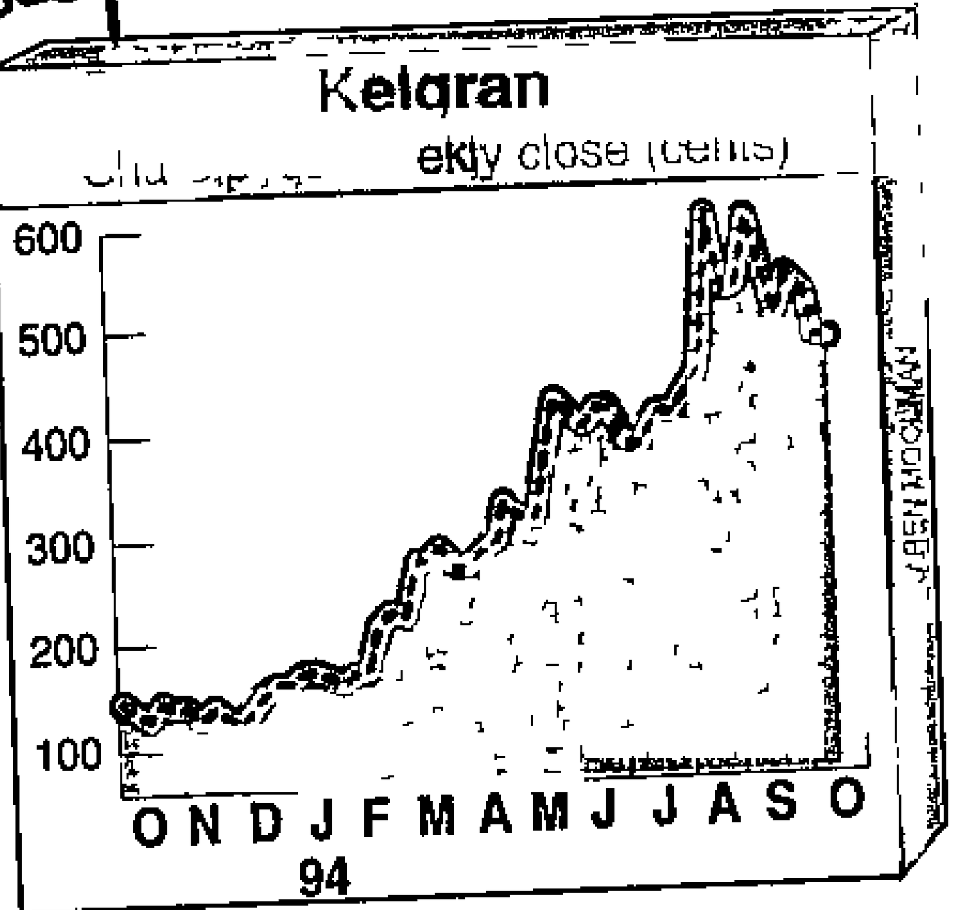
20/10/94

An interim scrip dividend of 6,5c was declared, 30% up on the same period last year. A scrip dividend was used to enable Keeley to build up cash to develop local beneficiation. Chairman Fred Roux said Keeley was looking at a joint venture with a European beneficiator to develop a slab factory in SA

He said local beneficiation of SA granite products would give Keeley a 15% cost advantage over overseas beneficiators of the same products, because Keeley would not have to pay for the transport of waste

Interest was higher at R2,3m (R1,6m) But the tax bill remained low because of losses incurred on the acquisition of the Barracuda tile factory

(193)



Substantial development costs had been incurred at certain quarries to increase production in line with increased demand, Roux said These development costs had been written off as quarry expenditure

He said a new quarry would come on stream by early next year The company would also be acquiring the granite rights on nearly 200 properties from Randgold for not more than 5-million shares, and progress was being made in South America on establishing a joint venture quarrying operation there

No immediate benefits for Gefco

BDay 18/11/94

MICHAEL URQUHART

ASBESTOS producer Griqualand Exploration and Finance (Gefco) and sister company Msauli were unlikely to benefit from the economic upturn until late next year, Gefco chairman Pat Hart said yesterday

Hart said asbestos was used mainly in the construction industry, which lagged the economic cycle by a year As the economy was in the early stages of an upturn, the market would probably start picking up only towards the end of next year

Gefco has three mines, but only one near Kuruman in the northwest Cape is currently operating Msauli, in which Gefco owns a 32% stake, operates a chrystolite mine in KaNgwane

Hart said Gefco was still running its stocks down, and operating its mine at the minimum economic level The poor state of the construction industry meant there was an oversupply on world markets

He said the main competitor, Canada, had "zero inflation", which meant it was difficult for Gefco to compete with SA's high inflation rate

(193)

Previously Gefco had been compensated by the weakening exchange rate, he said, but the rand had been static recently

FM 18/11/94

CERAMIC INDUSTRIES

Expanding output

FM 18/11/94

Attention to business basics, improved technology and increased production contributed to a 21% increase in turnover and a 45% rise in operating income in financial 1994 — and lifted the share from 225c to 410c in a few months (193)

Chairman Gianni Ravazzotti emphasises these results were achieved despite difficult trading conditions Setbacks, he says, included the Sebo stayaway at the Samca tile factories (Babelegi, Bophuthatswana) in February and numerous public holidays around the elections Market share was

FM

Activities: *Makes ceramic sanitaryware and floor and wall tiles*
Control: *Directors 61,6%*
Executive Chairman: *G Ravazzotti*
Capital structure: *18m ords Market capitalisation R74m*
Share market: *Price 410c Yields 2,7% on dividend, 13,6% on earnings, p e ratio, 7,4, cover, 5,1 12-month high, 500c, low, 225c Trading volume last quarter, 93 000 shares*

Year to July 31	**'92**	***'93**	**'94**
ST debt (Rm)	0,01	0,68	0,21
LT debt (Rm)	14,2	13,7	2,0
Debt equity ratio	0 09	nil	nil
Shareholders' interest	0,60	0,61	0,69
Int & leasing cover	n/a	55,7	n/a
Return on cap (%)	n/a	7,9	8,3
Turnover (Rm)	227	†106	129
Pre-int profit (Rm)	(3,1)	†6,6	9,6
Pre-int margin (%)	n/a	6,2	7,4
Earnings (c)	34,1	†41,7	55,7
Dividends (c)	7,0	†8,5	11,0
Tangible NAV (c)	350	397	442

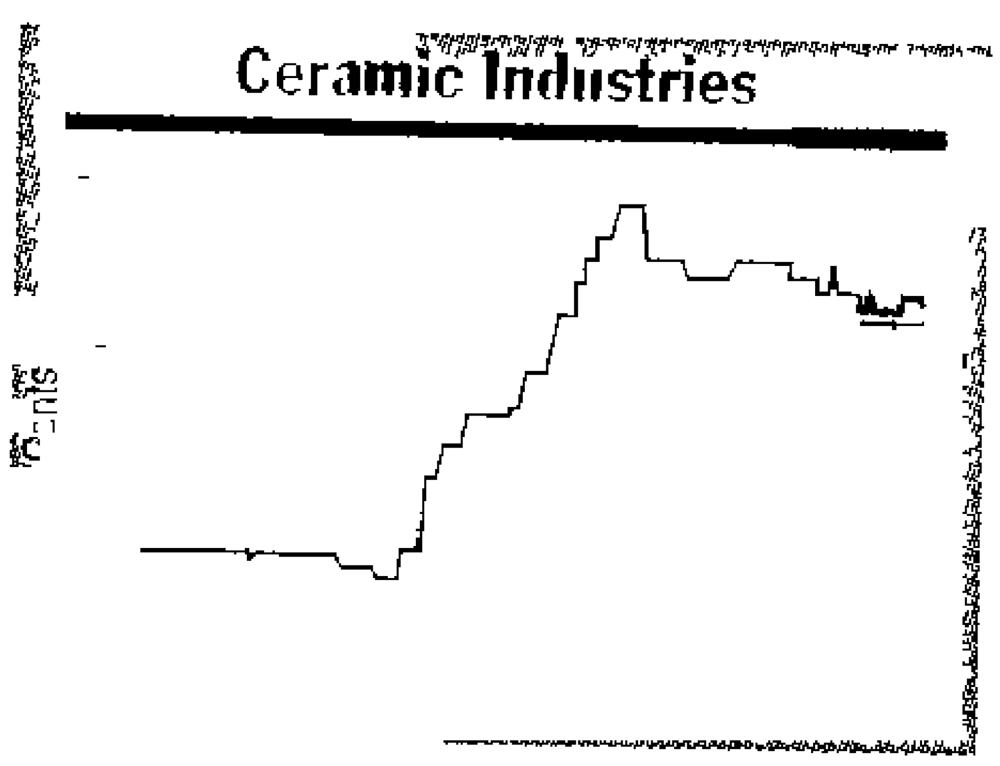
* 17-month trading period † Annualised

increased through price cuts

Ravazzotti says "With fierce local and international competition, it was important to marry new thinking with established concepts" Aside from price cuts, these include the idea that factories must produce a wider range of products and be run by a multi-skilled labour force Management structures in all manufacturing divisions were reduced to two levels

In their individual ways, the three divisions — National Ceramic Industries (NCI), Samca Tiles and Betta Sanitaryware — contributed to the results For example, the Samca tiles plant gained from a switch to a new technology, spray-dried body-mix This, with a new 24-hour, seven-day week shift system, enabled higher output Production at Betta Sanitaryware was under pressure to meet higher demand that resulted from improved quality and lower prices, a full order book was maintained through the year

Last year, Ceramic Industries invested R20m in fixed assets to maintain and expand operations This expenditure could be repeated this year, as it is determined



to increase production NCI will upgrade plant, throughput is expected to increase by 25% early in 1995 At Samca II (pressed wall tiles) the upgrade programme will increase production by 20% Samca I (pressed floor tiles) will commission a new production line by August 1995, increasing

18/11/94

floor tile output by 30%

Betta Sanitaryware will continue its expansion, including installation of a new kiln This is expected to be completed by June, production will double in financial 1996

(193)

These projects will be funded internally The R18m cash generated in the 17-months to end-July 1993 was transformed into a R877 000 shortfall 12 months later At this rate, asset management will have to be tightened if the balance sheet is to remain ungeared Despite the share's rapid rise earlier this year, it is only 10c above the listing price of R4 when it split from Italtile in February 1992 Profits could be closely linked to higher building activity The share is worth watching

Kate Rushton

Strike damage set to slice car sales

CT 7/10/94 ~~29~~ (192)

From MICK COLLINS

JOHANNESBURG — The scars left on the motor industry from the recent five-week strike will be made visible today when the figures for September's car sales are released

The figures, from the National Association of Automobile Manufacturers of SA, are likely to show a sharp fall in sales of cars and light commercial vehicles

Sources said yesterday new car sales for the month had plummeted 40% to 11 000 units compared with the corresponding month last year

The light commercial vehicle sector is expected to follow a similar pattern with figures expected to come in 30% down at 6 000 units Sales of heavy trucks will be unaffected by the strike, the sources say

Meanwhile, several motor manufacturers yesterday announced plans to make up production lost during the 26-day strike

Volkswagen SA (VWSA) and Delta said catch-up plans involved recruiting additional staff, while Nissan said no extra staff had been hired but 6 000 more units would be produced before the year end

Nissan marketing director John Jessup said the company had successfully negotiated an agreement with the unions to work overtime for the balance of the year The move would increase daily output to 385 units a day from the usual 310 units

"Prior to the strike Nissan was manufacturing at full capacity and the company had already announced a capital expenditure programme of over R100m to increase capacity from 58 000 units a year to 78 000 units by the end of 1995," he said

Delta spokesman Ed Emmert said the catch-up programme was proceeding so well that the company had decided to discontinue its six-hour Saturday shift, which it had implemented immediately after the strike ended But the company would continue its two hours a day overtime plan to reduce the 45 000 unit backlog An additional 400 workers would start working a second shift this month

VWSA said 5 000 vehicles had been built since its Uitenhage plant reopened on September 12 and 262 temporary operators had been employed A daily production target of 300 vehicles had been set after the strike, which was a 20% increase on the daily average number of cars produced during the first six months

Technical director Hans-Jurgen Wiegand said VWSA aimed to raise production to 350 vehicles a day by the month's end

Strike hammers car sales

Star 8/10/94

CHARLOTTE MATHEWS

THE brunt of the 27-day motor strike was borne by the new car and light commercial vehicle sectors, according to September vehicle sales figures released yesterday by the National Association of Automobile Manufacturers of SA (NAAMSA).

192

New car sales fell by 36 percent to 11 423 units in September compared with September 1993 and by 32 percent against August 1994 Total new car sales between January and September were 139 693 units, 5 percent down on the same period in 1993

Light commercial sales in September were 26 percent lower than in September 1993 at 6 298 units and 22,7 percent below the August sales figure

NAAMSA said the strong demand for new vehicles continued, but the strike had prevented an expected increase in sales

Strike dashes motor industry's sales hopes

B/Day 11/10/94

SAMANTHA SHARPE

THE strike which crippled the motor industry for five weeks had dashed hopes of achieving 200 000 new unit sales this year, the National Association of Automobile Manufacturers of SA (Naamsa) said at the weekend

Naamsa said the strike had cut new car sales for September to 11 423 units — the lowest level since 1971, and down 35,7% on the same month last year

Though all major car plants had increased output to make up for strike-related production losses, forecasts of record sales this year were now unattainable

"New car and light commercial vehicle annual sales will at best only marginally exceed 1993 levels," Naamsa said

Industry sources said the latest Naamsa figures reflected a reasonable recovery from the industry's near-zero stock base, and cast doubt on the industry's claim that it had lost 41 000 units during the strike

Naamsa said the negative effect of the strike, which ended in early September, saw new car and new light commercial vehicles bearing the major brunt

The strike meant that only new commercial vehicle sales, which had three-quarters of 1994's sales already accounted for, could show an improvement on the nine-month sales figure of 1993

Low-volume medium and heavy commercial truck figures sales were mixed in September, Naamsa said, with medium commercial vehicles sales down 20% and heavy truck sales up 36,2% over the year

The recent recovery in fixed investment spending in SA had boosted truck sales, with the investment-led upswing likely to get further support from the reconstruction and development programme

Nissan marketing director John Jessup said the industry suffered severe stock shortages at its dealerships, despite most manufacturers continuing with production early in September

(192)

"Although we were back to full production very quickly after the strike, it will take several months before orders can be met and a normal dealer stock position re-established"

He said Nissan had initiated a programme to catch up lost production

While the demand for Nissan vehicles and an already tight stock postion had seen Nissan's sales more adversely affected by the strike than other motor manufacturers in August, the company's passenger vehicle market share rose to 16,5% last month from 11% in August

