MANUFACTURING – CHEMICAL PRODUCTS

1990

JUNE — ~~OCT.~~ DEC.

R6bn plant is undecided

ZILLA EFRAT

THE naphtha cracker plant being investigated by Sentrachem and AECI will produce the feedstock base to make the SA chemical business far more competitive on the world market

However, Sentrachem CE Johan van der Walt stresses, no decisions have been taken on the project, which it is estimated will cost R6bn, and its feasibility will depend on various factors

A technical feasibility and technology study has been done and the commercial viability of the plant is being examined

The project aims to bring in international partners Discussions have already been held with parties from Taiwan, and an Italian delegation is expected to visit SA shortly

(183).

The cracker will produce the basic feed stocks required by the SA chemical industry — methane, ethylene, propylene, butadiene, benzene, toluene, and xylene Only two of these are produced locally

No decisions have been taken on where the plant will be situated, but because of its export orientation, it will be on the coast.

The earliest the project could come on stream is 1995, and a decision will be made within a year

B/Day 1/6/90

COMPANIES

Pick 'n Pay growth possible

Own Correspondent

CAPE TOWN — Pick 'n Pay had detected an improvement in spending patterns, with turnover growing much more quickly than at this time last year, MD Hugh Herman said at the general meeting on Wednesday He was confident the group would have another successful year.

Chairman Raymond Ackerman said "I believe we are on line to achieve real growth — above the inflation rate — again this year although it will not be easy"

Ackerman said the directors had been "delighted" to achieve growth of 22,4% in earnings in the year to February 28. He had not been certain this would be possible, from the high base of the 1988-89 year and with interest rates rising.

It was not easy for a company with a turnover of R4,5bn, which was a huge figure even by world standards, to achieve further growth above 15%, he said.

Pointing out that Pick 'n Pay invested between R68m and R70m a year in giving shares to staff and in bursaries and housing schemes, Ackerman said if it were not for this earnings would be higher But the board considered it right to make this investment in SA's future

In answer to questions from the chairman of the Shareholders Association of SA, Issy Goldberg, Ackerman confirmed that Pick 'n Pay stores sold between R11m and R12m worth of goods a day But of every R1 passing through the tills, the group retained only three quarters of 1c.

Financial director Chris Hurst said the stock turnover of 12% a year was one of the best in the country and above average for the industry

Ackerman said the group's market share was growing

Herman said it was impossible to measure market share against that of the informal sector, particularly as there were parts of the country without supermarkets

● ACKERMAN

B/Day 1/6/90.

Analysts wary of Molyslip shares

PIERRE DU PREEZ (183)

ANALYSTS do not give the Molyslip share a vote of confidence, although chairman Robert Spanjaard is optimistic about future prospects of the DCM-listed company's export earnings

Spanjaard said SA's improved image overseas would boost Molyslip

The lubricant manufacturer posted a 22% drop in attibutable earnings in the year to February

"We are the lowest-cost producer on the international market for our products, in dollar terms," Spanjaard said

However, a market analyst said he would not advise clients to hold onto their Molyslip shares. "The share is greatly undertraded. About 84% of equity is in the directors' hands"

SPL pins strategy

Farm-ag boss picks up R3m

By JULIE WALKER

FARM-AG managing director Robert Maingard must be delighted with this week's deals announced between his company and chemical giant Sentrachem

The agricultural chemical businesses of both companies have been merged into new company SA National Agricultural Chemicals (Sanachem) In addition, Sentrachem will pay R8,3-million for the retail agricultural-chemical portion of the interests Farm-ag bought from Staalchem earlier this year

Mr Maingard will become managing director of Sanachem, and Sentrachem has appointed John Job non-executive chairman

So, not only does Mr Maingard shed some of the problems which came to Farm-ag after a deal with the small-fry Staalchem, he gets a new lease on the life of Farm-ag's manufacturing facilities and a R3-million restraint of trade payment from Farm-ag itself in respect of Sentrachem's requirements

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Godsend

Farm-ag director Richard McElligot says Sentrachem insisted on a restraint of trade to protect its interests Farm-ag sold its wholesale agricultural businesses to Staalchem last year But the buyer was unable to pay, and in undoing the deal and underwriting a rights offer by Staalchem, Farm-ag came to own nearly 80%

It has caused immense headaches, and Sentrachem's interest in Staalchem's agent-based retail division was a godsend for Farm-ag Goodwill of R1,1-million has been paid by Sentrachem

Sentrachem and Farm-ag are SA's major manufacturers and formulators of agricultural chemicals Each will bring about R50-million of total assets to Sanachem, of which the net asset value will be close to R70-million.

Mr McElligot says Sanachem will have R100-million of assets and R30-million of borrowings to repay Sentrachem and Farm-ag for the assets

ST Times 3/6/90

Potential

Farm-ag will sell its share of Sanachem to Sentrachem in 1995 The price it receives will be the higher of either 50% of Sanachem's net asset value, adjusted for any loan account which Farm-ag might hold in the company on February 28 1995, or 50% of Sanachem's average annual adjusted earnings for the three years to February 1995 multiplied by 80% of the averaged price-earnings ratios of the two relevent JSE sectors in that time

Farm-ag agreed to the sale of its stake in Sanachem in 1995 because its directors believe the full potential of its new manufacturing facilities has not yet been reached Deferring the sale will enable Farm-ag's shareholders to participate in the benefits of the merger

Sanachem's manufacturing arm is expected to meet 50% of the total SA demand for commodity and speciality crop-protection chemicals The component businesses are complementary, with little overlap of products Export potential should increase

No move to main board yet

PIERRE DU PREEZ (183)

VITAMIN and food supplements manufacturer Leppin does not expect a move onto the main board within the next 12 months, director Nils Hanneman said last week. B Day 4 6 90

He said the product mix and markets for distribution were now well established. "Further developments are anticipated within these established areas without any major diversification in the short term."

Leppin was listed in November 1987 at 50c The share is currently priced at about 16c.

It was announced in March that turnover had risen by 40% in 1989, but that margins and cash flow suffered and debt was increased to finance trading operations On its current shareprice, Leppin shows a historical yield of 6,3% and earnings yield of 21,3% against sector averages of 6% and 11,4 % repectively for the DCM

Local management to take on Asgrow

(183) (@)

Bday 7/6/90

NEIL YORKE SMITH

US-owned seed company Asgrow SA is to be sold to local management, Asgrow MD Pieter Jansen confirmed yesterday

Asgrow is presently owned by the Michigan-based Upjohn Company, which said a letter of intent had been signed to sell the SA company

Upjohn was selling Asgrow SA as it was too divorced from its main seed operations

These operations would be focused on the East European market, said Jansen

Upjohn is to continue to operate Upjohn Ltd, its SA subsidiary which is involved in the human pharmaceutical and animal health business

Jansen said the deal would lift constraints, especially regarding new investment

"Under the Anti-Apartheid Act no new investment could come into the company, which limited our expansion and research and development activity

"We will now be in a position to expand in terms of products offered and turnover," he said

Approval

Asgrow's turnover for the last financial year was about R20m, Jansen said

Completion of the sale is subject to regulatory approval in the US and SA

Asgrow is involved in the development and processing of agronomic and vegetable seeds

It will continue to operate under licence as Asgrow SA and will hold technical agreements with Upjohn for new hybrids, research and marketing

Regional Court. They were not asked to plead.

CAH 7/6/90 183

Shell plants strike

DURBAN. — About 240 Chemical Workers' Industrial Union members at Shell's oil and chemical plants in Durban and the Eastern Cape are on strike. The union is in dispute with Shell's oil and chemical divisions about working conditions.

Regional Court. They were not asked to plead.

CH 7/6/90 183

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No. R. 1202 **8 Junie 1990**

LOONWET, 1957

INTREKKING VAN LOONVASSTELLING 446.—CHEMIESE- EN VERWANTE PRODUKTENYWERHEID, REPUBLIEK VAN SUID-AFRIKA

Die Minister van Mannekrag is van voorneme om kragtens artikel 16 van die Loonwet, 1957, Loonvasstelling 446: Chemiese- en Verwante Produktenywerheid, Republiek van Suid-Afrika, gepubliseer by Goewermentskennisgewing No R. 2531 van 8 November 1985, in te trek

Enige persoon wat kommentaar oor die voorgestelde intrekking wil lewer, moet sodanige kommentaar binne 30 dae vanaf die datum van publikasie hiervan aan die Direkteur-generaal Mannekrag, Privaatsak X117, Pretoria, 0001, voorlê.