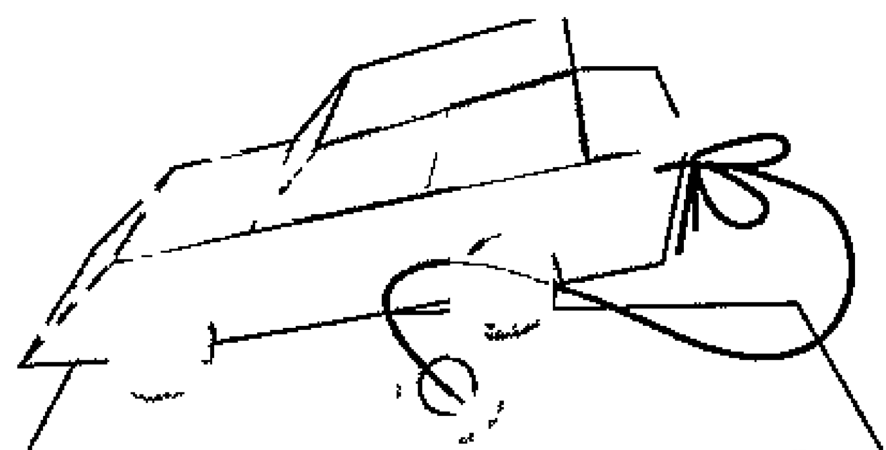
FM 14/10/94

In the past, Land Rover vehicles have been assembled locally in limited quantities by AAD at its Western Cape plant However, the Rosslyn investment signals Land Rover's determination to increase market penetration in southern Africa

Import duties and other factors have conspired in the past to price Land Rover products beyond the range of many would-be customers However, greater localisation, and the prospect of declining import duties, will make them more competitive Other local manufacturers concede that could mean bad news for their own top-of-the-range products (192)

Not that bad news is anything new As latest industry sales figures reveal, the effects of the five-week motor assembly strike have hit hard September sales hit their lowest monthly level for years

Despite a rapid return to full production, and attempts to catch up with demand, Nissan marketing director John Jessup warns that "it will take several months before back orders can be met and a normal dealer stock position re-established" ■



September vehicle sales

Cars		Total	%*
	Corolla /Conquest 1 622, Camry 758, other 18	[illegible]	21,0
	Sentra 1 155, Maxima 67, 200SX/300ZX 7, Fiat Uno 652	[illegible]	16,5
	Citi/Fox 937, Golf /Jetta (new) 655, Golf /Jetta (old) 89, Audi 83	[illegible]	15,4
	Laser/ Meteor/ 323 899, Telstar/ 626 796, other 43	[illegible]	15,2
	Honda Ballade 787, M-Benz C-Class 451, E-Class 86, S-Class 11, other 17	[illegible]	11,8
	Astra/Kadett 1 166, Monza/ Kadett 38, Rekord 22, Calibra 2	[illegible]	10,8
BMW	3-Series 907, 5-Series 132, 7-Series 20	[illegible]	9,3
Subaru		[illegible]	0,0

*% of the total car market

	1993	1994	% Change
September	17 756	11 423	-35,7
[illegible]	147 0[illegible]	139 693	-5,0
Aug (16 805) – Sept			[illegible]

Light commercials [illegible]

To[illegible] (25 5[illegible] 327 (5 2) AAD [illegible]

Sept[illegible] Ja[illegible] Aug [illegible]

Medium commercials [illegible]

Delt[illegible] (15,[illegible]

Sep[illegible] Jan[illegible]

Heavy commercials [illegible]

M-Pa[illegible] 35 (46 3[illegible]) (14,2[illegible])

September[illegible] Ja[illegible] Aug [illegible] 509) –

Total vehicle [illegible]

To[illegible] (23 3[illegible]) Ni[illegible] 3 60[illegible] (1[illegible]5)

Sept[illegible] Aug [illegible]

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

MOTOR INDUSTRY FM 14/10/94

Rover's new landing

Local assemblers and importers of luxury four-wheel-drive vehicles will be watching, with some trepidation, the plans to build Land-Rover products locally

On a flying visit to SA this week, the MD of Rover International, John Russell, confirmed that the group is to spend R60m on a production facility at Rosslyn, outside Pretoria The first Defender and Discovery Land Rovers should be ready soon after production starts on December (192)

The plant will belong to Land Rover SA, a wholly owned subsidiary of the UK-based Rover Group Though German car-maker BMW bought control of Rover this year, plans are for Land Rover SA to operate independently of BMW SA — which also builds its vehicles at Rosslyn

R600m plant boost for PGSI subsidiary

193

BT 7/11/94

From BEATRIX PAYNE

JOHANNESBURG — Plate Glass and Shatterprufe (PGSI) subsidiary PG Bison planned to invest more than R600m in increasing plant capacity to take advantage of an expected surge in furniture demand, the group said at the weekend

Group CE Ronnie Lubner said there had been strong demand for furniture after the election as consumer confidence rose The subsidiary made board and laminates for the domestic and office furniture market and the building industry

Consumer demand was expected to continue rising over the next few years as more houses were built

Initially Bison would spend R120m to increase capacity at its particle board plants at Maritzburg, Stellenbosch, Piet Retief and Boksburg Feasibility studies were being carried out on possible further capital expenditure of R500m in additional particle board plants

Accelerated demand in the furniture industry saw the board manufacturer post record earnings in the second quarter of the six months to September after having "made a slow start" to the financial year, he said

Parent company PGSI — 67% held by SA Breweries — reported a 20% rise in fully diluted earnings to 288c a share for the six months to September as investments in offshore arm Belron continued to pay off But trading had been affected by a halt in sales to original equipment manufacturers during the motor industry strike

Turnover rose 17% to R1,8bn but operating profit increased only 8% to R185,5m as Glass SA incurred costs by switching to manufacture for the export market during the motor industry strike

Financing costs fell to R10,7m from R14,9m during the corresponding period and pre-tax income rose 11% to R175m The tax bill rose to R60 2m (R58,4) which left net income 16% higher at R114 9m

Associates

Shares from associated companies rose to R9 9m (R3 4m) After a R14 7m (R10 6m) payout to outside shareholders and R18,6m (R18,6m) paid in preference shares attributable income rose 25% to R91,5m

An interim dividend of 130c was declared which represented 45% of fully diluted earnings at 288c a share Shareholders could elect to receive new fully paid ordinary shares in lieu of the dividend

Gearing fell to 34% from 61% during the corresponding period Borrowings had increased over the period, however, to R295 1m from R218 5m at the year-end on the back of seasonal working capital needs

The group's international arm Belron continued to flourish in Europe with results boosted by an excellent performance from chains in the Benelux countries Australia and the US France had performed ahead of budget but Germany was still making a loss

He said the division was likely to be profitable next year It was still in a developmental phase and there were enormous costs involved but once it reached a critical mass with the necessary infrastructure in place it would post profits

The group's Zimbabwe-based Central Africa operation had performed well and a $133m rights issue was under way to acquire Pilkington Brothers A satisfactory increase in Belron's contributions was expected and PG Bison and Central Africa would continue to post good results

But Glass SA was unlikely to recoup losses incurred through the motor industry strike Lubner could not detail the extent of the losses but said they were minimal in overall group terms

He said group results for the year would "reflect some improvement" over the interim stage and earnings were likely to increase more than 20%

Plate Glass chief takes bullish view

BY CHARLOTTE MATHEWS

Trading conditions in the local market, if September and October are any indication, are looking very good, says Plate Glass & Shatterprufe Industries (PGSI) chairman Ronnie Lubner

Although the furniture industry had already seen signs of recovery, neither it nor the glass businesses had yet experienced the benefits of increased housing spending under the RDP, he said yesterday

Star

In the six months to September, PGSI lifted attributable profits by 25 percent to R91,5 million on a 17 percent rise in turnover to R1,9 billion

A reduction in finance costs, lower tax rate and higher contribution from associates helped to swell the bottom line

Earnings were 370c (297c) a share and 288c (241c), assuming full conversion of the preference shares Capitalisation shares, or an interim cash dividend 53 percent better at 130c, are being offered to shareholders.

7/11/94

Glass South Africa experienced some difficulties because of the motor industry strike and is not expected to recover these costs

(193)

However, PG Bison, after a slow start to the year, accelerated activity, while the overseas arm, Belron International, continued to flourish

As a precursor to spending more on expansion, PG Bison had allocated R120 million to upgrade capacity, Lubner said

PG Bison posts record earnings

BDay 7/11/94

BEATRIX PAYNE

PLATE Glass and Shatterprufe (PGSI) subsidiary PG Bison planned to invest more than R600m in increasing plant capacity to take advantage of an expected surge in furniture demand, the group said at the weekend

Group CE Ronnie Lubner said there had been strong demand for furniture after the election as consumer confidence rose. The subsidiary made board and laminates for the domestic and office furniture market and the building industry (193)

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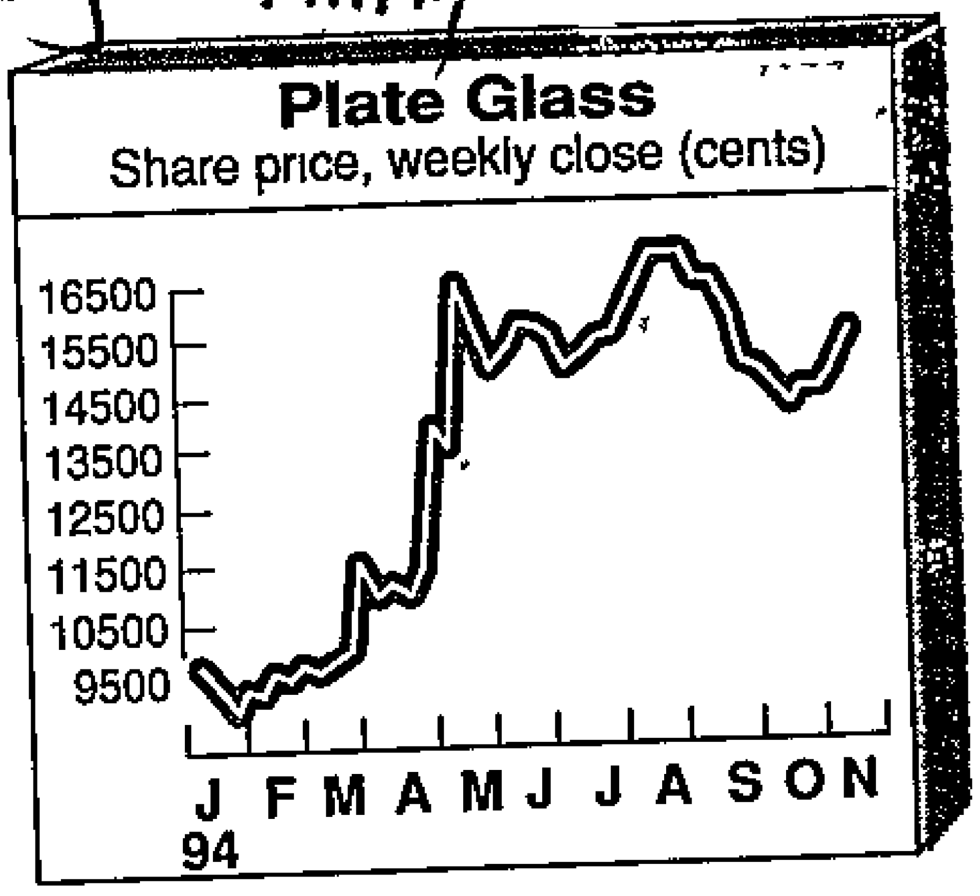

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~~To Page 2~~

PG Bison

BDay 7/11/94 From Page 1

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Cracking good results from Shatterprufe

S Times

By SVEN LUNSCHE

THE strong recovery in earnings in the 1993/4 financial year continued for Plate Glass & Shatterprufe Industry (PGSI) in the six months to end-September.

Attributable income rose by 25% to R91,5-million compared with R73,4-million in the interim period last year

Shareholders were well rewarded with a 53% rise in the interim dividend to 130c, in line with a new dividend policy of paying out 45% of earnings New shares will be offered in lieu of dividends.

The results were strong all-round. Sales were up 17% to R1,85-billion, operating profits rose 8% to R186-million and financing costs fell 39% to R10,7-million

Ronnie Lubner, PGSI's chairman, says most of the subsidiaries reported good results, notably Belron, its international operating arm, which trades in Europe, Australia and the US

6/11/94

Belron now accounts for over half of total sales, adding a strong rand hedge element to PGSI shares Mr Lubner says its sales at the halfway mark are 15% ahead of an ambitious budget

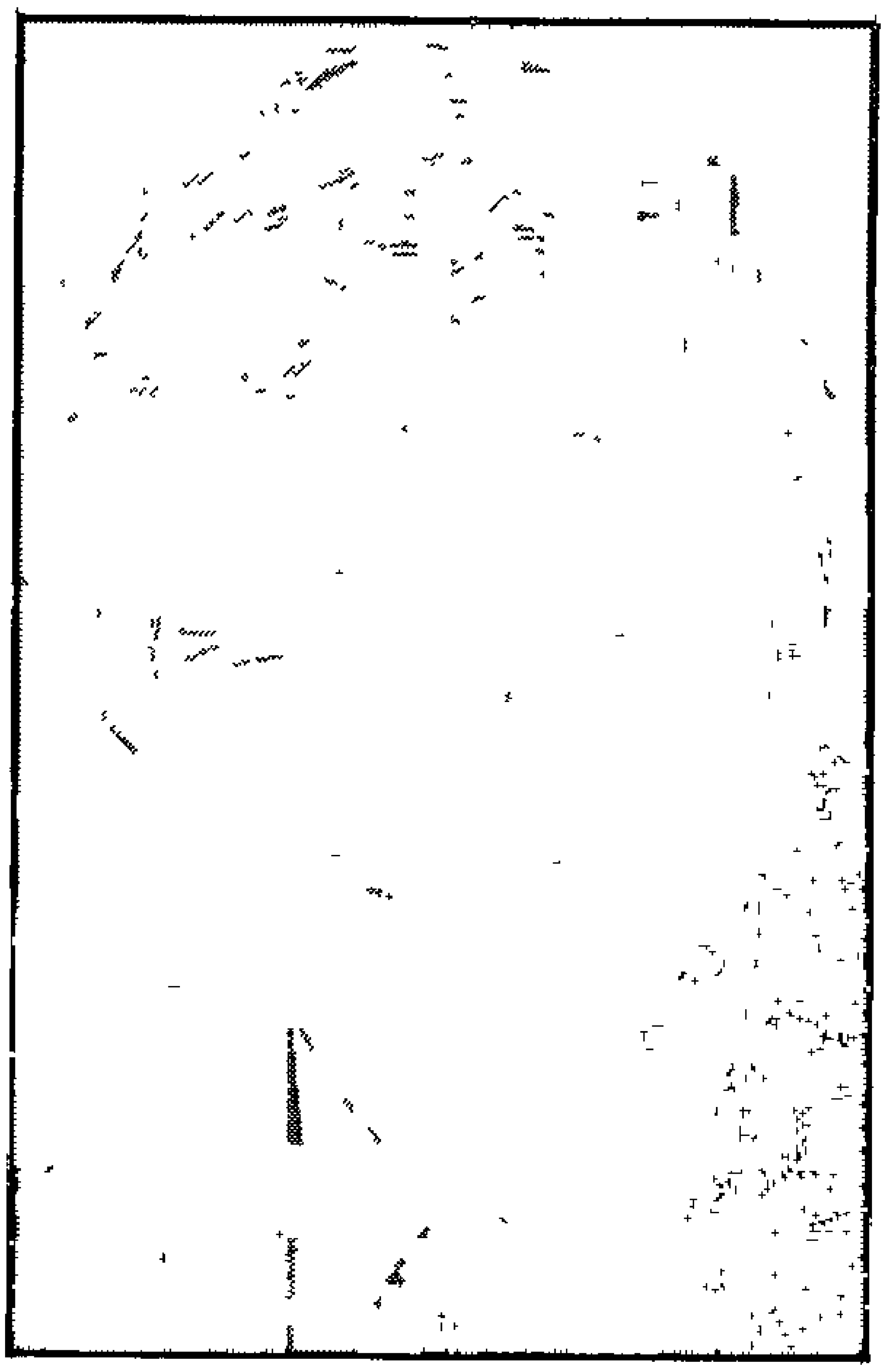
(193)

The group's central African operation performed strongly and would be further buoyed by the recent Z$60-million acquisition of Pilkington Glass Zimbabwe, he adds A Z$133-million rights offer for PGZ was currently being finalised.

With particleboard manufacturer PG Bison performing at record levels the only blotch on the copy board is Glass SA

Mr Lubner says the group was hard hit by the six-week motor industry strike which halted deliveries Some of the production had been diverted to the export market and would eventually be recouped locally However, Mr Lubner says he doubts whether Glass SA will get back on budget for the full year

Nevertheless he expects that earnings for 1994/5 could show an increase of over 20% on 1993/4's R159-million



SMILING Ronnie Lubner, PGSI's chairman

Laying foundation for future

Star 27/8/95

(193)

SEIZING an opportunity to lift themselves out of poverty, these women are building a community in more ways than one Our Finance Staff reports

A GROUP of women is working together in an exciting community initiative — the A Re Kopaneng Orange Farm Development Project

Orange Farm is an informal settlement on the outskirts of Johannesburg Like more than 6 million other South Africans, most of its residents live in shacks These women identified as a business opportunity the fact that low-cost housing was a priority in the area.

To get started, the women had to decide which aspect of the housing development market to target, and had to acquire funding, training and equipment

A large corporation gave them grant funding

For training and equipment they turned to Rutec, a Johannesburg-based private company that specialises in helping people help themselves through micro-enterprises

During the past seven years Rutec has developed affordable and appropriate equipment and training for micro-enterprises

Rutec has 24 courses registered with the Manpower Department The courses cover the practical and business aspects of running a successful small business Candidates do not need any special skills or knowledge to sign up for a Rutec training course and subsequently run their own businesses

Four women from the Orange Farm project were trained in brick-making at Rutec They also learnt how to do the costing, record-keeping, ordering and banking required in a brick-making business, and were exposed to basic business principles and practices

There are now about 15 women in the group They work in shifts, producing about 1 000 bricks a day These they sell in their community at a highly competitive price, and share the profits of their enterprise

Before joining the project, all were unemployed They have found a new sense of community, personal peace and a greater sense of self-worth.

They are now part of an employment and support system that makes a great difference to their lives

A spokesman for the group said "Working together we can help and support each other, and with our combined effort we can do things which none of us could do alone

"We have become an example in the community and are proud to come to work, even when it is cold or there are other problems We have learnt that we can solve them together and that we can laugh while we are doing it"

From people who were unemployed and weighed down by the hardships of poverty and family responsibilities, these women have become contributing members of their families and respected members of the community, with skills and proven abilities

Rutec maintains a relationship of support and counselling on both the techni-

FINISHED PRODUCT: They sell the bricks in Orange Farm at a highly compe[illegible]

THE GRIND: Working in shifts, the women manage to produce about 1 000 bricks a day. Says one "With our combined effort we can do things which none of us could do alone"

Fm 19/8/94

RICHEMONT

Needs a long-term view

(198)

Activities: *Tobacco, luxury goods, electronic media and direct retailing*
Control: *Rupert and Hertzog families*
Chairman: *N Senn, MD J Rupert*
Capital structure: *5,2m "A" bearer shares and 5,2m "B" registered shares Market capitalisation R20,36bn*
Share market: *Price R39 Yields 0,8% on dividend, 4,6% on earnings, p e ratio, 21,8, cover, 3,3 12-month high, R46,50, low, R36 Trading volume last quarter, 18m shares*

Year to March 31	**'91**	**'92**	**'93**	**'94**
ST debt (£m)	297	468	523	391
LT debt (£m)	763	778	789	136
Turnover (£m)	2 988	3 108	3 443	3 665
Pre-tax profit (£m)	556	584	633	†476
Earnings (£/unit)	308,7	‡34,36	‡36 26	‡20,03
Dividends (£/unit)	50,63	‡5 63	‡5,89	‡6,15

† Includes restructuring and rationalisation costs
‡ Restated to show 10-for-1 subdivision of units

Negative sentiment towards tobacco seems to have dulled investors' appetites for shares in international group Richemont But there's probably more to the lacklustre performance of the share on the JSE The counter had long been a strong performer, but over the past year has been left behind by the JSE Industrial index (see graph)

A favoured rand hedge stock among SA investors for years, Richemont now seems to be affected by uncertainty about the financial rand and the possible ending of exchange control regulations That's forcing investors to assess the share more closely on the strength of its operations These, despite strong brands, are facing mature, and in some cases declining, traditional markets in Europe and in the UK

Richemont's management anticipated these problems some time ago This was one reason for last year's restructuring and separation of tobacco and luxury goods interests into Rothmans International (listed in London and Amsterdam) and Vendôme, quoted in London and Luxembourg Apart from giving the group a neater and more focused structure, MD Johann Rupert notes it has eliminated all cross-holdings between the tobacco and luxury goods businesses That should make the respective shares more attractive overseas

But what about local investors? Apart from possibly losing some of its foreign currency appeal, ongoing losses and development costs in the electronic media arm, largely from Richemont's joint ownership of FilmNet, could be tempering investment decisions

In financial 1994, Richemont's share of FilmNet's losses grew from £7,3m to £25,7m Investments in associates increased by nearly £16m to £130,7m, once again largely to develop FilmNet

Coupled to this is Richemont's recent acquisition of 25% of Italian pay television operation Telepiù for $180m, which seems a rather hefty price for a business running at a loss

The electronic media has clearly been earmarked by Richemont as its new growth area It may well be a sound long-term investment, just how long it will take to bear fruit remains unclear, but it will take time to develop

Rupert cautions it may be some time before it contributes to group results But he should give shareholders a clearer view of Richemont's strategy in this area, indicating how much more cash could be absorbed by the television operations and when they are expected to start paying

Still, this is a relatively small part of Richemont's business Tobacco remains the core, and here Richemont is facing the anti-smoking lobby, mature markets in western Europe, and strong competition which forced the group to embark on a severe rationalisation exercise

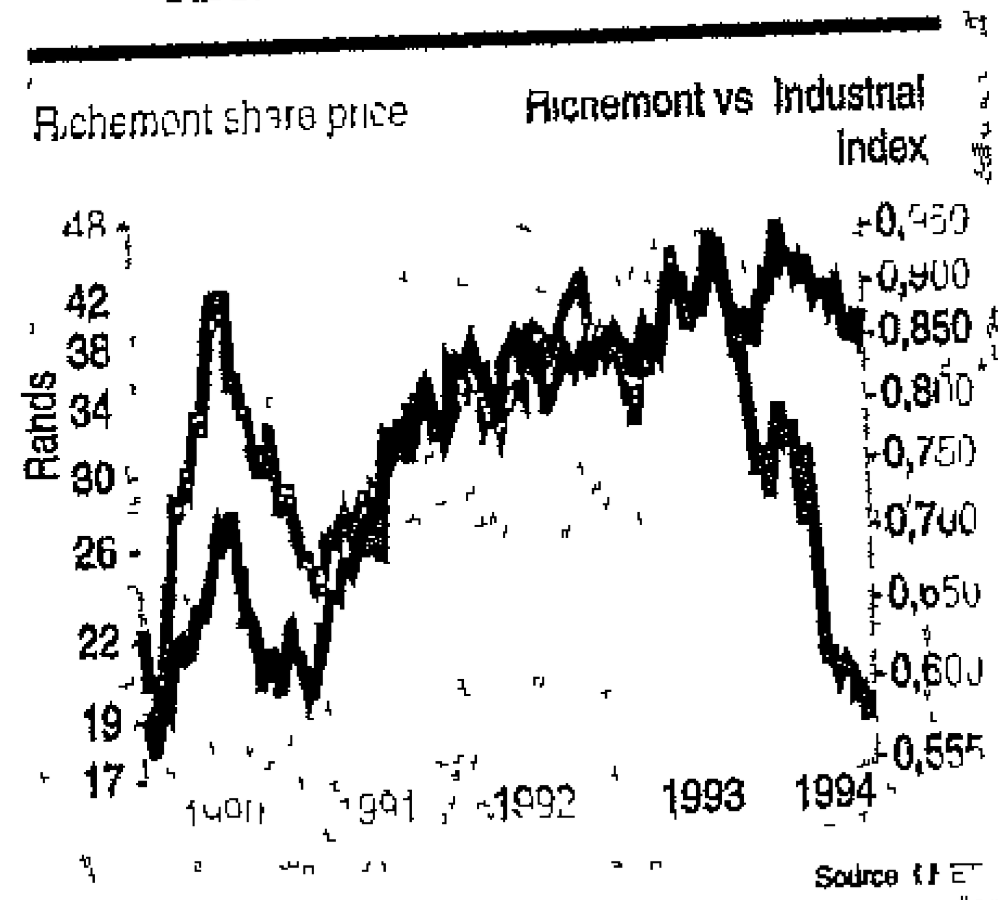
To some extent exchange rate movements flattered profits from Rothmans — though 3% growth in turnover, to £2,49bn, against a worldwide decline of 8% in volumes is not a bad performance

It also came with a lot of pain,

Richemont's Rupert
cost savings after rationalisation

Richemont paying £36,7m at the attributable level for its share of Rothmans's rationalisation costs With £50,4m paid for the restructuring of the group, results were severely affected Restated figures, excluding the costs, show earnings per unit down

Lagging the market
Richemont Securities



nearly 3%

Efficiencies in Europe should improve — Rupert expects cost savings of more than £30m a year after tax — but ultimately Richemont needs to exploit new and developing markets for its tobacco products It's looking increasingly towards Asia and eastern Europe to do this

Vendôme is a stable performer, though sales of luxury goods are closely tied to the level of economic activity in western Europe Rupert says that with the exception of the UK, major European markets showed little or no growth

Like tobacco, there appears to be growth prospects for these products in the East, particularly, Rupert says, with the strengthening yen encouraging Japanese tourism to the region

Vendôme benefited greatly from exchange rates, its 5,4% increase in turnover and 8,2% rise in operating profit translating to 14,5% (£1,18bn) and 17,5% (£194m) respectively when converted from the Swiss franc to sterling

Richemont appears to have positioned itself as well as possible for changing market conditions Luxury goods will benefit when world economies recover Prospects for tobacco are less clear — new markets offer growth, but there will be strong competition and negative perceptions to counter And it will take some time before the value, or otherwise, of media investments become clear

That makes the share even more of a long-term investment, and one that carries more risk than in the past With the anticipated demise of the financial rand

FM 19/8/94

taking some shine off the counter, investors will need faith in Richemont's management and the strength of the group's brands

However, Richemont remains a highly rated share, despite the price remaining static over the year One analyst calculates that, based on its underlying components, the share is worth R49 That could attract long-term investors with a view on world markets, though there are several heavyweight industrials which seem to offer a lot more value

Shaun Harris

KELGRAN FM 19/8/94

Market has turned

Activities: *Quarrying, beneficiating and exporting granites*
Control: *Gencor 56%*
Chairman: *F J P Roux, MD H J Laas*
Capital structure: *†70,2m ords Market capitalisation R316m*
Share market: *Price 450c Yields 3,3% on dividend, 4,8% on earnings, p e ratio, 20,7, cover, 1,4 12-month high, 455c, low, 120c Trading volume last quarter, 1,3m shares*

Year to Feb 28	'91	'92	'93	'94
ST debt (Rm)	25,4	58,7	58,8	54,2
LT debt (Rm)	5,8	4,9	2,9	2,5
Debt equity ratio	0,43	0,81	0,73	0,64
Turnover (Rm)	200,1	191,4	195,7	250,2
Operating profit (Rm)	47,1	16,9	9,8	16,6
Pre-tax margin (%)	22,7	7,7	3,9	6,4
Earnings (c)	58,5	26,2	8,6	21,7
Dividends (c)	*83,18	20,0	nil	15,0

* Includes 43,18c special dividend relating to listing on JSE † Subject to change on September 6 following delisting of Keeley Group Holdings, Kelgran's issued capital will increase to 105,3m shares

(193)

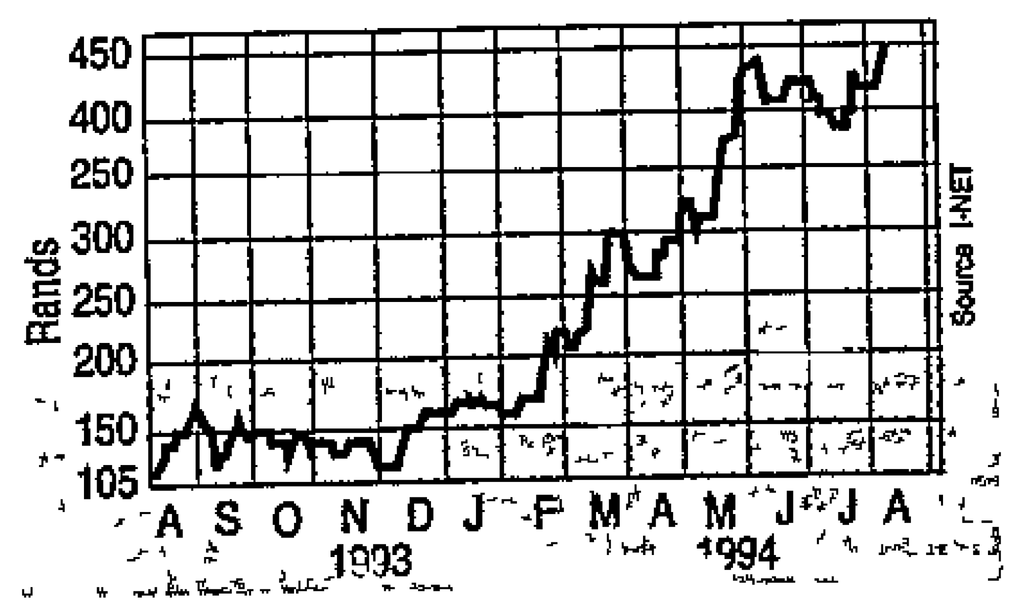
A year is clearly a long time in granite Much has changed since the Keeley group, SA's leading granite producer, last reported Pyramid Keeley Group Holdings is being wound down, its equity in operator Kelgran distributed to shareholders, and delisted More important, founder Fred Keeley has resigned, new controlling shareholder Gencor is in the saddle

Significantly, the world market for granite, long in the doldrums, has turned After three years of decline, SA's production bottomed halfway through 1993 Stockbroker Rice Rinaldi Turner commodities analyst Philip Murphy says if local granite producers maintain current production rates, they could turn out as much as 747 000 t in 1994 — 40% better than 1993's output Not that Kelgran is waiting for next year EPS for financial 1994 of 21,7c (1993 8,6c) puts it back on the fast performance track (which it fell off in 1992 when the operating margin declined by 60%) It was able to resume dividend payments — 15c this year compared with 1993's dismal zero

If there is anything to worry about in the annual statement, it is the extent of borrowings These now stand at 64% of shareholders' equity — 74% last year and 81% in 1992

I suppose one should be grateful for the small mercy that borrowings as measured by fixed capital are falling Apparently this is not so elsewhere in the industry Murphy says the high debt is an issue facing these companies Nevertheless, I am surprised that a mining house such as Gencor appears willing to allow the group to trade its way out of the difficulties of the past four years Indeed, I wonder whether it has ever, on balance, been adequately financed The point about mining is that its high-risk profile has always demanded low dependence on loans This is why the small independents have always struggled compared with the better funded majors