No. R. 1269 **8 Junie 1990**

WET OP ARBEIDSVERHOUDINGE, 1956

HOTEL-, DRANK- EN SPYSENIERSBEDRYF, GRENS —OOREENKOMS

Ek, Eli van der Merwe Louw, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 April 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is; en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van genoemde Ooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (a), 2 en 14, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 April 1992 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die genoemde Ooreenkoms gespesifiseer.

E. VAN DER M. LOUW,
Minister van Mannekrag.

NYWERHEIDSRAAD VIR DIE HOTEL-, DRANK- EN SPYSENIERSBEDRYF, GRENS

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Fedhasa Employers' Association (East London and Border)

(hierna die "werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en die

East London and Border Liquor and Catering Trades Employees' Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Drank- en Spyseniersbedryf, Grens.

No. R. 1202 **8 June 1990**

WAGE ACT, 1957 183

CANCELLATION OF WAGE DETERMINATION 446.—CHEMICAL AND ALLIED PRODUCTS INDUSTRY, REPUBLIC OF SOUTH AFRICA

The Minister of Manpower proposes, in terms of section 16 of the Wage Act, 1957, to cancel Wage Determination 446: Chemical and Allied Products Industry, Republic of South Africa, published under Government Notice No. R. 2531, of 8 November 1985

Any person who desires to comment on the proposed cancellation should submit such comment within 30 days from the date of publication hereof to the Director-General: Manpower, Private Bag X117, Pretoria, 0001.

No. R. 1269 **8 June 1990**

LABOUR RELATIONS ACT, 1956

HOTEL, LIQUOR AND CATERING TRADE, BORDER.—AGREEMENT

I, Eli van der Merwe Louw, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 April 1992, upon the employers' organisation and the trade union which entered into the said Agreement and upon the employers and employees who are members of the said organisation or union, and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the said Agreement, excluding those contained in clauses 1 (1) (a), 2 and 14, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 April 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the said Agreement

E. VAN DER M. LOUW,
Minister of Manpower.

INDUSTRIAL COUNCIL FOR THE HOTEL, LIQUOR AND CATERING TRADE, BORDER

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Fedhasa Employers' Association (East London and Border)

(hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and the

East London and Border Liquor and Catering Trade Employees' Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Hotel, Liquor and Catering Trade, Border

Ozone-friendly plant is opened

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ZILLA EFRAT

DURBAN — C G Smith chemical's R12,5m dimethyl ether (DME) plant was officially opened by Enviroment Affairs Minister Gert Kotze here yesterday B Day 8/6/90

The plant is the first in Africa and only the third of its kind in the world.

DME, or prozone as it is branded in SA, is an ozone-friendly alternative to damaging chlorofluorocarbons (CFCs)

C G Chemicals is part of C G Smith Sugar, a member of the Barlows group The plant has orders for an annual 1 000 tons of prozone to supply the SA market

"This is ahead of our expectations, and we are sure we will capture a substantial market share We have the capacity to grow, as the plant is capable of producing 5 000 tons of prozone a year," said C G Smith Chemicals Merebank GM Mike Buchanan.

Many major aerosol manufacturers had switched to prozone, and now that the plant was on stream, Buchanan expected many others to make the switch He said C G Smith Chemicals hoped to make a major inroad into the paint spray market as prozone, with its good solvency, had a natural affinity for these products

"We also think the product is ideal for personal care aersols

He said prozone was miscible with water, which meant aersols could be formulated with reduced or zero flamability

Prozone was also extremely gentle and would not irritate or sensitise people's skins

MCC acquired by Karbochem

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EDWIN UNDERWOOD

ALRODE-based Multi Construction Chemicals (MCC), which designs chemical compounds for the mining and construction industries, has been acquired by Sentrachem subsidiary Karbochem for an undisclosed sum

B/Day 8/6/90

According to a joint announcement Karbochem took a 57% controlling interest in MCC, a privately owned company specialising in admixture technology — the use of chemicals to enhance the performance of various construction materials for mining, industrial and commercial applications

Karbochem MD Ben Schoeman said yesterday the purchase represented a move to exploit chemical products that would contribute to productivity and growth in the construction sector "It is a logical extension of Karbochem's core business, which includes manufacture of chemicals and feedstocks, many of which form the basis of this new technology"

Newly appointed MCC GM Basil Kransdorff said the acquisition should be seen as a small step in terms of looking for new markets "This is not a major capital investment as MCC is small, but it should be looked upon as a strategic move"

Several board changes had been made, while the company restrucured and new technology was introduced to cope with anticipated growth

Schoeman said the deal opened up a new market for Karbochem with strong growth potential for existing products New products would provide customised solutions for the construction industry

Kransdorff said although the emphasis was on national and new products and technology relevant to the local market, MCC's products had export potential in the African and North American markets

B Day 8/6/90

SA Druggists 'back on track for growth'

NEIL YORKE SMITH

MAJOR pharmaceutical group SA Druggists (SAD) is well on track to resume earnings growth, MD Tony Karis said at a presentation yesterday

"We are reasonably confident earnings growth for the current year should be in the upper teens," he said

The group recently announced a 1,1% fall in attributable earnings for the year to March

Karis said SAD had dealt with major problems by focusing on operating efficiencies and improving marketing mix

One of SAD's biggest downfalls last year was its over-commitment to low profit government business, he said, and it would now concentrate on private sector business

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Controls

Remedial action has started, especially in SAD's largest divisions pharmaceuticals and distribution, which contributed more than R47m to total pre-tax profits of about R74m in 1989.

Restructuring of these divisions will involve improving the focus of the different operations and improving financial controls, Karis said

In his operations review in the annual report — released yesterday — Karis said prospects for this financial year were good

Directors stated objectives include generating returns of 40% on investment, 21% on capital, 26% on assets and reducing gearing to 24%

Despite last year's poor performance the targets appear realistic Returns on investment and capital exceeded these targets last year and the asset and gearing figures are within four percentage points of their respective targets

SAD, part of the Federale Volksbeleggings (Fedvolks) group, has until recently been a star performer in the Fedvolks stable During the past seven years it has generated compound annual earnings growth of 24%

SA Druggists looks set for major growth

Diagonal Street

183

DEREK TOMMEY

Star 8/6/90

Tony Karis, managing director of SA Druggists, has good news for his shareholders. The increase in attributable profits this year should be in the "upper teens", he said yesterday.

After SA Druggists' pedestrian results in the year to March, this forecast should make its shareholders somewhat happier.

Although turnover in this period rose 19,9 percent, three unfortunate developments held the increase in operating income to 3,7 percent, and attributable income dropped 1,1 percent to 28,8c a share. The dividend was unchanged at 10c a share.

Fortunately, the unfortunate developments are unlikely to reoccur.

They all involved the loss of export sales — in two instances when their US customers shut down and a third when their European customer found the SA Druggists' product profitable enough to start manufacturing it itself.

The result is that the group plans to do its overseas marketing and selling itself - and expects to raise the share of its overseas profits from well above their present level of 10 percent of the total.

He said it was wrong to devote 99 percent of the selling effort to one percent of the market (South Africa) and devote only one percent to 99 percent of the market.

He said SA Druggists's technology was world class. In the past the company had refused to sign manufacturing licensing agreements, which limited its market to South Africa.

This meant the group was forced to develop its own technology, a policy that was now paying off.

The result was that export activity in the Lennons pharmaceutical division had escalated dramatically.M

Many products had reached the final registration status in Britain and other West Europe countries.

SA Druggists expected to gain a great deal when the EC frontiers came down in 1992. The Lennon factory in South Africa was approved during the year as an acceptable source by the Taiwanese health authority by 1992.

It also recently secured some important export contracts in Japan where a high-quality product was required, but where price was of less importance.

Mr Karis said he believed in time that SA Druggists could become a multi-national.

The other development affecting profit was the great difficulty encountered in commissioning new equipment in a warehousing facility in Johannesburg run by LPA Distributors

This company acts as distributing agent for a large number of organisations.

The difficulty caused customer service to suffer, a major principal was lost and high expenses were incurred.

But the problems have been resolved and LPA Distributors is expected to show a marked improvement in profit, though from a low base.

Other divisions are also expected to do better, and looking ahead to 1992, the group's new R43 million factory for the manufacture of injectable products will come on stream. The Bethlehem factory was unable to keep pace with the demand for these products.

SA Druggists has strengthened its marketing arm and intends paying more attention to promoting its own products.

With the export market opening up and with an increasing number of blacks able to spend more on health products, SA Druggists looks set for major growth in the months and years ahead.

F|M 8/6/90 (183)

SENTRACHEM F|M 8/6/90

Another step

(183)

Sentrachem continues to make progress in its quest for a better and more sustainable return on assets

Closure of Karbochem's polyisoprene plant at Newcastle (*Fox* March 9) should mean an early improvement in the rubber division, which made a small loss in the 1989 year before again heading deeply into the red

Last week's merger of the Agrihold manufacturing operations with Farm-Ag's agricultural interests is expected to strengthen the group's position in agricultural chemicals Though agricultural sectors generally have a dour image, CE Johan van der Walt sees this as an attractive area for expansion "This is certainly the kind of business that can give us the margins we are looking for," he says

Sentrachem is targeting a 20% after-tax return on average capital employed There is still some way to go, though results for the 12 months to end-March show the return improved from 14,8% to 16,7% These figures do not yet reflect benefits of the Karbochem rubber closure, and include a R120m extraordinary write-off on the plant, as well as provision for losses expected to be incurred between April and September when the plant is finally closed

Benefits from the Farm-Ag deal are seen as primarily long-term, but Van der Walt does say there are plans to rationalise the business and achieve synergistic benefits in the short term The group will acquire only assets, without burdening its own balance sheet with Farm-Ag's debt

The deal has two legs Initially, agricultural chemical production, and formulation and wholesale distribution operations of Sentrachem's Agrihold division — FormChem and Agbro — will be merged with those of Farm-Ag These will be held in a new company, Sanachem, owned equally by Sentrachem and Farm-Ag After five years, Agrihold will buy the Farm-Ag interests in Sanachem

Sanachem's annual sales are expected to exceed R300m and the company should meet about 50% of total demand for commodity and speciality products for crop protection through local manufacture From a strategic standpoint, Sentrachem will ultimately dominate the agricultural chemical business at manufacturing level and will have a substantial slice at wholesale level

Demand under pressure

These developments should start taking effect in the 1991 year, when the group will need an additional boost The end-March figures are given in a second interim report, following the change in the year end to end-August Comparison of the 1990 result against the pro forma 12-month figures for 1989 shows turnover — adjusted for the Fedmis sale — rose by only 8,4% while trading income was virtually static

Van der Walt says the problems reported at the previous interim in Safripol, Mega and Karbochem continued to affect trading, as was expected Safripol's excessive stocks have been brought down to normal levels, while Mega is still forecast to be over its setbacks by September However, Van der Walt says demand is now under pressure across the board, though effects have been seen on prices rather than volumes, which generally have not dropped much

The share price has dropped from last year's 850c and trades at 550c, reflecting the

WEAKER MIX

Year to March 31	1989	1990
Turnover (Rm)	2 044	2 083
Operating profit (Rm)	253,2	254,2
Attributable (Rm)	93,7	100,3
Earnings (c)	81 1	86 6
Dividends (c)	25,0	27,5

tougher conditions and limited growth outlook in the near term For this period real bottom-line growth can be ruled out Van der Walt says even a nominal increase in EPS will be very difficult to achieve over the next 12 months However, the group's businesses are looking more promising than in many years The share should be a good recovery stock when the upturn comes

Andrew McNulty

MIKE SANDER

FIM 8/6/90 (183)

Mike Sander, MD of SA's most diverse chemical group, AECI, sees no limit to opportunities but is increasingly concerned at skills constraints. Overcoming that could be the most important factor the chemical industry has to deal with over the next 20 years. Without skills, chemical firms are likely to slip behind world competitors.

Opportunities are all very well — we have more than we can conceivably handle over the next 10-20 years But the extent to which we realise them will depend crucially on availability of skilled or trained people

Frankly, the education system is not targeting its training on producing the people needed by the economy and business For a start there is the tendency for scholars to pass exams based on ability to learn by rote — that's worse for black children than for white — and there is too little emphasis on technical education

Now skilled people are leaving eastern Europe in droves, but it is not acceptable to hire them as an alternative to developing our own people. If we do not develop our own people we will be constrained from investing in businesses which require a high degree of skills and won't be able to compete internationally, even if political changes permit

Without guessing what new products will be developed over the next 20 years, AECI will be moving in two general directions The first will be towards adding value to exports For years we have exported what are essentially feedstocks We must emphasise value-added exports, for example high-quality insulated electrical cable rather than bulk plastic to foreign cable manufacturers

The second recognises that research abroad is unlikely to be directed towards products specific to our needs The thrust of our developments has to be towards goods appropriate to our requirements and re-

sources Two important technological focuses will be on developing coal-based feedstocks and environmentally sound products for farmers in a semi-arid environment

Rather than large-scale irrigation techniques, which cause soil salinity problems, we could follow micro-irrigation techniques as used by Israeli farmers They use about 50 000 t of PVC for irrigation, of total national consumption of 80 000 t SA farmers use only a few thousand tons out of national consumption of 150 000 t This could lead to technological alliances with firms in, say, Israel or Australia where environments are similar

We will also push development of such things as cost-effective pharmaceutical and agricultural products needed to solve the subcontinent's agricultural and health problems We need decent, affordable medicines, not the latest, fancy and expensive drugs Another development line will be into low-cost housing products The most recent is a composite cement-plastic foam building panel we've developed with LTA

Neighbouring countries will become increasingly important in the next 20 years, not only as important markets but as sources of raw materials We've already started with the Sua Pân soda ash venture in Botswana which will supply soda ash to SA's steel, glass and chemicals industries as well as scarce common salt to central Africa

Then there are gas reserves in Pande, Mozambique, and offshore in Namibia which could provide feedstocks Even if countries do not have saleable mineral resources they can supply derivatives of surplus agricultural products such as sugar We have already prepared for that and are researching production of food supplements, amino acids and fine drugs from sugar cane

SA Druggists looks set for major growth

W/E Argus 9/6/90

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Weekend Argus Correspondent

JOHANNESBURG — Tony Karis, managing director of S A Druggists, has good news for his shareholders The increase in attributable profits this year should be in the "upper teens", he said this week

After pedestrian results in the year to March this forecast should make its shareholders somewhat happier

Turnover in this period rose 19,9 percent, butthree unfortunate developments held the increase in operating income to 3,7 percent, and attributable income dropped 1,1 percent to 28,8c a share The dividend was unchanged at 10c a share

The problems all involved loss of export sales — in two instances U S customers shut down and in the third their European customer found S A Druggists' product profitable enough to start manufacturing it itself

AS a result the group plans to do its own overseas marketing and selling — and expects to raise the share of its overseas profits from well above their present level of 10 percent of the total

Mr Karis said it was wrong to devote 99 percent of the selling effort to one percent of the market (South Africa) and devote only one percent to 99 percent of the market

He said SA Druggists's technology was world class In the past the company had refused to sign manufacturing licensing agreements, which limited its market to South Africa

This meant the group was forced to develop its own technology, a policy now paying off as export activity in the Lennons pharmaceutical division had escalated dramatically

Many products had reached final registration status in Britain and other West European countries

Mr Karis said he believed S A Druggists could become a multi-national

Bloodshed threats as Shell strike grips

W/I-MAIL 9/6/90

By DAVID YUTAR
Labour Reporter

THE strike by Shell workers which began on Wednesday at several of the company's plants throughout the country, has taken a turn for the worse with allegations of threats of violence and "bloodshed" by strikers

In Port Elizabeth, where 100 employees are on strike, Shell said it had to suspend operations and take steps to protect lives and equipment in response to alleged unruly behaviour and threats of violence by armed strikers

A company spokesman said that yesterday's negotiations had deadlocked "because the union rejected suggestions even on the procedure and rules of strike action unless we met all their substantive demands."