Kelgran



Meanwhile, and in keeping with its unbundling tradition, Gencor has put Keeley Holdings to sleep The exchange is to be managed based on one Kelgran share plus 5c for every Holdings share Holdings will be delisted on September 2

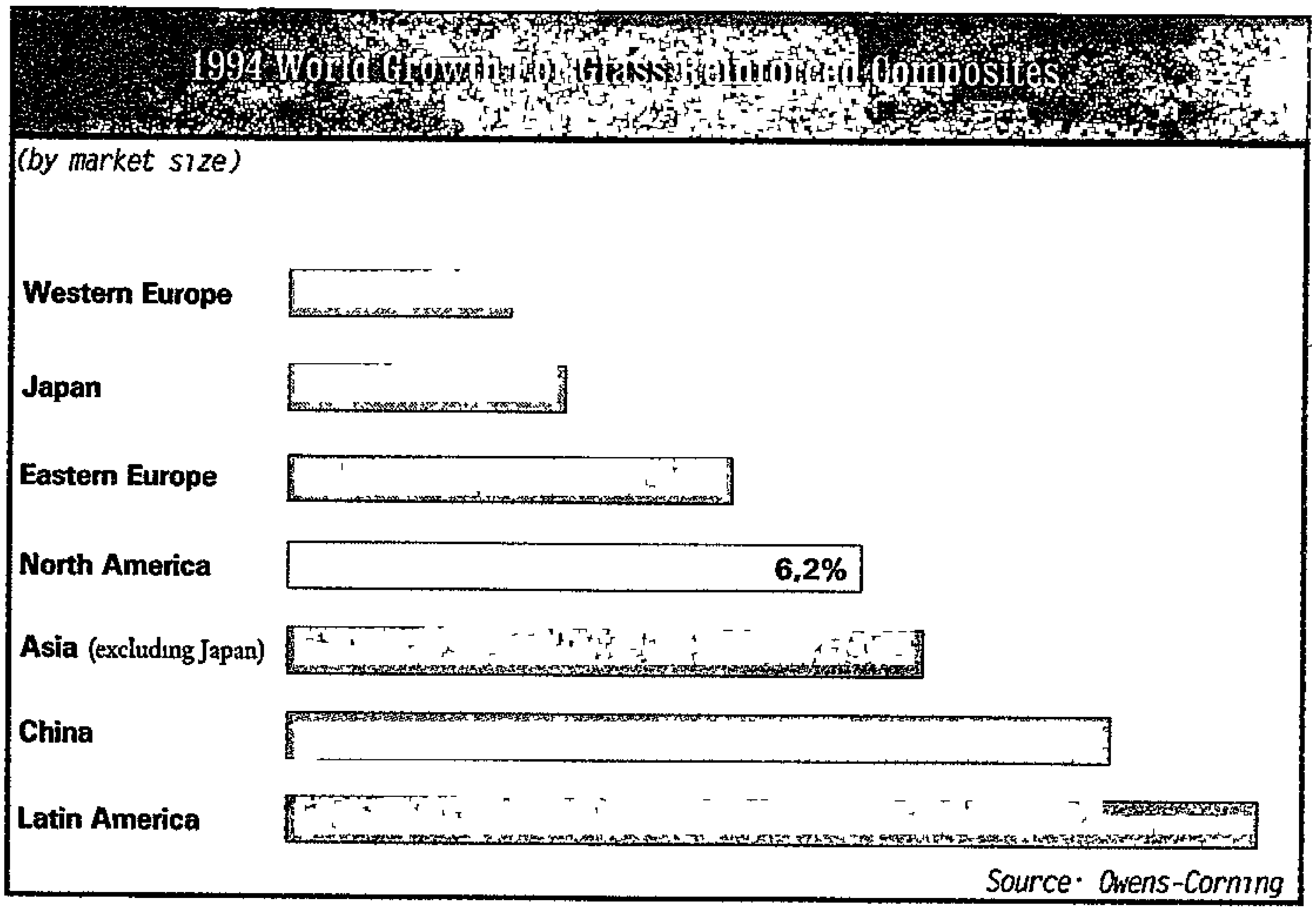
When I last wrote about the group — on June 3 — I said granite stocks were the latest investment flavour but that the huge price rise in Kelgran didn't leave much equity for new investors Well, I was right — and wrong All the evidence suggests that SA granite, well established and highly regarded, will regain its position as the third most important exporter this year, after China and India (193)

An examination of Kelgran's position suggests it will increase turnover to around R300m this year (1994 R250m) As sales increase, so unit costs benefit and the gearing at the level of operating profit is considerable In the absence of tax, apart from the transitional levy, this suggests EPS could increase by as much as 50% to about 33c (on the present issued share capital, the dilution from the absorption of Holdings means the EPS will hold at about 22c)

Based on that, the forward p.e is a comparatively modest 13,6 (it is now 21) This implies continued value up to about 500c *David Gleason*

FM 19/8/94

Fibreglass taking place of traditional materials



The fibreglass industry will benefit greatly from increased spending on housing and infrastructure when the Government's Reconstruction and Development programme gains momentum

In anticipation of this growth in demand Acoustical Fibreglass Insulation(AFI), the country's only fibreglass manufacture, is extending its production capacity

AFI marketing manager Willie Weber said fibreglass was replacing traditional materials in the provision of infrastructure throughout the world After the manufacture of the first fibreglass pipes for water and sewerage reticulation a little over two years ago, the industry had become one of the largest consumers of fibreglass in the country Star 16/8/94

Fibreglass is already used for most baths and washbasins installed in South Africa and the products are exported worldwide Spoornet is increasingly using fibreglass reinforced power pylons in successful tests at the coast where pylon corrosion is a major problem

(193)

Demand delays brick deliveries

BI Day 16/8/94

193

ROBYN CHALMERS

ISOLATED incidents of brick shortages are being reported by contractors as brick manufacturers gear up their production capacity to meet an anticipated surge in demand.

Clay Brick Association (CBA) executive director Nic Louw said yesterday that there had been increased demand for a range of brick products over the past few months, which had caused delays in certain areas

However, he said there was no shortage of bricks "Certain manufacturers are having difficulties in delivering the product and this is causing the delays

"Manufacturers are already beginning to increase their capacity and many organisations are boosting their stocks in order to cope with the higher demand expected when the housing programme gets off the ground," Louw said

A recent National Housing Forum report found that the industry had shrunk significantly over the past few recessionary years, with more than 50 plants closing down The number of manufacturers had fallen from 405 in 1980 to 105

"There is likely to be a supply shortage in the medium term unless the industry recommissions its mothballed production units," said the report

Brick manufacturers would have to almost double their output to meet the estimated demand of 4-billion bricks needed to build 300 000 low-cost homes a year CBA figures showed they were currently producing about 2,4-billion bricks a year

Most major manufacturers confirmed they were boosting their stock levels Corobrik Transvaal MD Peter du Trevou said the organisation had about 100-million bricks stockpiled in the Transvaal and Free State alone.

"Bricks out of the door are marginally higher, but we have not yet seen a major surge in demand," he said

Building Industries Federation of SA executive director Ian Robinson said it was worrying that reports of shortages and delays were appearing before the housing plan had got off the ground

He said the federation had appealed to the CBA for clarity on the situation, and assurances that the industry would be able to meet the expected increase in demand

'PG Glass acquired Interboard documents'

BDay 18/1/94 (193)

SUSAN RUSSELL

FORMER Interboard chairman Ed Dutton alleged in the Rand Supreme Court yesterday that confidential documents given to the company's bankers during 1988 ended up in the possession of competitor P G Glass

Testifying in his own defence, Dutton said when it became apparent that information about his company was being leaked he had begun numbering his signature on documents.

He said he had been informed that documents bearing numbers submitted to First National Bank (FNB) head office were in the possession of P G Glass.

Dutton told the court he would be calling his informant as a witness

The businessman has pleaded not guilty to 14 counts of forex and fin-rand fraud involving at least R1"0m

It is alleged that Dutton, using forged invoices and contracts, unlawfully obtained foreign currency on the pretext that the funds were needed to pay for a plant and machinery bought overseas

The State alleges the bulk of the plant was never purchased and that the value of equipment imported was grossly inflated

Dutton is also alleged to have controlled two offshore companies which purportedly supplied the plant and machinery, and the Mary Gibbs Trust, the ultimate holding company for the Dutch and SA registered Interboard companies

Dutton has denied all the allegations against him

He has been in the witness box since the trial, which has run for more than two years, resumed earlier this month.

Initially represented by senior counsel, Dutton has conducted his own defence for more than a year, after having informed the court that he had run out of money to pay his legal representatives

He made his allegations against FNB yesterday while dealing with previous testimony by a senior FNB executive, Neil Garden

Garden told the court he had investigated the identity of Interboard's overseas controlling shareholders after the SA company had approached the bank for R39m to acquire a new plant in George

He testified that during his investigation he had come across an $8m contract signed by Dutton on behalf of the seller, Partic, for the sale of a plant to Interboard

Johnson Tiles launches R10m project

JOHNSON Tiles SA said yesterday it had initiated a R10m capital investment programme at its Olifantsfontein factory. B/Day 3/2/94 (193)

The company has imported a manufacturing, decorating and firing plant which will increase the annual production capacity of ceramic tiles by a further 650 000m².

The equipment will be on line by August and its capacity will be split evenly between the company's floor and wall tile production sections.

The SA ceramic tile market is worth an estimated R500m at the retail level and this accounts for sales of 6-million square metres of wall tiles and 5-million square metres of glazed floor tiles. — Sapa

Italtile's earnings soar

CT 4/2/94 (193)

CERAMIC tiles and sanitaryware retailer Italtile increased attributable earnings by 21% to R3,3m (R2,7m) for the six months to December, as a result of successful rationalisation and improved customer service.

CE John Couzis pointed out that this improved performance was also brought on by the "refocus" of the group's core activity — retailing

He said that management had as well, concentrated on stock holdings and supplying the customer with a high quality product at competitive prices

"Another shift has been in the sales mix to a predominantly cash basis — a healthy sign for the business"

The group has benefited from its investment in technology and so the reduction in other labour-related costs, he said

According to Couzis, Italtile has shed R17,6m of debt during the current six months, with prospects for the next six months remaining "promising" to leave the group ungeared

Italtile reports rise in turnover

B/Day 4/2/94

ROBYN CHALMERS

THE realigned Italtile group reported an 18,2% rise in turnover to R87,8m (R74,3m) for the six months ended December 31 (1993)

CEO John Couzis said the improvement was brought about largely by refocusing the group's core business. This consisted of retailing through its national chain of Italtile centres, Ceramic Tile Market outlets and franchised operations

"The shift to a predominantly cash business improved margins and the reduction in overheads resulted in a 40,1% rise in operating profit to R4,8m (R3,4m)," he said.

Pre-tax profit increased 15% to R4,2m (R3,7m), while after-tax profit rose 22% to R3,3m

COMPANIES

No takers for stake in Marlin

ANDY DUFFY

B/Day 8/2/94

GRANITE producer Marlin Corporation has so far drawn a blank in its search for an international partner to buy a stake in the company.

Chairman Peter Gain said yesterday that talks with several unnamed parties were under way and that there was plenty of overseas interest But it was proving tough to find an investor which would give Marlin an avenue into new markets

Industry sources also suggest Marlin could face problems in persuading a prospective buyer to pay a premium to the company's low market value

Gain said Marlin had turned itself around after failing market conditions led to a R16,4m attributable loss in the 18 months to December 1992

The market is expecting Marlin to post a small loss for the 1993 financial year But the company's reshaping and recovery in its markets was likely to push it back into the black this year, Gain said.

"We've contained our losses and turned ourselves around"

It emerged six months ago that Marlin was searching for an international partner as a main route to recovery, in place of asset sales A key factor in the search for an international partner is the company's debt, which stands at R52m This swamped operational gains in the six months to June, leaving attributable losses at 0,8c a share (3,7c loss)

(193)

Gain said the debt was mainly responsible for the company's sluggish JSE performance The share closed yesterday down 1c at 16c — valuing the company at R7,48m — against a year high of 30c last February and a low of 8c in June Rival producers Kudu and Kelgran are both trading at year highs, with Kudu's price of 120c double its level a year ago

Gain said the company's beneficiation business, Marble Pentellic, had seen strong growth, and the contracting operation was also thriving Marlin had landed a cladding contract worth R8m for the new Reserve Bank building in Johannesburg, and would undertake refurbishment work for the Bank in Cape Town

Revamp boosts Ceramic Industries

BDay 3/3/94

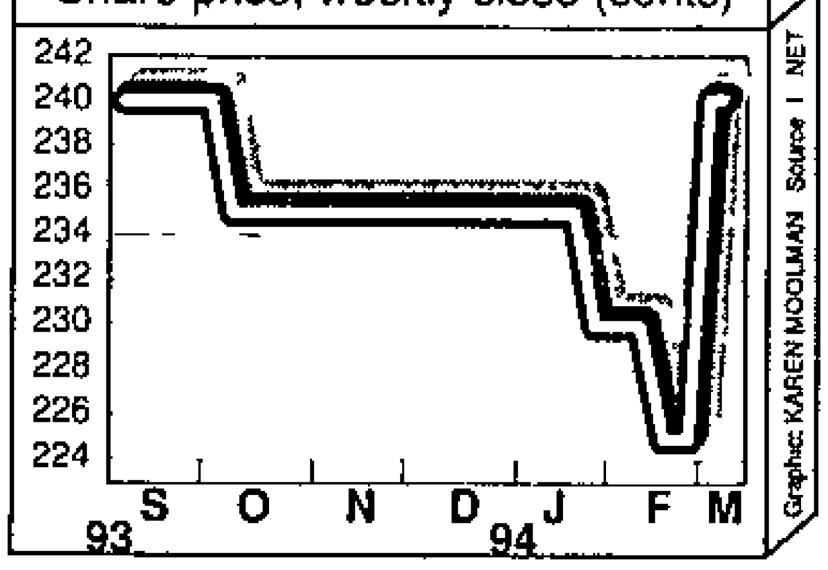
ROBYN CHALMERS

CERAMIC tile and sanitaryware manufacturers Ceramic Industries benefited from restructuring and cost containment to post a 55% pro rata rise in operating income to R5,1m (R3,3m) for the six months ended January.