And in Queenstown, a customer who defied striking workers and loaded his own truck with petroleum products, was threatened by strikers when he attempted to drive away with his load, Shell has alleged

The strikes resulted from deadlocked negotiations between Shell and the Chemical Workers Industrial Union (CWIU) over wages and the union's demand to change the review date for the salaries of unionised employees so as to coincide with the date on which the salaries of non-unionised employees' are reviewed

Defends offer

With regard to the strike by 60 Shell employees at the company's Reunion chemical plant outside Durban, Shell said that it expected to reach a settlement with the CWIU soon

The company has defended its offer of wage increases of between 16 and 22 percent, together with improvements to housing and education benefits, as "equal to any of the comparable recent settlements entered into by the CWIU with other members of the industry"

The CWIU is demanding that the review date for salaries of unionised employees be changed from March 1 to July 1 — the date for non-unionised employees

● Repeated efforts to obtain comment from the CWIU before going to press were unsuccessful

SI Times 10/6/90 (183)

A cure for SA Druggists

By IAN SMITH

SA Druggists caught a cold in the year to March

But managing director Tony Karis insists that he has the cure, for his company at least for the increasingly common market ailment

The company sagged, earnings dropping by 1,1% from 29,1c a share to 28,8c on a 19,9% increase in turnover to R948-million

Before the hiccup, SA Druggists was showing a seven-year compound earnings growth of 28% a year But it still has a respectable compound annual growth of 24%, and if the promised cure takes effect it could quickly start to move up again

Mr Karis says the sudden fall in earnings was particularly disappointing because at the halfway stage they had risen by 17%

But several problems, some of the group's own making, came together

The main setback came from Lennon, the pharmaceutical manufacturer and marketing company which is the group's biggest single contributor

The Government's switch to centralised tendering for its pharmaceutical needs led to heightened competion and, determined not to lose too much business, SA Druggists went in with competitive quotes

In the event, the group won the major share of the business and pressure on manufacturing facilities meant that it could not fill more profitable orders from the private sector

Mr Karis says Lennon has been the dominant force in this market for many years, and its initiatives have contributed to the State's multimillion-rand savings in health-care costs

"After the past year's experience, Lennon will be more selective in its allocation of production capacity to the State tender market"

Fine Chemicals Corporation also lost exports when two major customers in the US ran foul of the Food and Drug Administration and had to close their plants for a time, cutting demand for SA products Efforts are being made to open up new markets

Mr Karis is bullish about exports, and the group has increased activity in foreign sales

"We are looking for growth ahead of the inflation level in exports this year," he says

Significantly, the Lennon factory has been approved as a manufacturing resource by the Taiwanese health authorities Distribution agents have been appointed and the group is registering two products a month to develop the market

Finally, the interest bill which amounted to R3,5-million in the first half of the year climbed to R9 1-million in the second because of a higher asset base and the increased cost of borrowing

'The interest burden will grow this year, but so will total profitability," says Mr Karis

Management is spending much time trying to keep the asset base as low as possible

"We have redone our budgets in the past six weeks and have taken a hard, close look at our business'

He is confident that earnings growth will beat inflation

UNDER PRESSURE SA Druggists lost profitable private-sector orders

B/Day 11/6/90

Plastall boosts share earnings and income

PIERRE DU PREEZ

PLASTALL, a diversified manufacturer in the Danech stable, has boosted earnings per share to 13,4c (7,6c) — up 76% for the six months to end in March

This was achieved on a 29% increase in turnover of R29,5m (R22,8m) No interim dividend was declared, because of the need to preserve cash for expansion.

The former DCM-listed company, which manufactures and distributes polyethylene bags and sheeting, conveyer idler rollers, furniture components and office seating, also increased its net income by 73% from R1,1m to R1,9m During the six months under review net asset value per share grew by 33% to 113c (84,9c). (183)

Commenting on the results Plastall directors said new products and developments in the Horizon Group and Swazi Plastics contributed to the improved performance.

On future prospects, the board said with increasing competition, high interest rates and general tightening of overall economic conditions, management would continue to focus on cost reductions, strict asset management and production improvements.

The improved performance was expected to continue for the remainder of the financial year

Plastall shares are priced at 70c, trading on a p e ratio of 3,2 and an earnings yield of 31,4%, against averages of 8,1 and 12,3% respectively for the paper and packaging sector.

Cape Times 11/6/90 (183)

Strikers' eviction granted

PORT ELIZABETH. — On Friday night Shell was granted an interim court order to evict striking employees from their premises This they proceeded to do with the assistance of a major contingent of armed riot police with Hippos, accompanied by Shell company officials

HOUSE OF ASSEMBLY

QUESTIONS

† Indicates translated version

For written reply

General Affairs

Western Cape Division of SAP: complaints *re* offences

341 Mr A J LEON asked the Minister of Law and Order

(a) How many complaints regarding offences in terms of the Group Areas Act were investigated by the South African Police in the (i) Western Cape Division and (ii) Republic and (b) what was the outcome of each of these investigations (i) during the latest specified period of 12 months for which information is available and (ii) in 1989?

B831E

The MINISTER OF LAW AND ORDER

(a) (i) 160 complaints for the period 1 April 1989 until 31 March 1990

218 complaints in 1989

(ii) 863 complaints for the period 1 April 1989 until 31 March 1990

878 complaints in 1989

(b) (i) Statistics of the results of investigations during the latest period of 12 months are not yet available, and can therefore not be furnished

(ii) Results of the investigations for 1989 are as follows

	Western Cape	Republic
Unfounded	82	203
Withdrawn	57	2 557
Undetected	3	—
With the Attorney-General and Senior Public Prosecutor for decision	2	9
Prosecution declined by Attorney-General	2	29
To Department of Local Government and Housing for attention	24	19
Still under investigation	37	153
At the court for a trial date	—	2
Tried and convicted	—	6

Note The statistics for the Western Cape are not included in the those for the Republic

Mercury in industrial waste

355 Mr R J LORIMER asked the Minister of Trade and Industry and Tourism (183)

(1) Whether there are any facilities in South Africa for the recovery of mercury from industrial waste, if so, (a) where, (b) which companies are responsible for each such facility and (c) for how long has each been in operation,

(2) whether any such facilities are monitored, if so (a) in terms of what statutory provisions or regulations, (b) by whom and (c) on what basis,

Hansard 13/6/90

(3) whether mercury-containing waste is supplied to such facilities from (a) internal and/or (b) external sources, if so, (i) who supplies the waste, and (ii) in what quantities is it supplied, in each case,

(4) whether his Department liaises with any other Government Departments in this regard, if so, (a) with which Departments, and (b) why, in each case?

B863E

The MINISTER OF TRADE AND INDUSTRY AND TOURISM

(1) (a), (b) and (c) The only known company is Thor Chemicals SA (Pty) Ltd at Cato Ridge, Natal, which was incorporated on 27 June 1969 and by whom amongst others a mercury-containing catalyst is manufactured and exported The catalysts are used in specific industries and once the exported product has been processed further overseas, the spent catalysts are returned to South Africa for reclamation by the local company in terms of a contract with the overseas users

(2) Not by the Department of Trade and Industry (183)

(a), (b) and (c) Fall away

(3) (a) (i) and (ii) Information in this respect is not available in the Department

(b) (i) and (ii) In 1989 approximately 50 metric tonnes of spent catalysts (containing between 3 and 20 per cent mercury) were returned from the USA to Thor Chemicals for reclamation

(4) As is apparent from the reply to question No 357, imports of the relevant product are subject to control but no other departments were consulted in this particular case since the product was imported as a raw material

(a) and (b) Fall away

Note As was mentioned in the reply of the Minister of Foreign Affairs to oral question No 6 of 8 May 1990 the Department of Environment Affairs has instructed the Foundation for Research and Development at the CSIR to undertake an in-depth investigation into the occurrence, processing and storage of toxic waste in South Africa and to propose a strategy and management plan for implementation by the end of 1990

Hansard 13/6/90

Mercury-containing industrial waste import

357 Mr R J LORIMER asked the Minister of Trade and Industry and Tourism (183) (56)

(1) Whether a licence and/or permit is required from his Department for the import of mercury-containing waste, if not, why not, if so, under what provisions or regulations,

(2) whether any such licences and/or permits were issued during the past five years, if so, (a) when, (b) to whom and (c) under what conditions,

(3) whether his Department liaises with any other Government Departments in this regard, if not, why not, if so, (a) with which Departments and (b) why in each case?