The group underwent a major restructuring during the 1992 financial year, making comparisons with the previous interim period difficult Its financial year end was changed from February to July with effect from July 1993

On a pro rata basis, turnover increased 8% to R63,5m (R58,8m) in the face of poor trading conditions and tough local and international competition

Interest received rose to R1,4m (R1m) and interest paid increased marginally to R1,2m (R1,1m), leaving income before tax 64% higher at R5,3m (R3,2m)



Ceramic Industries
Share price, weekly close (cents)

The charge for taxation was reduced by tax losses brought forward from previous years, and led to attributable income of R5m Earnings rose a third to 28,1c (20,8c) a share An interim dividend of 5c (4c) a share was declared

Ceramic was originally part of the manufacturing and retail operation Italtile The group split during 1992 and Ceramic acquired a listing on the industrial sector of the JSE

Ceramic acquired Italtile's manufacturing operations while disposing of a number of non-core businesses These included the divisions involved in manufacturing and disposing of wooden doors, cupboards and kitchen units

(193)

Ceramic executive chairman Gianni Ravazzotti said cost reductions and an improvement in production efficiency were the two key factors that contributed to the rise in operating income

The group's goal was to become a player in the global market To achieve this, it had imported the latest technology to expand capacity in plants

"This technology transfer has not only improved our own standards, but those of the industry as a whole In this way, we have been able to reduce costs and prices, a benefit we have passed on to the market," said Ravazzotti

Another brick in the wall to make ends me

C/Press 6/3/94

By SOBANTU XAYIYA

IF you have occasion to visit the local dumping site, do not be alarmed if you are confronted by an army of women with babies on their backs and sledgehammers in their hands

(193)

These women are not after your blood They are looking for second-hand bricks

Squatter camp women in the Cape have embarked on this bizarre activity in an attempt to make ends meet

Hunger pangs h driven them to ma meagre living selli used bricks

This is not an ea The bricks they fi often covered in c which they chip a with hammer and

Often the patch cement covering b refuse to yield to f and often the brick ter into small piec

However, this d deter the women have no alternate of income

According to on woman, 60-year-ol Vivian Matshazi o Khayelitsha, their employment deper the regular deliver used bricks to the ing site

"If there is viole marches or stayaw the trucks do not c

FIXING BRICKS . . . In order to eke out a pitiful living, squatter women sort through piles of Cape Town's waste in search of used bricks, which they painstakingly restore. ■ Pics: FANIE JASON

Tshabal to fight Nigeria

Ginger's bre for African titl

By PULE MOKHINE

GINGER Tshabalala is set to get the big break of his boxing career soon

The Transvaal light-heavyweight champion has been approved by the African Boxing Confederation (ABC) to fight Nigerian Salim Awodeyi for the vacant All African title

ABC vice-president, Khaya Ngqula said the

be a breakthrough for Thabalalala to fight for the ABC title as victory would see him earning an automatic ranking in the World Boxing Council (WBC) top 20

try," said Durand

"The ABC couldn't come at time when he's hu success"

Durandt said it wish to see the boxer being th

Can makers campaign to raise market share

B/Day 21/3/94

MARCIA KLEIN

CAN manufacturers are promoting their claim to have brought down the cost of cans as part of a long-term plan to gain market share at the expense of glass non-returnable bottles

Last week the manufacturers placed advertisements promoting cans The ads were an industry effort by major players Bevcan and Crown Cork, held by Nampak and Holdains respectively

According to the ads, the 340ml can was now the cheapest form of non-returnable packaging in the beer market Not only were cans now the best value for money, but they remained the "lightest and the easiest to pack and chill"

Bevcan sales and marketing director John Moyes said cost savings in the manufacturing process were passed on to client SA Breweries, which was able to pass on the cost advantages to the consumer

For the first time cans were cheaper than dumpies There was a 60c-a-case price difference between 340ml cans and 340ml dumpies

"This is the first time that the can has enjoyed a price advantage over its biggest competitor, the dumpy, and Bevcan is committed to maintaining this advantage in a highly competitive market," Moyes said.

He added that the move had nothing to do with the entry into the local market of aluminium cans

Dave Spindler, MD of major glass bottle producer Consol Glass, said on Friday that price differences had varied over the past few years, and that dumpies had in fact been cheaper than cans in eight of the past 11 years

The difference in price was now about 20c a case at wholesale level

Spindler said the lower can price was achieved through currently low raw material costs, but input costs related to different products fluctuated over time.

Cans were benefiting from an additional cost saving through a technological development — the introduction of a smaller end.

Consol Glass had also made significant investments in technological advancements which would also lead to cost advantages The launch of the new upmarket dumpy had been a major advancement

(193)

Moyes said Bevcan had spent about R280m in the past two years on new plants and on upgrading existing plants "to ensure we remain at the forefront of cost-effective packaging". The company's aim was to be the lowest-cost producer in southern Africa

An industry spokesman said that nationally, 340ml cans had an 11% share of the beer market, while dumpies had 8%. Apart from these and the 450ml cans, which had a share of about 5%, returnable bottles dominated the beer-packaging market

Sanlam defends Tvl brick imports

(193)

TOM HOOD

SANLAM has defended its decision to import thousands of bricks from the Transvaal for a R10 million office block at Tijger Park, Bellville

Cape brick manufacturers claimed these would cost more than twice the price of local products, which were not inferior ARG 18/3/94

Sanlam Properties general manager Fanie Lategan said today "For aesthetic reasons we require a certain colour face brick on the external facade of the building The local brick manufacturers do not have this colour brick in the quality we require

"However, it only concerns a small portion of the external facade The remaining bricks will be purchased in the Western Cape

"Most developments used cement brocks lately Using clay bricks in our development is an advantage to the clay brick manufacturer"

Western Cape Clay Brick Association chairman Charles Pritchard said the 200 000 imported bricks were enough for about 30 houses

"It is disheartening to see a major Cape development being constructed with Transvaal bricks There is no question of inferior bricks being produced in the Cape

"Our range among the many producers here is equal to anything produced in the country"

Mr Pritchard said local brickmakers had been asked to submit samples and could supply the same quality at R650 a 1 000 delivered against the R1 400 a 1 000 for Transvaal bricks

If it became common practice to overlook local industry, the Western Cape's already embattled labour market would be further eroded

The new block, the second to be built at Tyger Valley, will have 3 900 m² of office space

Sanlam Properties regional manager investments Kokkie Raal says he sees no problems with letting the office building when it becomes available in September

The building contract has been awarded to Murray & Roberts

'Brick output will have to double'

B/Day 24/3/94

ROBYN CHALMERS

BRICK manufacturers will have to double their current production output to meet the estimated demand of 4-billion bricks required to build 300 000 low cost houses a year

Clay Brick Association executive director Nic Louw said SA's 105 brick manufacturers produced about 2,4-billion bricks a year. On average, they were operating at between 60% and 70% of their capacity.

"In the short term, brick producers will cope with the increased demand as a result of housing initiatives, but they will be sorely stretched in the medium to long term.

"New housing developments will require infrastructural support such as schools, community halls and clinics Producers will be hard pressed to supply the additional bricks once these support structures start coming on stream," he said.

The industry's estimated 460-million stockpile of bricks would diminish rapidly as demand increased

The brick industry had been hard hit by the lengthy recession in the building and construction market. Industry statistics showed that since 1986, consumption had fallen 50%, the brick mountain had more than doubled and the number of manufacturers had decreased from 450 in 1980 to about 105.

Clay Brick Association president Mike Wilkins said one of the biggest challenges facing the industry in the short term was the provision of adequate skilled labour.

"One of the prime tasks this year will be for the association to take the lead in exploring ideas for fast track training facilities to raise the number of skilled bricklayers," he said

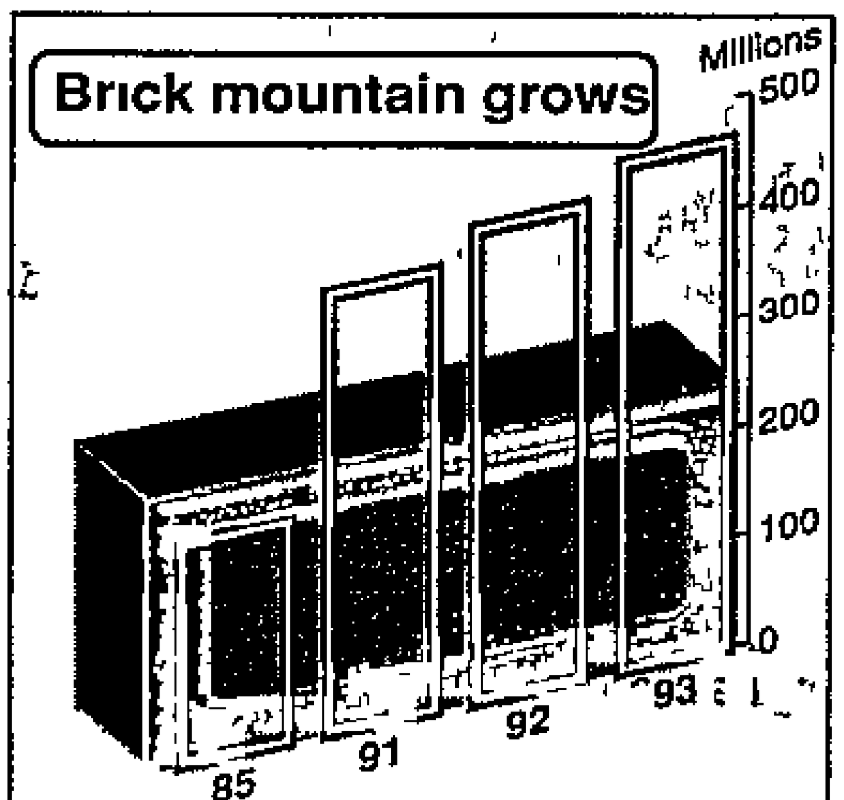
Preliminary research by the Building Industries Federation of SA (Bifsa) showed that an additional 12 000 bricklayers would be required to meet demand

Bifsa executive director Ian Robinson has said the organisation would have to increase its annual spending on training from about R20m to between R200m and R300m. In addition, alternative training methods, such as on-site instruction, would have to be developed.

(193)

Portland Cement Institute urban and rural development programme co-ordinator Wynand Louw said the production of bricks and blocks by communities could play an important role in providing the billions of bricks required to alleviate the housing shortage.

He warned that while labour-based manufacturing and self-help housing schemes were vitally important, the technical quality of manufactured products could not be compromised.



Graphic LEE EMERTON

Wholesalers accused of fixing glass prices

S Times (Buss)

By JEREMY WOODS

A ROW has flared up in the glass business, with retailers accusing wholesalers of fixing prices. Retailers have had to absorb price increases of up to 30% recently.

Glass prices to wholesalers increased last month by 9% Wholesalers raised their prices to retailers by as much as 30%

One retailer says: "They start at different prices, then bring in discounts to get to the same price for all of them. If a rep negotiated another 10% for a customer, he would lose his job."

8/4/94

Figures given to Business Times show wholesalers Float Breyer, Africa Glass, Johannesburg Glass and Triangle Glass, all sell 3mm glass at R16,24m²

Each company uses a different discount to arrive at the R16,24, it is claimed

But PG Glass managing director Antony Tooley denies allegations of high price increases and monopolistic practices

He says: "The recent increases may appear to be high on the surface, but when viewed over a five-year period, the increase is below the level of inflation for the period."

Mr Tooley says of the price-fixing allegations. "PG Glass leads the pricing of glass in the market and competitors tend to follow If they all want to sell at the same price as us, there is nothing we can do.

(193)

"We always try to keep the floor-price of glass at world levels But if people wished to, they would be able to import containers of glass We have to be competitive as South Africa becomes a global player"

A spokesman for the Competition Board says a draft report has been completed on the glass industry covering the alleged monopoly, restrictive practices and acquisitions.

Corobrick workers strike

CT 12/4/94

DURBAN. — Hundreds of Corobrick workers in Natal have embarked on a work stoppage to back their demand for salary increases.

193

Creating jobs a priority — Kriel

(193)

CT 9/5/94

By ANTHONY JOHNSON

THE 11-member Western Cape cabinet will hold its first meeting on Friday, Prime Minister Mr Hernus Kriel said at the weekend

Speaking during the historic first meeting of the Cape Parliament since June 22, 1910, Mr Kriel told the 42 Members of Provincial Legislature "We are writing new words on a new page of a new era"

The first meeting of the cabinet will concentrate on refining portfolios and the division of power between central and provincial government

The MPLs will gather for their first substantive session on May 27

Saturday's meeting was largely ceremonial, with the swearing-in of new members and the the election — unopposed — of Mr Kriel as premier, and Mr Willem Doman as Speaker

Mr Arnold de Jager was elected Deputy Speaker after a surprise challenge from Mr Chris Nissen was defeated 35-17

The Parliament decided to set up a multi-party committee under the chairmanship of the Speaker to decide on MPLs salaries and allowances

The committee, which has to make its recommendations by May 30, will also be looking into finalising rules of procedure for Parliament

An ANC amendment to the interim rules was accepted on Saturday in terms of which MPLs could express themselves "in the language of their choice" with all written documents being available in English, Afrikaans and Xhosa

Mr Kriel told a press conference afterwards he did not believe there was a great deal of difference between the National Party's plan for economic and social upliftment and the ANC's reconstruction and development programme

One of the new government's priorities would be to attract investment that would create jobs and help to break "the circle of poverty" in the province

The large discrepancy in spending on white and black education "cannot be tolerated much longer" and would have to be eradicated "as soon as possible within our financial means", Mr Kriel said

The Western Cape Parliament has 23 NP members, 14 ANC, three Democratic Party, one Freedom Front and one African Christian Democratic Party

MAKIN
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Subsidiary helps double PGSI earnings

Star 10/5/94

Belron delivers the goods

193

■ BY STEPHEN CRANSTON

Plate Glass and Shatterprufe Industries (PGSI) has at last received a meaningful contribution from its international interests held through Belron International.

Belron, which made a negative R8 million contribution last year, contributed R78 million in the year to March.

This was the main reason that PGSI's attributable profit increased by 101 percent to R158,6 million. Fully diluted earnings per share were up 68 percent to 512,3c

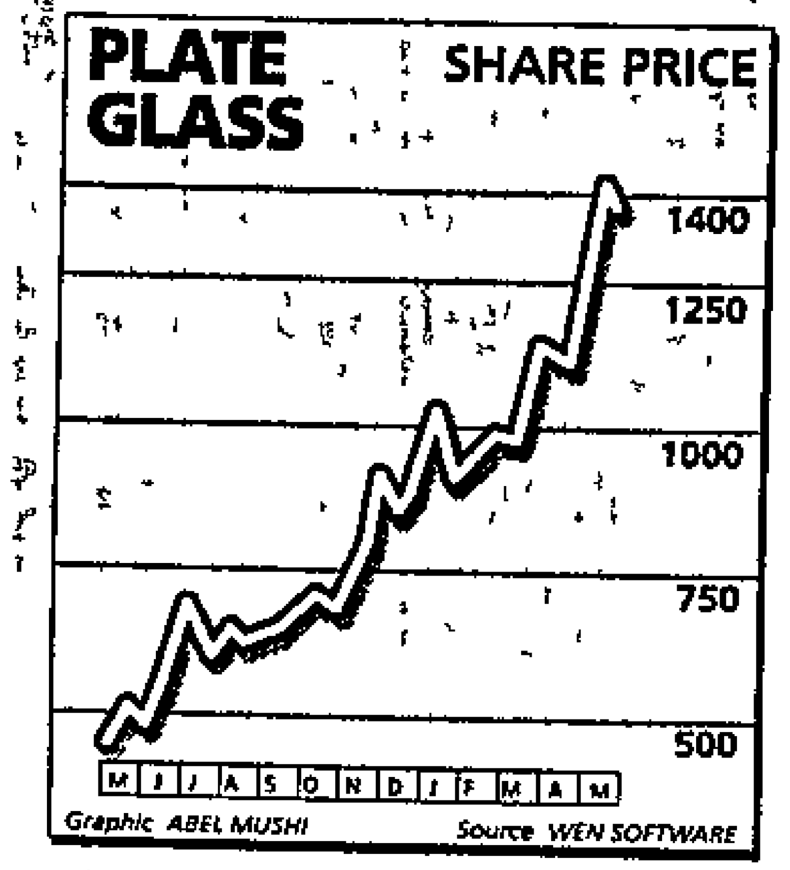
This is welcome news for PGSI's parent company, SA Breweries, which desperately needs the extra profit to offset the expected losses from OK Bazaars

PGSI chairman Ronnie Lubner says that Glass SA, the local manufacturing and distribution business, was unable to increase volumes or margins as it faced increased competition from imports and weak construction and motor industries

Ronnie Lubner . . . not in fashion business.