B865E

The MINISTER OF TRADE AND INDUSTRY AND TOURISM

(1) Yes In terms of the provisions of the Import and Export Control Act, 1963 (Act 45 of 1963) an import permit is required for the importation of all second-hand or used goods, including residual or waste material

(2) Yes

(a) March 1987
January 1988
January 1989
January 1990

(b) Thor Chemicals SA (Pty) Ltd

(c) Conditions are usually not imposed on import permits

(3) In this particular case no other departments were consulted as the relevant product is reimported as a raw material for use in a specific industry The product is cleared under tariff subheading 2620-90 which applies to various kinds of ashes and residues containing metals or metallic compounds used in industry either for the extraction of metals or as a basis for the manufacture of chemical compounds of metals

(a) and (b) Fall away

Note Immediately after I became aware of the importation of the mercury-containing substance I made investigations as to the procedures that apply and sought ways and means of improving them in so far as my Department is affected to ensure proper control and handling of toxic waste in whatever form Some 6 weeks ago I instructed the South African Bureau of Standards to expand the codes of practice in regard to the identifica-

Hansard 13/6/90

tion, classification and handling of dangerous goods, including waste products, with a view to also clearly identifying imports of hazardous substances to ensure proper control by the departments most concerned, ie the Departments of Environment Affairs and of National Health and Population Development This system will establish meaningful and uniform guide-lines for the identification, classification and handling of dangerous substances in line with the best international practices I have already issued a news release in this regard, a copy of which is being forwarded to the hon member

183

Diep River police station: staff establishment

388 Mr R V CARLISLE asked the Minister of Law and Order

(1) Whether he will furnish statistics on the (a) approved and (b) actual staff establishment by rank at the Diep River police station, if not, why not, if so, (i) what are the relevant statistics and (ii) in respect of what date are they furnished,

(2) whether there is a shortage of staff at this police station, if so, (a) why and (b) (i) what steps does he intend taking to eliminate this shortage and (ii) when is it anticipated that it will be eliminated?

B917E

The MINISTER OF LAW AND ORDER

(1) and (2) No Because it is not in the public interest or the interest of the safety of the police station concerned However, I am prepared to furnish the information to the hon member on a confidential basis, should he approach me for that purpose

Cape Province: exchequer personnel corps

395 Mr W C MALAN asked the Minister for Administration and Economic Co-ordination

How many (a) Whites, (b) Blacks, (c) Coloureds and (d) Indians were employed in each specified salary interval of the exchequer personnel corps in the Cape Province in September 1988?

B942E

The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

Information regarding the geographical distribution of the exchequer personnel corps is not readily available It would also not be possible to obtain information as far back as September 1988 from departments

Orange Free State: Exchequer personnel corps

396 Mr W C MALAN asked the Minister for Administration and Economic Co-ordination

How many (a) Whites, (b) Blacks, (c) Coloureds and (d) Indians were employed in each specified salary interval of the exchequer personnel corps in the Orange Free State, excluding Qwaqwa in September 1988?

B943E

The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

Information regarding the geographical distribution of the exchequer personnel corps is not readily available It would also not be possible to obtain information as far back as September 1988 from departments

Certain publication

412 Mr H H SCHWARZ asked the Minister for Administration and Economic Co-ordination

(1) Whether his Department is involved in a certain publication the name of which has been furnished to the Minister's Department for the purpose of his reply, if so, (a) what is the name of this publication, (b) what was the cost of the publication to his Department during the latest specified period of 12 months for which information is available and (c) (i) what is the circulation of the publication and (ii) to whom is it distributed,

(2) whether he will furnish information on a second publication, the name of which has also been furnished to his Department, if not, why not, if so, (a) what is the name of this publication, (b) who are the (i) owners, (ii) printers and (iii) distributors of the publication, (c) what purpose is it intended to serve and (d) what are the terms of the contract in respect of this publication?

B959E

The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

(1) Yes, Hansard 13/6/90

(a) Publico

(b) R157 152 for the period 1 March 1989 to 28 February 1990

Hansard 13/6/90

(c) (i) averaging 11 000

(ii) interested parties, for example public servants, political office bearers, academics, libraries, educational institutions and managers in the private sector

(2) no, as no publication with the name "Promedia" is printed or distributed by my Department

(a), (b) (i), (ii) and (iii), (c) and (d) fall away

Minister of Law and Order lawsuits

440 Mr S S VAN DER MERWE asked the Minister of Law and Order Hansard 13/6/90

(1) (a) How many lawsuits were brought against him in his capacity as Minister of Law and Order in 1989 by members of the public and (b) what (i) were the circumstances and (ii) was the outcome of each such lawsuit,

(2) whether he paid out any moneys (a) as a result of successful lawsuits brought against him and (b) in out-of-court settlements, if so, what total amount in each case?

B1031E

The MINISTER OF LAW AND ORDER

(1) (a) 208 lawsuits, ie after summonses were issued and finalised

(b) (i)

Damage to vehicles as result of collisions	139
Assaults (shooting incidents included)	36
Unlawful arrest and detention	23
Malicious prosecution	3
Crimen Injuria	1
Bitten by police dog	3
Damage to property as a result of police action	2
Loss of property while in police care	1
	208

(ii) These lawsuits were settled as follows

188 cases were settled out of court,

In one case the court gave judgment in favour of the claimant, with costs,

In 11 instances the claims were withdrawn,

In 7 instances the claims were abandoned,

In one case the court rejected the claim, with costs

(2) (a) Yes — R2 092,85 Hansard 13/6/90

(b) Yes — R623 703,45 of which R466 546,00 was paid as a result of damages which arose from vehicle collisions The balance represents claims which were instituted due to other causes as referred to in paragraph (1) (b) (i)

Note The substantial increase in payments in respect of vehicle damage is ascribed mainly to the drastic increase in motor spares and repair costs

Instances settled out of court are mostly those in respect of vehicle collisions and where it was obvious that the members of the Force concerned, were the guilty parties Such settlements before court proceedings are instituted, are cost effective

In other instances notices of contemplated actions were received, but due to the fact that summonses were not issued, these instances are not included in paragraph (1) (a)

In other instances summonses have already been issued but not yet finalised Because the work involved in compiling this information would be voluminous and time-consuming, it is not practically feasible to furnish this information

The increase in the number of lawsuits can, among other things, be ascribed to the fact that legal representatives of claimants prefer to issue summonses in order to expedite finalisation of the claims

Self-governing territories/independent Black states persons employed in RSA 102

458 Mr P G SOAL asked the Minister for Administration and Economic Co-ordination

Hansard 13/6/90

SA DRUGGISTS FM 15/6/90

Profit crack (183)

Activities· *Innovates, manufactures, markets and distributes pharmaceutical, medical, dental and veterinary products*
Control· *Sanlam via Fedvolks 68,3%*
Chairman *P J J van der Walt, MD A M Karis*
Capital structure: *141,2m ords Market capitalisation R349m*
Share market: *Price 247c Yields 4,1% on dividend, 11,7% on earnings, p e ratio, 8,58, cover, 2,88 12-month high, 380c, low, 243c Trading volume last quarter, 529 370 shares*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	11,0	4,68	15,5	37,5
LT debt (Rm)	42,3	14,1	7,4	15,6
Debt equity ratio	0,57	0,13	0,12	0,26
Shareholders' interest	0,40	0,55	0,53	0,49
Int & leasing cover	4,01	7,07	0,62	0,45
Return on cap (%)	23,5	25,0	26,2	22,1
Turnover (Rm)	566,8	650,7	790,6	948,0
Pre-int profit (Rm)	52,2	64,3	84,1	87,2
Pre-int margin (%)	9,20	9,52	10,6	9,2
Earnings (c)	19,9	23,3	29,5	28,8
Dividends (c)	7,7	8,1	10,0	10,0
Net worth (c)	—	99	118,4	135,8

Compounded problems over the past year cut SA Druggists' pre-tax income by 6% to R74,6m and pared earnings per share by 1% to 28,8c But MD Tony Karis expects a better performance this year and says things are back on track

Net income before taxation in the pharmaceutical division, usually one of the high growth areas, fell 4% to R25m This was mainly because of large volumes of unprofit-

FM 15/6/90 (183)

able state tender business which hammered margins at the Lennon factory The lesson has not been wasted and the group will now be more selective about its allocation of production capacity to the state tender market and concentrate more on the private market

Good signs are the significant increase in the export market A number of products have reached final registration status in the UK (registration takes 2-3 years) and Germany (6 years) and others are due to be exported to Taiwan for the first time this coming financial year.