But the local board and laminates business, PG Bison, had a major reorganisation, which led to a significant improvement in profit

Zimbabwean associate PG Industries, which was previously accounted on a cash-received basis, is now equity-accounted in view of the relaxation of exchange controls in Zimbabwe



This was the major reason equity-accounted earnings turned from a R1 million loss to a R9,1 million profit and that the value of investments in associate companies rose from R47,7 million to R157,7 million.

The highlight of the Belron results was the return to profitability of US subsidiary, Windshields America, and of Australian subsidiary O'Brien Glass.

Belron has substantial assessed losses in both these companies, which can now be used.

Belron's French subsidiary was ahead of expectations, though not yet profitable. Though the German subsidiary was below expectations, it showed an improved trend

Lubner says Autoglass continues to hold a small share of these markets, which are still dominated by car dealers

The more mature Autoglass UK operation remained very profitable, and the Benelux operations made useful contributions

Lubner says that PGSI is not in the fashion business There are enormous opportunities from the demand for glass — and for board and laminates — in housing, which is a priority of the new government.

If demand increases according to expectations, PGSI will have to consider a second float glass plant to supplement its Springs plant But in the meantime, PGSI would be happy to import excess requirements.

Since the removal of sanctions, Glass SA has been in a position to sell to its sister companies in Belron, but it does so on an arm's length basis.

Its sales to Belron have increased, but in order to do so costs have been trimmed.

Lubner says that Glass SA prices are now lower than they were two years ago

Cash flow from operations was up 105 percent to R293,1 million, which enabled gearing to fall from 62 to 27 percent

, Wednesday, May 11 1994

PGSI turnaround shatters all records

B/Day 11/5/94

(193)

MARCIA KLEIN

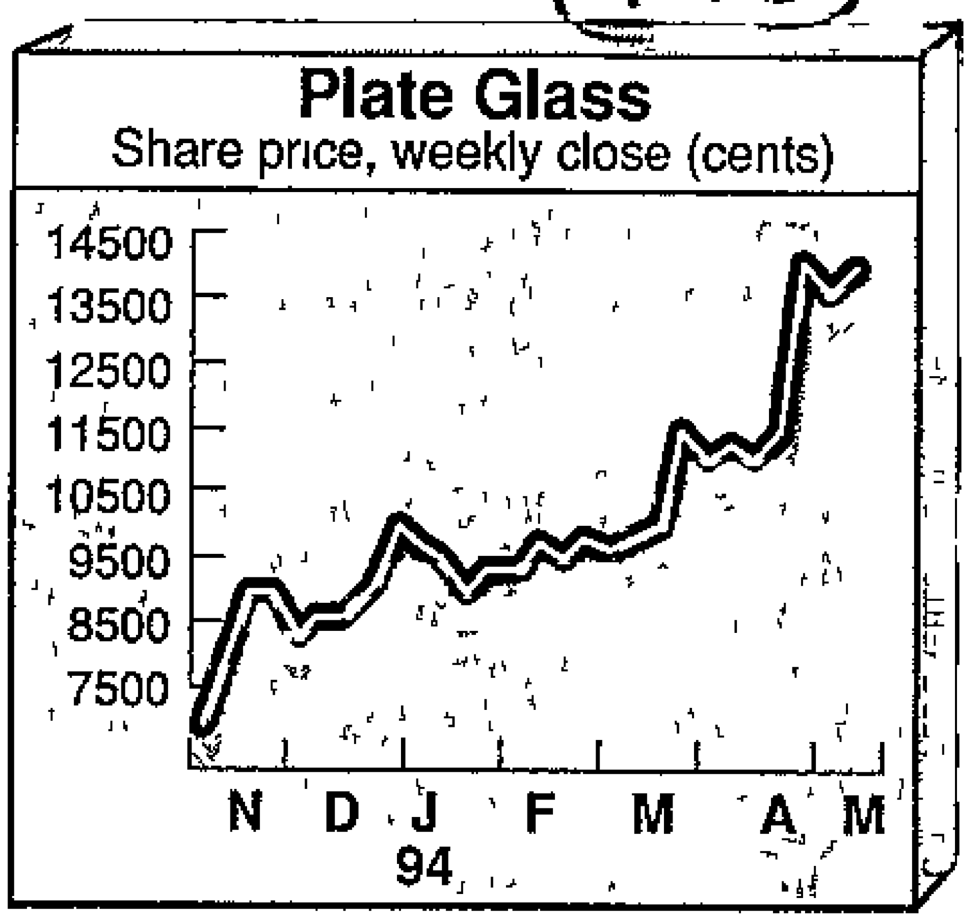


PLATE Glass & Shatterprufe Industries (PGSI) broke its previous earnings records to report a 68% leap in fully diluted earnings to 512,3c (304,2c) a share in the year to March. The results followed a turnaround at offshore subsidiary Belron International. Belron, which serves the automotive replacement glass installation market through more than 650 outlets in 11 countries, turned from a R8m burden to contribute R78m — 38% of group earnings

Chairman and CE Ronnie Lubner said management's drive to improve market coverage and earlier than expected recoveries in the economies of some offshore markets "resulted in record profits"

In the second half, all of PGSI's operations surpassed expectations PGSI, in the SA Breweries stable, increased its turnover for the full year 17% to R3,24bn (R2,77bn), while operating profit rose 33% to R358,8m from R270,1m previously

Net financing costs were reduced to R28,5m from R32,6m Strong cash flows of R293m from operating divisions helped reduce borrowings to R141m Gearing was 27% (62%)

Taxed income was 71% up at R207,9m (R121,9m) Results from 45%-held PG Industries were helped by the lifting of the drought and a better business climate in Zimbabwe PGSI's share of Zimbabwe's earnings have been reflected in full

PGSI declared a final dividend of 145c, to bring the full year dividend up by 53% to 230c (150c)

Lubner said UK operations continued to benefit from the introduction of yearly windscreen testing, and Windshields America continued its positive swing

European operations were generally ahead of budget, except for the Italian and German businesses The Australian business returned to profitability

Locally, Glass SA turned in a solid performance and PG Bison recorded a significant profit improvement

Brick mould could help to 'solve housing crisis'

EDWARD WEST

CAPE TOWN — The owners of a pile of bricks lying amid rusted cars, pipes and motorbike frames on a plot outside Cape Town claim they could help to solve the housing crisis

A-Block Marketing partners Alf Smith, a bricklayer and construction inspector for the past 22 years, and farmer Van Wyk van Niekerk demonstrated how an SABS tested building of regulation-sized bricks could be produced in less than three minutes, with only the barest rudiments of equipment The secret of the operation is a uniquely designed mould of wood or steel into which concrete is stomped by hand

Van Niekerk said the system enabled one person to build up to 125 bricks a day

The bricks fit neatly into each other, with grooves into which a strong concrete flux is poured to seal the joints and make the wall water resistant

He said it would take 2,5-billion bricks to build 1-million houses in five years At 30c a brick, this could provide about R750m to people who would otherwise not have jobs It is possible to make 62 bricks from one bag of cement

The company wants to sell its mould to entrepreneurs and businessmen in housing development

Van Niekerk had just returned from building a show house in the Zwellentemba township in Worcester He built the house with the help of four unskilled people and said the showhouse received so much acclaim that he had to turn down several offers to start building companies

The method has taken two years to develop and has already been used successfully to build a small number of structures, including houses

Van Niekerk was reluctant to say exactly how much it would cost to build a house using the brick Labour and profit could account for anything up to 50% of the selling price of a house, he said

SA Brews cheers as Plate Glass stars

S Times (Buss)

15/5/1994

By JULIE WALKER

SOUTH African Breweries lifted turnover by 12% to R24,5-billion in the year to March 1994 when consumer spending showed real growth of barely 0,5%

The beer, soft-drink, manufacturing and retail group's trading profit rose 5% to R2,44-billion Lower net financing costs and tax meant a 16% rise in taxed profit to R1,38-billion

Plate Glass & Shatterprufe Industries, the last group company to report results, provided the highlight. Its earnings a share increased by more than two-thirds to 512,3c Key performer was Belron International, which contributed 38% of earnings (attributable profit was R159-million)(193)

Plate Glass shares have jumped R60 in the past month to R165 The price was below R42 a year ago.

After depreciation and amounts attributable to outside and preference shareholders, SA Brews added 14% in attributable earnings to R943-million, or 345c a share The dividend was raised 18c to 155c, with a scrip alternative (132)

Domestic and international beer interests chipped in R707-million — about 75% of the total.

Executive chairman Meyer Kahn says there is every reason to expect satisfactory real growth in earnings and dividends in the current year now the socio-political situation is more settled and capital inflow has renewed.

SA Brews share price hit an all-time high of R103 after the results.

The low spot in the SA Breweries stable was OK Bazaars, which was delisted in January It lost R74-million in the year to March, and reports speak of another R100-million in foreign-currency losses

Argus forecasts 12% rise in earnings

BiDay 24/5/94

MARCIA KLEIN

ARGUS Newspapers, due to list on the JSE on June 13, has forecast 12% higher earnings of R32,6m and 12,5% higher turnover of R795m in the year to March 1995

The company, whose listing follows the acquisition of Argus Holdings' newspaper interests by Tony O'Reilly's Independent Newspapers, will publish its pre-listing statement tomorrow But directors said yesterday that unaudited pro forma turnover for the year to March was R706,7m, while earnings were R29m

The adjusted pro forma earnings take into account discontinued operations such as the Sunday Star and the sale of the majority interest in the Sowetan, and include the effect of the acquisition of properties and of Times Media Limited's minority interest in various titles

A pro forma earnings track record shows a 13,7% increase in financial 1994, a 20,2% rise in 1993 and a 79% rise in 1992. Directors said dividends would be covered between three and four times

Based on 45,1-million shares in issue, earnings for the year to March were 64c a share, and would increase to 72c a share in financial 1995 NAV at end-March was 384c a share

According to directors, Argus's "unique position in the SA print market" would ensure it remained a focal player in the media market through ongoing innovation and development "despite an expected increase in the array of competitors in the radio and television fields" (195)

Argus Holdings and JCI directors will retire from the Argus Newspapers board prior to the listing, and Independent Newspapers' MD Liam Healy and financial director James Parkinson will join the board

In addition, the board will be extended "to represent the wider spread of the SA community" There will also be regional boards for the group's geographical interests in the Transvaal, Natal and the Cape which will include non-executive directors representing the communities.

Healy will initially serve as chairman, but the intention is for him to be succeeded by a local non-executive chairman

Kelgran lifts earnings 152%

BiDay 24/5/94

MUNGO SOGGOT

GENCOR-controlled granite producer Kelgran raised attributable income to R15,2m (R6m) for the year to February on turnover which jumped 28% to R250,2m (R195,7m). Kelgran — one of the largest granite producers in the world — lifted operating income to R16,6m (R9,8m) Net interest paid fell to R525 000, from R2,2m

The company's tax bill dropped to R501 000 (R1,3m) Earnings a share rose 152% to 21,7c a share (8,6c) A final dividend of 10c a share was declared Yesterday the share hit a new year-high of 390c, from an annual low last June of 85c (193)

Rusplat MI

LONDON — A surplus of 300 000 platinum was likely this year, tenburg Platinum MD Barry Da said at the London Platinum di

The latest Metal Bulletin said would be reduced by large in ment products such as platinum leaving a net surplus of a 125 000oz

The bulletin said assuming Northam mine reached its pro tion targets, SA would contin

ANIES

Big task for brickmakers

8/6/94

ROBYN CHALMERS

BRICKMAKERS will have to plan more effectively and do away with paternalistic attitudes to meet the task of supplying 300 000 low-cost homes a year, says Clay Brick Association president Harry Voorma

Addressing the body's 32nd AGM, Voorma said the industry must work closely with Housing Minister Joe Slovo to address a number of important issues (193)

"We also need to move away from the paternalistic approach of prescribing alternative construction methods without consultation with the people who will occupy these houses"

Potchefstroom University's Theo Venter said the industry had to lobby at local and national government levels if it were to become a force 7/6/94

Lion's share of PGSI sales drawn from replacements

Star 9/6/94

BY STEPHEN CRANSTON

The continued focus on supplying glass for the replacement motor market means that the market now accounts for 52,2 percent of the sales of the entire Plate Glass and Shatterprufe Industries (PGSI) group, up from 50,6 percent a year ago

PGSI chairman Ronnie Lubner says in the annual report to March that he aims to make the group's international subsidiary Belron the leading, and perhaps the only, global specialist automotive glass replacement and repair network

That ambition has caused a drain on group profitability in recent years, but in financial 1994 the turnaround finally took place

Belron contributed R8 million in losses to the PGSI bottom line in 1993, but this was turned to a R74 million profit in 1994

Belron cannot yet claim to be truly global as it has no operations in Asia or Latin America, but it now has profitable operations in Europe, the US and Australia

In Australia, O'Brien Glass focused on the development of its replacement glazing business, keeping a tight control on overheads, while surpassing sales targets

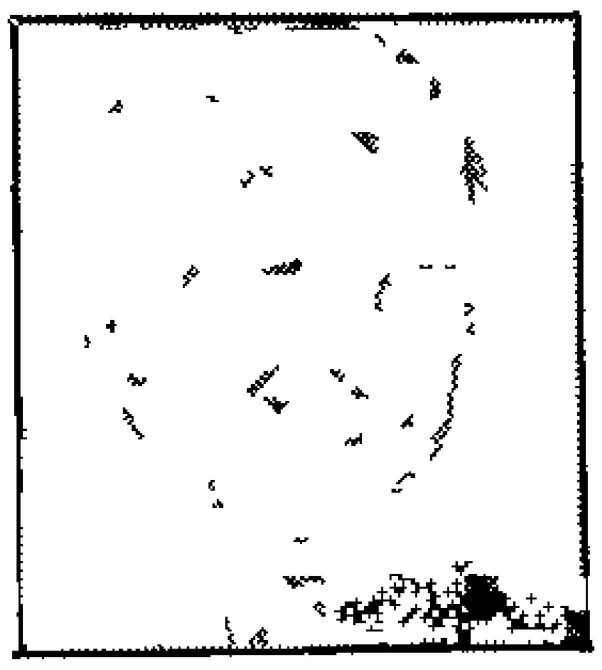
It traded well and plans aggressive growth, despite the difficult economic conditions in that country (193)

Market conditions for Windscreens O'Brien deteriorated in the first half because of excess capacity from local producers of automotive glass

But with tight overhead control and targeted marketing and sales programmes, the business delivered a healthy profit performance

In the UK, the 207-branch Autoglass chain saw its results in the first nine months of the year heavily influenced by the introduction of windscreen testing as part of the annual vehicle inspection

Autoglass made headlines during the year as one of the two companies which withdrew its advertising from the Daily Mirror after that newspaper printed lurid pictures of Princess Diana in a West London gym



Ronnie Lubner global specialist

This milestone event, however, is not mentioned in the annual report

In the US there was a substantial turnaround from Windshields America, and the network expanded to 145 branches

Much of Belron's current focus is in continental Europe It has well-established businesses in Belgium, Holland and Luxembourg, which showed a strong improvement in profit The less well developed network in France made strides and is on the verge of profitability

The German market, which is surely the number one prize, with a population of 80 million, is proving to be a steep learning curve

The management team there spent the major part of the year re-organising the infrastructure to develop further significant opportunities

There was a focus on investment in marketing and sales services to accelerate planned growth

The Italian operation looked unlikely to become profitable within a reasonable period and the business was sold to a local company on a franchise basis

Glass South Africa had a difficult year and its contribution fell from R103 million to R80 million Sales were up 8,3 percent to R837 million, but margins came under pressure in a more competitive environment

CEO Rod Fehrsen says that Glass SA is committed to becoming truly globally competitive, building long-term relationships with customers based on sound pricing, consistent service levels and an appropriate range of quality products

PFG Building Glass was awarded anti-dumping protection, but currency movements late in the year reduced the attractiveness of imported glass

PG Glass Express made inroads into the quick glazing market and there was a significant increase in the volume of glass installed because of riots and looting

Automotive Safety Glass, which supplies the original equipment market, benefited from the four percent increase in passenger and light commercial vehicle sales

Fehrsen says Glass SA's short-run manufacturing skills remain comparable with the best in the world and it aims to be a niche supplier of choice to the worldwide automotive glass aftermarket

PG Autoglass grew market share through strong marketing of its dial-free service and the mobile fitment service is now offered 24 hours a day

Star 15/6/94

Ketter Granite revises forecast

BY STEPHEN CRANSTON

Ketter Granite will not meet the 10,4c a share earnings target of its listing statement, says MD Leon Kaplan. The forecast has been reduced to 8,3c for the 18 months to September (193)

Ketter was reversed into the Racy cash shell earlier in the year and its year-end changed from March to September

In the 12 months to March, Ketter reported attributable earnings of R317 000 and earnings per share of 1,1c

The results reflect nine months of income from Racy and three months of granite sales. Turnover for the period was R6,63 million, but annualised turnover is running at R20 million to R25 million.