The introduction of two new products considerably enhanced the profits from the sterile manufacturing unit, Labethica The construction of a new R45m sterile factory in Port Elizabeth, due for completion in 1992, is expected to enable the group to participate fully and more profitably in the market which is currently dominated by Adcock's Sabax

The chemical division was let down by two major US customers who had their production units closed by the Food & Drug Administration Board This left the division's income before taxation static at R14m, though Karis believes profit growth can exceed 10% as new customers are found

Growth in the consumer division, the smallest contributor to group profits, with only R2m income before taxation was also zero, mainly as a new energy drink, Excel, failed to achieve sales or gross profit forecasts

Rationalisation of the medical, industrial and commercial division led to the sale of dental product distributor Taylor & Horne which had failed to yield acceptable returns Wholly owned textile manufacturer Superweave might also be sold during the coming year because it does not slot conveniently into the group's pharmaceutical base Karis expects considerable growth from Panvet, a manufacturer of farm-feed concentrates and veterinary products

Income before taxation in the distribution division also remained the same as 1989 at R22m This was mainly because of the poor performance of LPA, a national distribution service with five warehouses The Johannesburg warehouse, renovated at a cost of R9m, was found to be inefficient and an additional R1m had to be spent on it before service levels could be restored But with the wheels now turning smoothly, Karis expects 20%-25% growth in this area for the coming year

Because of the higher asset base than intended, the interest bill raced upwards to R12,6m from R5,4m Karis believes higher profitability during the coming year will compensate for an asset base bound to remain high in the face of growth

Heather Formby

OMNIA AT THE CROSSROADS

By IAN SMITH

THE Swiss-based founding chairman of the Omnia fertiliser group has flown to SA to preside over a vital board meeting this week

Dr "Joe" Winkler will hear arguments as to whether the group should diversify or continue to grow in its chosen fields

"I have an open mind, and will be listening carefully to my fellow directors," he said

Omnia, the smallest of the "big three" in South Africa's R1,5-billion-a-year fertiliser industry, has done remarkably well, despite the recent drought, floods and a vicious fertiliser price war

S Times 17/6/90

Stable

The year to December 31 saw record sales and profits Turnover jumped 39% to R336,2-million, net income rose 43% to R25,2-million and earnings 53% to 66,64c a share

Omnia is confident it can maintain its 25% share of the local fertiliser market About 10% of production was exported "very profitably", said group managing director Neville Crosse

There is also hope that agriculture has moved into a more stable era, improving prospects in the longer term

But the group's tentative moves to diversify, all prompted by markets or raw materials, have proved a useful hedge against the vagaries of farming

POISED FOR GROWTH ... Omnia's founder Dr Joe Winkler (standing) and group MD Neville Crosse

Omnia has about R42-million in retained earnings, and decisions will be made soon on the direction in which the group will move

Omnia moved successfully into explosives through Bulk Mining Explosives because its facilities are common to both fertiliser and explosives production

Its takeover of the SA arm of US-based Cargill and Ciba-Geigy's seed operation in 1988 led to the formation of Carnia Seed

"This takes us into the high-tech area of agriculture in the development and marketing of improved varieties of seed for a number of crops," said Dr Winkler

A small trading operation acquired in the Cargill deal was transformed into Omica Trading, which became the biggest grain trader in SA last year

Omnia Farming Enterprises was set up to gain first-hand knowledge of farmers' problems and to demonstrate the effectiveness of fertilisation

"We are very happy with our diversification, but we are not certain that we want to go further in this direction," said Dr Winkler

183

Clerks

He believes that Omnia's profitability compares well with its giant competitors — Kynoch and Sasol

Not bad for a company registered in 1953 by Dr Winkler and his parnter Willem Marais, who met when they were clerks working for Anton Rupert's fledgling Rembrandt group

The initial capital was £125 Market capitalisation today is nearly R130-million.

The share is standing at 330c, close to its 365c high But Mr Crosse reckons that it is still underrated

Plans for growth in Sentrachem

S I Times 17/6/90

(183)

SENTRACHEM's chief executive Johan van der Walt outlined growth areas for the R2-billion a year chemical giant at a Johannesburg presentation to the Investment Analysts Society this week.

Sentrachem is already the dominant manufacturer of everything that goes into making sheep dip to plastic buckets, yeast to pool cleaners A breakdown of turnover is given in the pie chart

The group employs 7 000 in its six divisions which all have five-star safety ratings. It is capitalised at more than R660-million on the JSE — about a quarter of the size of AECI and a tenth of Sasol The three are the key players in the R11-billion-a-year chemical industry

DIAGONAL STREET

By Julie Walker

Sentrachem outlines four main areas which have potential for future developments. Biotechnology, metal chemistry, speciality conversion and agriculture are the subject headings.

Possible new products include enzymes, antibiotics, amino acids, chrome chemicals (although mining houses have been looking and turning down this one for years), platinum products, car parts and environment-friendly herbicides and pesticides

Mr Van der Walt hoped that new products will comprise 5% of sales by 1992, and that exports will double to 15% by that time.

Sentrachem's stretegic plan addresses such issues as return on investment, vulnerability of accessing raw materials, skilled manpower and productivity After a major strike in 1986, industrial relations at Sentrachem have shown a marked improvement

Strategic progress comprises the acquisition of Sappi's chlor-alkali business, the formation with Farm-ag of Sanachem and the purchase of the balance of Agbro

Sentrachem got out of two problem areas with the sale of Fedmis and the mothballing of the PIR plant, which made synthetic rubber as a strategic material Import replacement came short — the plant was a millstone for years

Mr Van der Walt said that the 25% import duty on rubber which was introduced to protect Sentrachem's fledgling operations should be lifted within a month It has already been gazetted for comment

On the list is an investigation into a naphtha cracker This would not be Sentrachem's own baby, but would probably be financed by all SA's interested companies as well as overseas parties

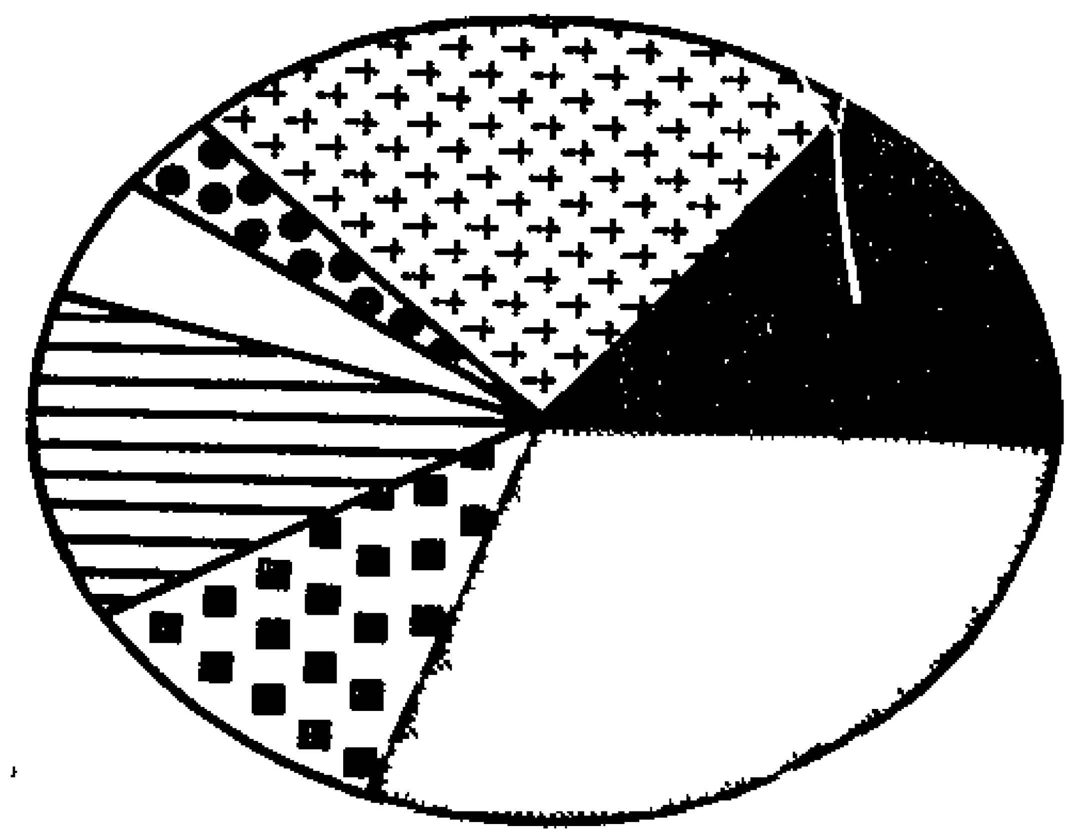
The group's earnings have shown compound growth of 22,6% a year since 1987, and return on investment has reached 22%, while return on capital is 17% The targets are 30% and 21% respectively Gearing has fallen from 110% to 50% in five years, 10 points above the ultimate target.