Kaplan says the March quarter was particularly difficult as pre-election labour difficulties reduced output at both the African Red quarry near Potgietersrus and the Belfast Black quarry

Output has increased significantly since new plant and equipment was commissioned in May at a cost of R5 million, financed out of a R6 million loan facility

The remaining R1 million has been earmarked for an additional excavator for the Potgietersrus quarry

Kaplan is confident that worldwide demand for granite has increased. In recent weeks Belfast Black prices have firmed up to 15 percent

The Ketter share has traded at 45c to 70c since listing, and is now quoted at 50c. This gives a modest prospective P/E ratio of six, which offers some value.

COMPANIES

Ketter production below target

MICHAEL URQUHART

IMPROVED demand for Ketter Granite's products for the 12 months to March was offset by abnormally high rainfall and pre-election labour difficulties which reduced production to below target levels.

Recently listed Ketter Granite Holdings reported attributable earnings of R317 000, which translated into earnings a share of 1,1c. This result was achieved on a turnover of R6,6m

BDay 15/6/94

Ketter MD Leon Kaplan said that due to the recent listing, the company did not feel it appropriate to declare an interim dividend The earnings forecast for the period to September has also been revised down, from 10,4c to 8,3c a share

(193)

Comparative figures were not available because Ketter Granite was listed for the first time in March after the recent reverse takeover of the Racy Group Holdings cash shell Subsequently Ketter's financial year end was changed from March 31 to September 30

Kaplan said the period under review was also a difficult period for the granite industry as a whole due to the winter in the northern hemisphere, and he expected the company's results to improve substantially over the next six months The company could pay a dividend of 2,5c to 3c, depending on circumstances, he said

Kaplan said one objective of the listing was to raise R6m for capital expenditure designed to speed up production at the company's quarries at Belfast and at Potgietersrus

The process was almost complete, said Kaplan, and this put the company in a good position to catch the expected upswing in the granite market He said he viewed granite prices as being at the "bottom of an upward curve" and expected prices to rise by about 10% to 15% this year

Ketter mines Belfast Black at its Belfast quarry, and African Red at Potgietersrus

No 'reprieve' for Rooiberg

BDay 13/6/94

MICHAEL URQUHART

GOLD Fields of SA would not reprieve tin mine Rooiberg despite tin's strong price recovery in recent months, executive director John Hopwood said at the weekend

Gold Fields said last week it had been approached by a prospective buyer for the operation, which has been winding down since Gold Fields' decision to close it late last year

Hopwood said the interested parties were local, but he was not prepared to divulge their identities He could also not say whether they intended to reopen the mine

He said Rooiberg had extensive surface and mineral rights, two villages in a potential game reserve area and a tin smelter and tin mines which could be turned to account should the tin price rise substantially

But Gold Fields believed the tin price would have to rise at least another $1 000 above its current $5 620/t before Rooiberg's reopening was viable The company wanted to sell its entire interest

(93)

"The tin price is coming off a very low base," he said "Currently it is lower in nominal terms than it was 20 years ago"

A source doubted tin would rise significantly, and it was possible that the prospective buyer was looking at the cash value of the mine versus the share value, or at using Rooiberg for the listing of another project

Sources have warned that base metals markets are being driven more by technical than fundamental demand But Hopwood said these prices should also be seen against the low levels they were coming from

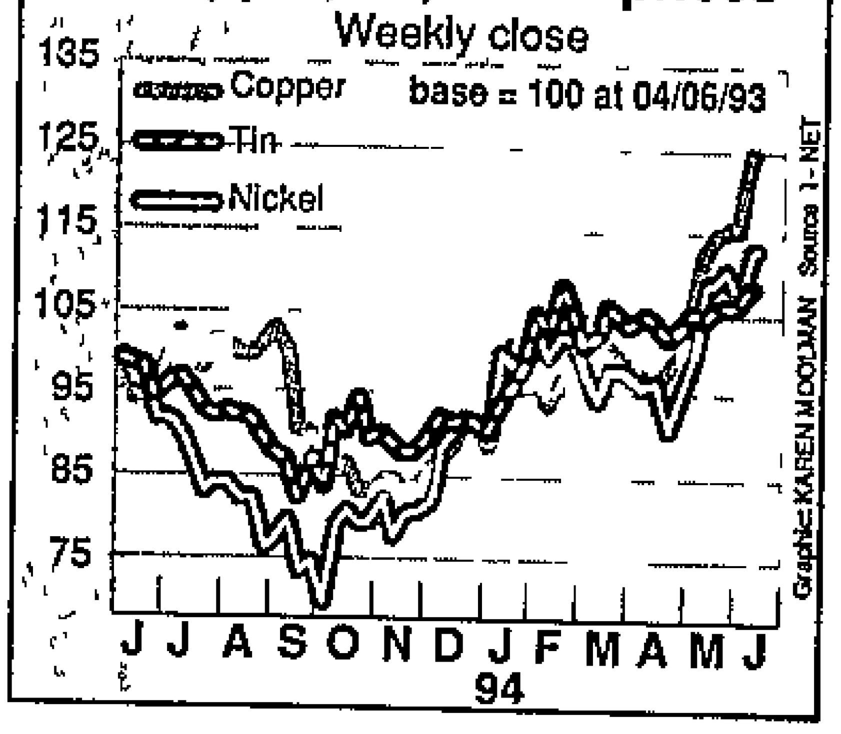
Copper LME stock had come down, he said, but the price was way above fundamentals "I expect to see a correction in the copper price to around $2 200, but even this is not a bad price in the circumstances"

A number of new low-cost producers will come into the market within the next nine to 18 months which would keep a lid on the price, he said

Other Gold Fields' projects which would benefit from improved base metal prices are copper producer O'okiep and lead, zinc and copper company Black Mountain, which had shown a substantial turnaround

Off a low base - Copper, tin, nickel prices

Weekly close



1 in 2 'must' get jobs

CT 15/6/94

SOUTH AFRICA must create one job for every two of its people, Trade and Industry Minister Mr Trevor Manuel said last night. (193)

He told a dinner held in his honour at the Peninsula Technikon that resolving South Africa's "sad story" of massive unemployment hinged on the country repositioning itself in the world economy through technology and human resource development "People need to be equipped in order to exercise their resources," he said.

Mr Manuel said that trade and industry had helped shape rapidly developing countries and this could apply in South Africa.

Chairperson of the Peninsula Technikon council, Mr Essa Moosa, said Mr Manuel had "not only brought honour and prestige to this institution, but also to the people in Salt River, Kensington and Athlone with whom he grew up, lived and struggled"

Marlin posts poor results

B/Day 16/6/94

MICHAEL URQUHART

GRANITE producer Marlin Granite's financial statements were again qualified by its auditors after posting weak results for the past financial year

The company reported another poor financial performance for 1993, with losses of R4,3m compared with a loss of R16m previously Extraordinary items of R6,8m relating mainly to the sale of interests in Barracuda Granite Tile were written off.

The auditors said the ability of Marlin to continue depended on the provision of finance by its bankers and its ability to return to profitability.

Finance director Ian Macmillan attributed losses to poor industry conditions and heavy gearing

The company had redeemed R41,4m preference shares until the 1992 financial year, which meant it came out of share capital into short-term loans at a time when the granite industry was in a trough.

Macmillan said the second half of the year would produce substantially better results

(193)

PLATE GLASS

FM 17/6/94

Building the rand hedge element

(193)

Activities: *Makes, distributes and installs flat and automotive glass, produces, makes, processes and distributes timber, board and aluminium products*
Control: *SA Breweries 50,2%*
Chairman and CE: *R Lubner*
Capital structure: *24,7m ords Market capitalisation R3,8bn*
Share market: *Price 15 300c Yields 1,5% on dividend 4,2% on earnings, p e ratio, 23,8, cover, 2,8 12-month high 16 500c, low, 4 800c Trading volume last quarter 531 000 shares*

Year to March 31	†'91	'92	'93	'94
ST debt (Rm)	190,0	49,4	203,6	107,5
LT debt (Rm)	51,5	133,7	64,1	111,0
Debt equity ratio	0,49	0,29	0,52	0,21
Shareholders' interest	0,39	0,34	0,26	0,35
Int & leasing cover	10,3	6,9	7,0	6,7
Return on cap (%)	19,2	12,5	15,8	18,8
Turnover (Rm)	2 299	1 815	2 775	3 237
Pre-int profit (Rm)	298,6	212,1	270,1	358,8
Pre-int margin (%)	13,0	11,6	9,6	11,0
Earnings (c)*	409	209	320	642
Dividends (c)	222	150	150	230
Tangible NAV (c)	2 474	2 113	1 273	1 750

* Attributable † Accounting policies changed in 1992 so 1991 figures are not strictly comparable

What Ronnie Lubner threatened for years has finally come to pass Plate Glass & Shatterprufe Industries (Plate Glass) has turned in results which can dryly be described as better than expected

With attributable EPS (at 641,9c) almost exactly double that of last year, Lubner can at last afford to grunt "I told you so " It was a superlative year all round so it seems churlish to remind investors — though I must — that the company has been in a state of genteel decline since 1988

For three years the dividend was held at 222c, before plunging to 150c for another two years This year, with the payout at 230c, Plate Glass has edged upwards though in real terms, of course, shareholders' rewards have been pitiful

The key to Plate Glass's remarkable success in financial 1994 is Belron, its international operating arm Sales by Belron subsidiaries and managed associates rocketed 33% to R1841m — it now constitutes 49% of total turnover More important, Belron's contribution to attributable earnings swelled from a negative R8m in 1993 to a positive R74m and it now provides 38% of total earnings

Plate Glass

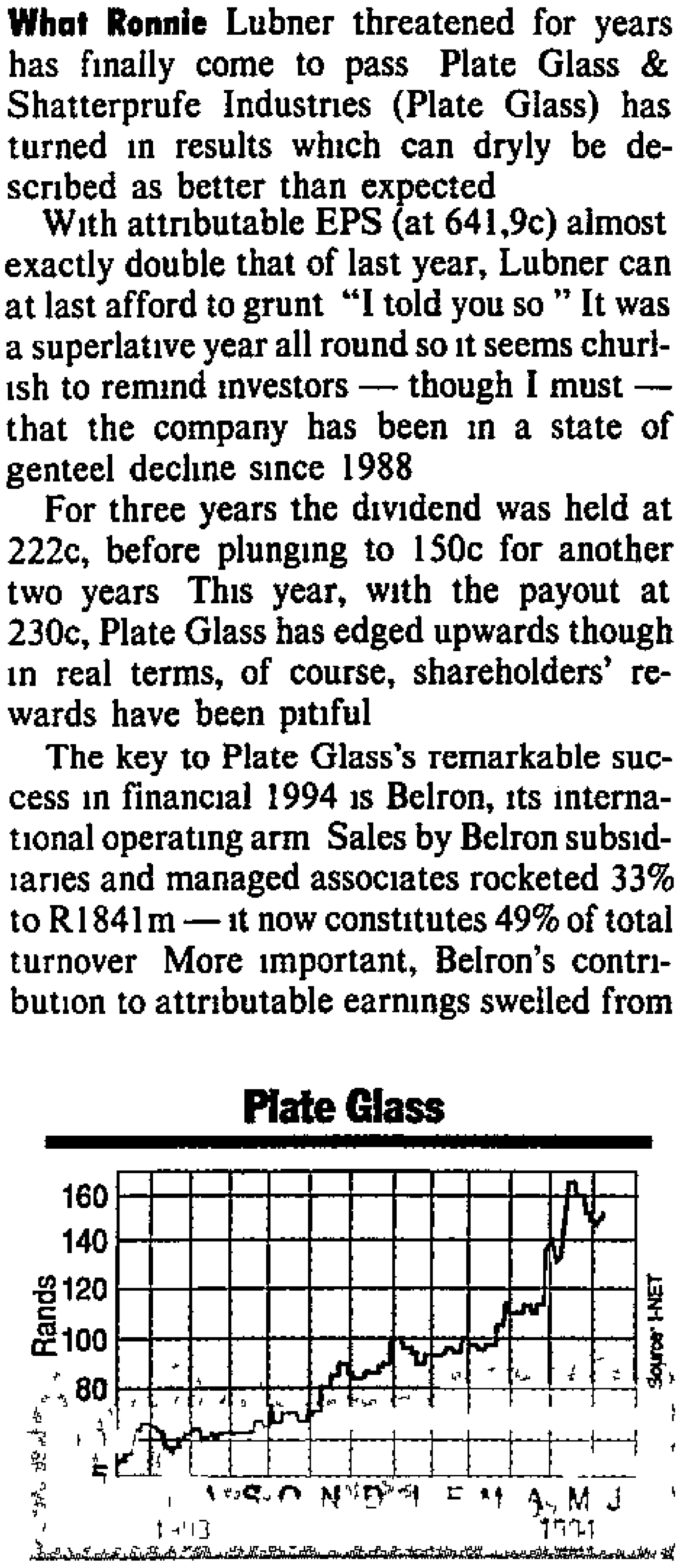


Plate Glass's Lubner *apples and army boots*

Lubner has, therefore, fashioned a company which now contains an important — and growing — rand hedge element In a country wracked by financial uncertainty and continual attacks on its currency, this is significant when calculating investment strategies

On a world scale, Lubner says all Belron's operations performed well though he singles out Australia and the US, where it now has 145 branches, for special mention Operations in France are inching towards profitability though, curiously, the toughest nut has been Italy from which Belron has since retreated Chief operating officer John Mason says " it became clear that it was not going to provide a positive contribution within a reasonable period Action was taken to disinvest "