Capital expenditure will be funnelled into five major projects, mainly expansion and improvement of existing operations Mr van der Walt did not expect Sentrachem to be badly hit should environmental emission regulations be tightened

For the last five years, environmental aspects have been carefully included into new projects, and Sentrachem is not a major polluter in any event

Mr Van der Walt's objective was that Sentrachem outperformed the chemical sector of the JSE There might be hiccups, but the upward trend would remain intact

Sentrachem's Turnover



Source Sentrachem

Investors place value on CNA Gallo's style

Star 14/6/90

By Ann Crotty (183)

CNA Gallo looks well placed for the tough trading times that lie ahead, not only in terms of its balance sheet but also from the point of view of corporate culture

The group's latest annual report shows that at end-March 1990 CNA Gallo had cash and near-cash of R12,4 million and that, as chairman Mr Vaughan Bray points out, was after funding capex of R22 million and acquisitions of R39,6 million during financial 1990.

A five-year statistical review shows improvement in most of the key financial ratios — trading margin is up from 6,2 percent in '86 to 9,8 percent in '90; return on equity up from 12,9 percent to 34,9 percent; inventory to turnover down from 18,6 percent to 16,2 percent and, gearing down from 30 percent to a mere five percent.

Underpinning the group's strong financial performance is its emphasis on marketing

Referring to the tougher trading conditions Mr Bray notes that the 24 percent hike in turnover was pleasing, given that much of the group's sales are dependent on discretionary spending· "Higher market shares in most products, mainly as a result of increasing emphasis on customer care and service, are the source of the continuing turnover buoyancy. This has been the prime business strategy of the past four years."

It certainly looks as though investors appreciate management's efforts Back in 1986 investors were prepared to pay a 28 percent premium over net asset value for the share (on the basis of end March figures); in '87 they were paying a 47 percent premium; in '88 they were paying 95 percent; in '89 123 percent, and at end-March '90 investors were buying shares at three times the level of the underlying net asset value.

COMPANIES

B/Day 20/6/90

Sentrachem goes more for speciality products

(183)

ZILLA EFRAT

CHEMICALS giant Sentrachem's major thrust has been to balance its portfolio by moving more into value-added speciality products, and to become more self-sufficient in obtaining raw materials

The group, in the Sankorp stable, has undergone considerable rationalisation since its large losses in 1985 Its strategy has involved targeting niche markets which have high barriers to entry, and adding value to locally sourced raw materials

MD Johan van der Walt says major moves in recent years out of heavy commodities include the disposal of Coalplex, the sale of its fertilizer operation Fedmis and the mothballing of its polyisoprene plant

In terms of managing its growth, Sentrachem acquired Sappi's chlor alkali business and the remaining 24,9% of Agbro It also merged its agricultural chemicals operations with Farm-Ag's into Sanachem, which will focus on the agriculture chemicals market

To reduce raw material vulnerability it is building a R27,4m propylene purification plant next to Sapref's Durban refinery This will handle a capacity of 38 000 tons a year and replace imports of about 13 000 tons a year

It is also expanding maleic anhydride production by 6 000 tons a year by erecting a R47m plant next to its Isipingo plant This will replace imports of about 3 000 tons a year

In addition, Sentrachem and AECI are jointly investigating a R6bn naphtha cracker plant which will produce the seven types of building blocks required by SA's chemical industry

Sentrachem is also involved in certain expansion programmes

It is expanding chlor alkali capacity by 40% at a cost R73,3m and its R68m high density polyethylene (HDPE) expansion project will increase HDPE production by 80% a year and granulation capacity by 40%

In addition, the R15,1m polypropylene compounding expansion will more than double existing capacity and improve Sentrachem's flexibility to manufacture new speciality grades

Areas highlighted for future development include bio-technology, metal chemistry, agriculture and speciality conversion

Van der Walt says as a result of the group's diversification efforts, plastics now account for 30% of turnover, industrial chemicals for 22%, agricultural chemicals 15%, rubber 13%, plastics conversion 11%, foodstuffs 5% and mining chemicals 4%

● VAN DER WALT

The group achieved sales of more than R2,1bn in the year to March, but earnings rose only 7%

A major influence on Sentrachem will be the direction of government's strategy for the R20bn a year SA chemicals industry, expected to be announced soon

Explosives industry 'is in turmoil'

ZILLA EFRAT

THE explosives industry worldwide was relatively stagnant, showing little growth and even declining, due to lesser use in the military sphere and increasing mining mechanisation

This was the view of Sasol Chemicals SMX Division MD De Wet Deetlefs at "The Chemical Industry in the 1990s" conference in Randburg yesterday

He said due to the emergence of peace the military industry, and the military explosives industry in particular, was in turmoil worldwide. This was especially true in SA and Armscor constantly sought new outlets and new ways of doing business.

While the nature of Armscor's strategies was unknown, Deetlefs expected increasing military technology to become available for commercial use

BDay 21/6/90

183

Energy

Growth in SA's explosives market had traditionally been about 4% a year, but had dropped to below 2% over the past few years In future, it would be slow or would stagnate

Explosives generally remained the primary energy source in mining, especially hard-rock mining Although they were slowly being replaced by mechanical means in softer ore bodies, they remained a competitive energy source regarding performance and price

The SA explosives industry was relatively labour intensive with mechanisation not having taken place to any great extent Due to the large volume of explosives manufactured in SA, prices were the lowest in the world

Explosive technology and innovations hadbeen mainly cost driven in that mining management looked at the cost per unit hole blasted, opting for the cheaper product

Oil rig workers down tools for better pay

Cape Times 21/6/90

Staff Reporter

OIL rig workers on three rigs off Mossel Bay went on strike this week, demanding higher wages and were taken off the rigs, a Chemical Workers' Industrial Union (CWIU) official said yesterday

CWIU spokesman Mr Martin Jansen said about 120 workers — employed by Sopelog — downed tools on Tuesday on three rigs demanding an 18% salary increase and a minimum wage of R1 200 a month

The union and the management of Sopelog, one of the sub-contracting companies to Soekor, began negotiations yesterday and will continue today, Mr Jansen said.

He added that management took the striking workers off the Nymphea, Omega and Actinia rigs

A source on one of the rigs said workers had been airlifted from the Nymphea and Actinia rigs on Tuesday night

Striking workers on the Omega were taken ashore yesterday morning, he added.

FIM 22/6/90 (183)

PLANNING (183)

Go for Mobil

FIM 22/6/90

If there's been anything positive in the bitter dispute between Mobil and the residents of Parktown, Johannesburg, over the oil giant's plans to erect yet another service station on Jan Smuts Avenue, it's the fact that at least the adversaries have met face to face

On the eve of a Townships Board hearing, which gives the Transvaal Administrator the unenviable task of deciding between the merits of the case against, presented by Park-

FIM 22/6/90

town residents, and Mobil's arguments in favour, the two factions faced one another in an historic debate (183)

Meetings like this are common abroad but both Flo Bird, of Parktown Association, which initiated the meeting, and Mobil corporate image consultant Kevin Kevany admitted it was a first for them

The fact that the meeting took place at all is recognition of the growing power and influence of community action groups In the past their views could often be ignored but developers now, rightly, have to go to great lengths to explain proposals if they are to have any hope of seeing their schemes approved They can no longer simply rely on their financial muscle to bulldoze through proposals which could have a devastating impact on the environment

The meeting showed that both developers and pressure groups alike have much to learn about public participation in the planning process

Certainly, the 200 people who packed the basement auditorium of Reeva Forman's new Parktown HQ, to confront the Mobil moguls, admirably got across their antagonism to the proposal

Equally certainly, if any of the residents seriously listened (which is doubtful) to Mobil's resale marketing director Barry Jordon outline his organisation's worthy environmental record, they too might have been similarly impressed

But when it came down to it everyone, perhaps with one exception, failed to focus their energies to persuading the opposition that it was wrong Ward councillor Rae Graham, for example, cheered on by a partisan audience, eloquently and forcefully told Mobil of her excellent track record in fighting unwanted developments However, she omitted to address the crucial issue of why she was against this particular scheme If she did it was lost