Lubner's philosophy appears to have been to attack markets — certainly in the UK and most of continental Europe — by approaching problems from the perspective of the short-term insurers It is a policy simple enough to earn plaudits from the discriminating vehicle insurers are plagued by get-rich-quick artists who seek to exploit the deepest pocket — in this case the insurers Over-charging for spare parts and panel repair is universally practised

So, when Lubner's teams offer standardised charges backed by instant access to windscreen replacement through toll free call facilities, insurers sign up willingly, they are relieved of the need to act as policemen and they can sleep soundly because they know a uniform charge scale is applied It is an instant and totally acceptable solution to a long standing problem, insurers must wish they could apply the principle in other areas of their business

Still, I cannot avoid an odious comparison in a nicely colourful section of the annual report which shows the group's constituent parts, shareholders will note that what is called Glass SA, an amalgam of PG Glass, PG Building Glass, PG Autoglass and Safety Glass, contributed R80m (from sales of R837m) of the total attributable income The contrast is inescapable Belron's performance on sales of R1,840bn was an earnings contribution of only R74m

Expressed as crude trading margins, Belron operated on 4%, Glass SA on 9,6% Roughly, it implies we pay in SA twice the margin imposed on lucky motorists elsewhere Could that be because, effectively, Plate Glass operates a near monopoly in this country? It certainly illustrates the beneficial power of competition in free markets

Lubner denies this the comparison is wrong, he says, because it's like comparing "apples and army boots " That's because Glass SA "encompasses two major manufacturing businesses PG Glass is nowhere a monopoly and holds a market share of something like 50% " You could have fooled me

As with other companies in the SA Breweries stable, Plate Glass now accounts fully for its Zimbabwean operations rather than cash accounting as in the past Lubner defends the decision on the grounds that exchange controls in Zimbabwe have been "relaxed" (a delicate way of saying scrapped), the effect is to add R10m to Plate Glass's earnings, a handy enough bonus for years of persistence

Gearing has declined to a substantially better 42% from last year's worrying 71% Within that, however, are some surprising movements between short-and long-term debt short-term borrowings have fallen by no less than 48%, long-term loans have nearly doubled Lubner says this reflects the company's view on interest rates they will rise over the next year and he considers it prudent to lock in some borrowings at rates lower than those he anticipates a year hence

Plate Glass is a cash generating business over 1994 it produced R3,285bn in sales and paid R1,959bn for product That leaves it with R1,325bn, of which R922m went to employees, R72m in direct taxes and a modest R85m to shareholders, R218m was retained to be invested in new and replacement assets

Belron remains the key to the future growth pattern if its advances in international markets can be sustained, shareholders will enjoy a comfortable ride, if not in dividends then through the share price It is now on a p e of 24,6 (using attributable earnings) which many may consider high

FM 17/6/94

Nevertheless, in the face of a falling rand and with growing hard currency earnings, this is a ratio which, in the end, proves self-fulfilling

(193)

David Gleason

Rustenburg nickel yield disappointing — claim

B/Day 2/6/94

LINDA ENSOR

LONDON — Rustenburg Platinum's nickel output has been below expectations, a source has told the Metal Bulletin

In its latest issue the magazine quoted the informant as saying output had "not been what we wanted" and that the upgrading of the company's smelter and the installation of fresh drying equipment had "caused some problems"

The JCI-owned company does not disclose figures for nickel production as it does not want to reveal pgm output

However, the company official said as platinum production was set to increase this year, so would nickel production It is estimated that Rustenburg produces between 20 000 and 21 000 tons of nickel Analysts believe the upgrading of the smelter will result in a loss of 3 000 to 4 000 tons of nickel this year

Meanwhile, in Zimbabwe, Bindura Nickel produced 12 769 tons of nickel-in-concentrate in 1993, the second highest level of production for the company on record This was achieved despite the 10-week closure of Bindura's BRS smelter to facilitate the complete rebuilding of the electric furnace

However, the average nickel price received by the company fell to $2,42/pound in 1993 from $3,29/pound in the previous year This meant a fall in pre-tax profits from Z$134,6m in 1992 to Z$58,3m in 1993

Nickel production at Rio Tinto Zimbabwe's Express refinery this year has remained at its 1993 level of 6 000 tons Frank Webster of Rio Tinto Zimbabwe told the Metal Bulletin that the planned expansion project was "under constant review — it depends upon additional feedstock" Most of the feed comes from Phoenix mine in Botswana

The company showed an after tax profit of Z$47m in 1993, compared to Z$40,4m in 1992 The increase in profits was attributed by Webster to the successful installation of the Sirosmelt furnace which smelts residues on site

(193)

In Tanzania, Sutton Resources and BHP continue drilling in the Kabanga and Kagera areas in the northwest of the country

Resource estimates at Kabanga are for 25,5-millin tons, grading 1,19% nickel, 0,20% copper and 0,10% cobalt which would yield 600-million pounds of contained nickel, 100-million pounds of copper and 50-million pounds of cobalt

The deposit is amenable to open pit mining with metals recoverable in the 50% to 80% range

Sutton is most excited, however, by the drilling work at the Kagera deposit Sutton president Michael Kenyon explained that while this was "definitely a nickel deposit it looks like it is a significant and substantial cobalt deposit"

Stone industry can look forward to good growth

MICHAEL URQUHART

THE world stone industry could expect an annual growth rate of at least 5% in the years to 2000, according to the World Stone Industry Report for 1994

This figure is deemed conservative by the report, which says the growth in world stone production, exchange and consumption has been almost twice that of world economic growth over the past four years

The industry has been through a difficult period during the economic recession, mainly due to decreased demand from the construction industry

Although the building industry is not affected proportionately to the total economy, according to the report, finishings, which accounts for 50% of the granite market, are affected even more than the general building industry

SA Granite Association spokesman Alex Hawes said the nature of the industry had changed The processing end had decreased margins but had increased capacity utilisation, he said

There was new optimism in the world granite industry, with major construction projects starting up and central Europe "doing a rebuild"

Previously central Europe had used local stone, but now that the countries had opened up to world markets they were using choice materials

SA supplies 12%-13% of world raw materials Of this, 80% is Rustenberg granite — a high quality, near-black stone which, according to Hawes, is extremely popular with designers and architects, and for monuments (193)

Rustenburg producers are low on stock and short on production, said Hawes.

The large number of new producers, such as China, meant the low stock situation would not result in large price opportunities, but it would mean good capacity off-take

Hawes said the main strength of the SA granite industry was its exceptionally good marketing and reliable products, such as those from Rustenburg.

The local producers market their products well and are constantly looking for new products to introduce into the market, he said

Hatching

Saficon more than trebles earnings

(193) CT 1/11/94

From MICK COLLINS

JOHANNESBURG — Motor retailer and building products group Saficon more than trebled earnings to R18,2m for the six months to June despite the motor industry strike

Group turnover increased 18,4% to R1,7bn, mainly on the back of the introduction of the Mercedes-Benz C class model and aggressive selling of all models A significant contribution was also made by building materials subsidiary Boumat

Operating margins remained constant, but by containing increases in overheads across the group, Saficon more than doubled operating profit to R54,6m Earnings a share rose to 51c (14c)

After a two-year suspension, the group resumed paying an interim dividend, and a payout of 8c was declared

Pre-tax profit rose 276% to R39,7m and after a tax payout of R16m (R4,2m), after-tax profit nearly quadrupled to R23,6m (R6,4m)

Chairman Sidney Borsook said "Aggressive selling and strict financial discipline carried over from our reconstruction helped enormously"

The good results achieved by Boumat relative to the rest of the group resulted in a substantial increase in the share of earnings attributable to outside shareholders, notwithstanding the increase in the number of Boumat shares held by Saficon during the period

Borsook expected the supply of new vehicles to improve during the second half of the year

He said he was confident the group would double first-half results over the full year "Higher volumes, constant margins and lower costs — that's the answer," Borsook said

CE Kurt Hipper said vehicle sales had improved in real terms and extra volumes were sold to elections personnel "All of the vehicles were returned and were sold off as second-hand stock which also helped results," he said

Other areas where the group made inroads included the second-hand car market

● Sakers Finance and Investment Corporation, which derives its income solely from its 50,4% holding in Saficon, reported earnings a share of 87c (23c) and an interim dividend of 13c (nil) was declared

Brickmaking builds bridges for Grinaker in Khayelitsha

Southeaster (suppl. to Sowetan)

BY WAGHIED MISBACH

IN A BOLD move to provide employment in Khayelitsha, a construction company is forming a brickmaking firm in partnership with the community.

The company will provide jobs for about 20 people to produce about 1,5 million bricks a year

Grinaker Construction in the Cape started the project after talks with the Khayelitsha community earlier this year

Although the company has not started manufacturing yet, Grinaker has employed a Khayelitsha building contractor to oversee the project Grinaker will support the company by providing finance, management and administration They will also second an employee to control financial aspects

"This person could become the financial director of the company It is a great opportunity," said Mr David Stredder, Grinaker's Human Resource Manager

The company will send the person on a basic bookkeeping course

The rest of the employees will be nominated by the Khayelitsha Civic Association, said Mr Eric Mafu, Grinaker's Community Development Officer (193)

Grinaker has invested R150 000 while talks are underway for Anglovaal to add R500 000

Mr Stredder said that Grinaker was trying to ensure the company would make a profit The salaries of the employees would be linked to the company's profitability

There was, however, no deadline placed on the company to become profitable, he said

Mr Stredder said the company wanted to pre-empt any government decision to legislate for affirmative action and preferred to do it voluntarily

The company was already involved in providing small businesses with contracts to supply materials

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around 1.0 instead of the 0,79 calculated by management Fm 25/11/94

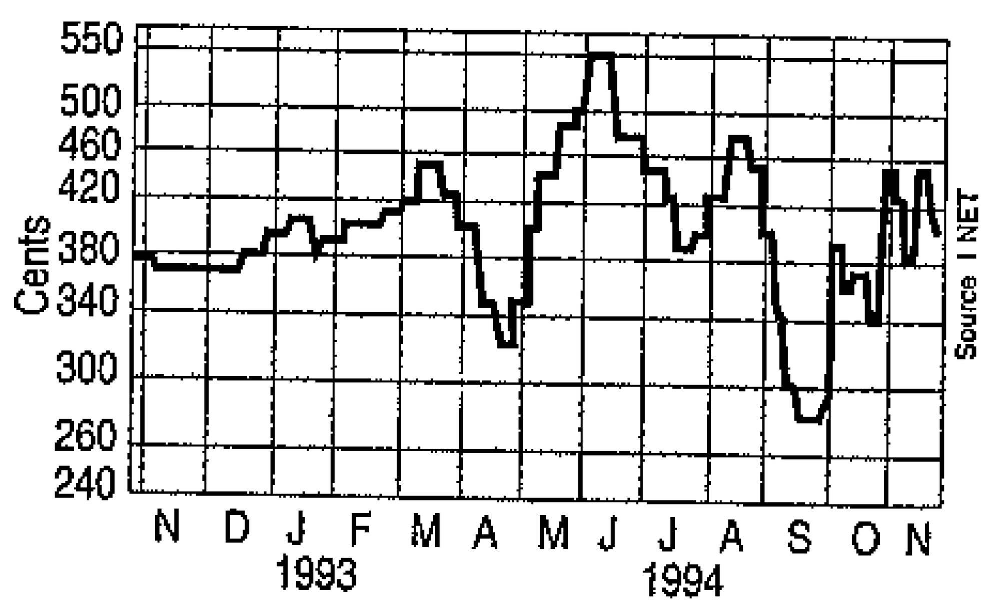
Possibly one of the most positive aspects is that the market is apparently confident that things will come right Amazingly, given the disappointing 1994 results, the 425c share price is 13% higher than a year ago, when the group was still hoping it would be able to build on the recovery achieved in 1993 (193)

Taking the average industrial market p/e of around 20, the price now discounts EPS of at least 21c which, in the short term, looks optimistic

Brian Thompson

Fm 25/11/94

Cullinan



CULLINAN

Nightmarish accounts

Fm 25/11/94

Activities: *Industrial ceramics and electrical goods*

Control: *Old Mutual (46%)* (193)

Chairman: *A J L Clark MD M E Harbuz*

Capital structure: *14,5m ords Market capitalisation R61,6m*

Share market: *Price 425c 12-month high, 550c, low, 290c Trading volume last quarter, 160 273 shares*

Year to June 30	'92	'93	'94
ST debt (Rm)	21,8	31,4	72,6
LT debt (Rm)	73,8	35,7	29,0
Debt equity ratio	0,79	0,69	1,39
Shareholders' interest	n/a	0,44	0,28
Int & leasing cover	—	0,87	—
Return on cap (%)	n/a	4,2	(1,2)
Turnover (Rm)	280	332	368
Pre-int profit (Rm)	(4,2)	11,5	(3,6)
Pre-int margin (%)	(1,5)	3,5	(1,0)
Earnings (c)	(138,8)	(15,3)	(127,8)
Dividends (c)	nil	10	—
Tangible NAV (c)	820	813	571

At the best of times, company analysis tends to be a subjective art, based on ratios which, by themselves, don't mean much Another equally nebulous "indicator" is a company's ability to market itself through publications such as the annual report — the premise being that if a company really knows what it is doing, it can normally be expected to perform well relative to business conditions and (if it chooses) will also usually find a way to present itself concisely and comprehensively to outsiders

Without intending to be unkind, this annual report starts off as a nightmare and then, due to post balance sheet events, gets worse There are two basic problems first, rather like Abercom many years ago (but hopefully not with the same consequences), activities are being hived off progressively and the financial statements are split on a continuing/discontinued operations basis, which makes year-to-year comparisons difficult, particularly if one wishes to go back further than 1993

The second problem arises from the elimination of deferred tax assets from the financial statements While this is welcome in that it is a more conservative approach, particularly given the group's current performance, it also has the effect of destroying historic data streams which depend on balance sheet values, since shareholders' funds and total asset figures have been severely mauled in the process — for example, 1993 shareholders' funds, originally R134m, have been whittled down to R118,1m in the latest report, before taking into account 1994 losses which reduced them further to R83m (193)

All this pales into insignificance compared with the decision to sell the group's half-share in Cullinan Refractories to Iscor — a move that will completely change Cullinan's character Taken with last year's sale of the electrical contracting operations, the turnover base of the "new" group will be little more than half of what it was in 1994 — R216m against R426m (which included R58m applicable to the discontinued contracting operations)

Based on 1994 results, the same effect will not be felt in the income statement Out of total attributable losses of 146,2c a share (including 18,4c attributable to electrical contracting), Cullinan would still have been left with losses totalling 110,7c, if both disposals had been effective throughout 1994, underlining that there is still much work to be done to restore significant profitability to the rest of the group

With the major change now in progress, there is little point in paying too much attention to the published financial statements However, two factors will dictate the sustainability and quality of earnings

First is the extent to which management can deal with what looks an extremely unwieldy and costly overhead structure — whereas aggregate operating profits of the six divisions (including Refractories) totalled R3,8m last year, there was a pre-interest group loss of R3,6m from what were then deemed to be continuing operations, a R7,4m difference In 1993, aggregate divisional profit of R17,7m was cut to R11,5m at group level

Second, something drastic needs to be done about the borrowings — including taking a more realistic view of what the gearing really is In its own calculation, Cullinan takes R15m in redeemable prefs (repayable in February, 1996) as permanent capital instead of debt If the ratio is recalculated to recognise these prefs as debt, the true debt equity ratio leaps to 1,39 from 1,03 More important, even after the cash inflow arising from the sale of Refractories, the debt ratio is still likely to be

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