Mobil was just as guilty of omission It never tried to tell residents just how (if at all) its new service station would benefit them The best it could do was a less-than-convincing claim that the area would be no worse off if the service station were built

Perhaps the only exception was veteran campaigner Bird who did her homework to show that Mobil had not conducted a thorough investigation before submitting its planning application She also pointed out that the area around the proposed site, which the oil company believes is already compromised by traffic noise, is happily occupied by genuine human beings

Indicative of their belief, or lack of it, in the art of logical persuasion the residents have decided to promote a boycott of Mobil filling stations to bring further pressure on the company It is claimed that about half the garages there are Mobil

FERTILISER FM 22/6/90 (183)

Foskor takes the cake

Foskor, the State-owned phosphate-producing plant at Phalaborwa, is under pressure to privatise — or scupper its plans for downstream competition with SA's three fertiliser giants AECI's Kynoch, Sasol and Omnia

This follows the outbreak of a savage price war in SA's R1bn a year fertiliser market after the recent entry of Randburg-based Agriland Fertiliser into the overtraded market

Agriland claims to have saved SA farmers about R42m on input costs following the launch, earlier this year, of its regional franchising concept which involves the mixing of fertiliser, on demand, at a number of small-scale plants across the country

In a free market economy, such a development would be welcomed — but questions are now being raised about the role Foskor may be playing in the discounting war that has broken out in the industry

Although Foskor denies it has direct control of Agriland, it has admitted it has a 30% share in the 400 000 t/year Indian Ocean Fertiliser Company (IOF) phosphoric acid plant at Richards Bay which evidently supplies Agriland with many of the essential components for fertiliser production

Apart from the possibility of it being in "indirect" competition with the private sector, allegations have been made that Foskor has given IOF a 50% rebate on the sale of its phosphate rock IOF also qualifies for a 50% rail rebate on fertiliser sent to the PWV area from Richards Bay because it is designated as a regional industrial development point

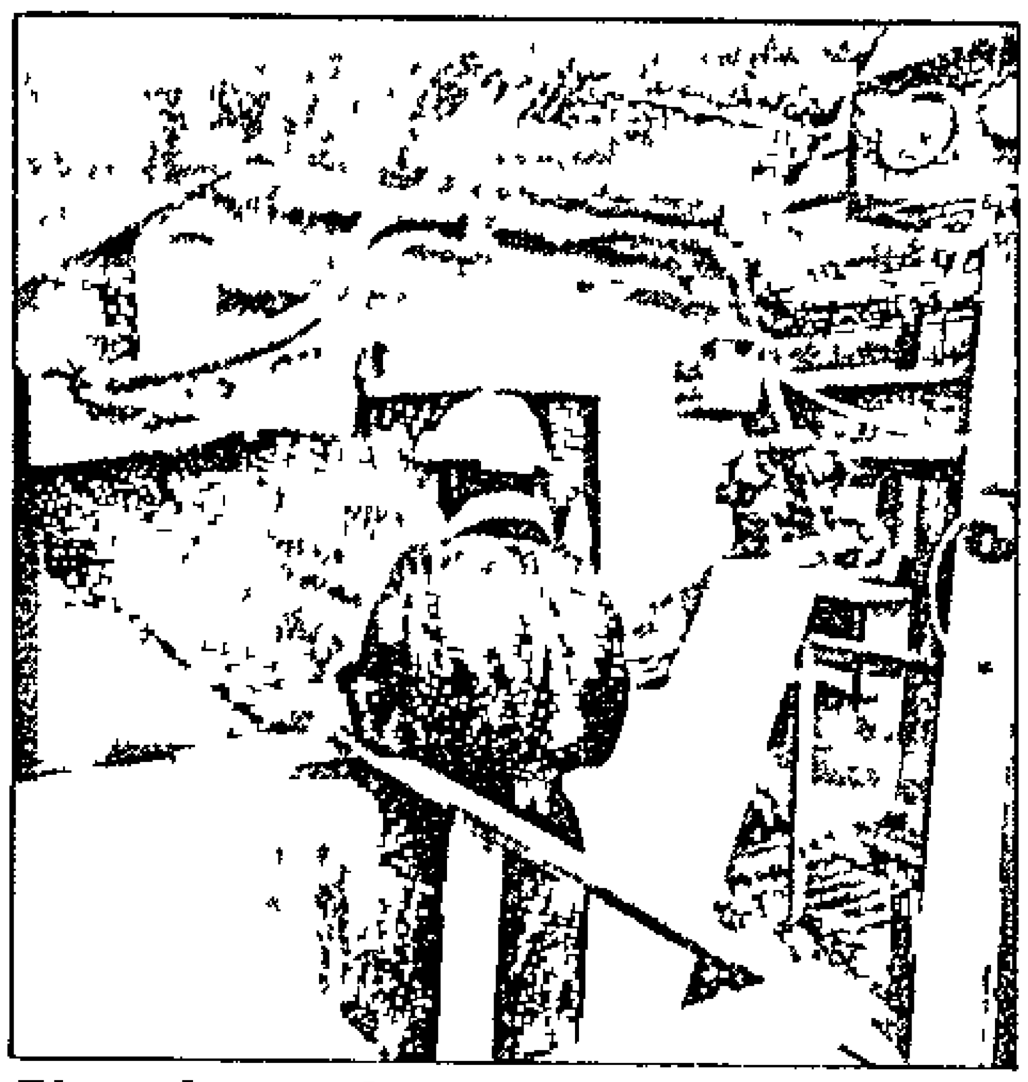
Prior to Agriland's entry, AECI's share of the local fertiliser market was about 43%, followed by Omnia with 29% and Sasol with 28% These three companies shared the market, following the demise several years ago of Louis Luyt's Triomf Fertilizer, which was forced to sell its Richards Bay phosphoric acid plant to IOF IOF, formed by un-named overseas investors, bought the plant cheaply through the financial rand mechanism and continued to manufacture phosacid using Foskor's phosphate rock as raw material

In the process, Triomf's liquidation almost sank its bankers, Nedbank Nedbank was forced to write off about R350m and was saved only by the fact that the Old Mutual underwrote its rights issue life-line

Foskor MD John Stansbury confirms that Foskor owns 30% of the IOF phosacid plant However, speculation has it that some of the foreign investors have also recently been bought out

A fertiliser industry spokesman, who refuses to be quoted, says the exact shareholding and control of IOF is "one of the best-kept secrets in SA "

But Agriland is not at all coy about its foray into the fertiliser market "Agriland's entry into the market, with a capacity of 400 000 t of granulated product a year, was made possible by the opening of their Richards Bay production facility on 1 May, 1990



Phosphate plant ... what happens downstream?

the best-kept secrets in SA "

Thus far, Agriland has concentrated on the production of DAP (di-ammonium phosphate) and MAP (mono-ammonium phosphate), which it also sells to its competitors in order to pass the price benefits to farmers," said Agriland MD Rhyme Greeff in a statement issued earlier this month

DAP and MAP were widely sold by Triomf when it owned the Richards Bay plant While Greeff cannot be reached for comment, it is evident that Agriland sources these products from IOF (part-owned by Foskor)

Foskor, whose shares are owned by the Industrial Development Corporation, has been targeted by government for privatisation, but this issue is now *sub judice*, as independent consultants appointed by the State's Privatisation Unit investigate the market options facing Foskor — and government

Apart from political opposition, counter arguments to privatisation have been raised to Foskor's near-monopolistic position in the local market Foskor is SA's only phosphate supplier — the most expensive (and essential) component to the regular fertiliser mix used in SA (and globally) — outside of a small phosphate plant sited at Langebaan in the Cape

On the other hand, these arguments could be transparent attempts to retain State control of a near-monopoly which has a virtual licence to print money in the local fertiliser market With Foskor's massive ore reserves of about 310 Mt — "enough for hundreds of years," according to one source — and its position as a cheap producer, it has an inbuilt cost advantage to squeeze competitors out of the fertiliser business if it chooses to go downstream

"Should this be so, I will definitely have a case to take to the Competition Board," says a top official of a fertiliser company who refuses to be quoted as his group is "dependent" on Foskor for its phosphate supplies

Stanbury says IOF exports about 80% of its phosacid production, though world prices have weakened over the past two years He says Agriland obtains its granulated DAP and MAP products from IOF's granulation plant at Richards Bay, but he denies Foskor is supplying any fertiliser to Agriland

Finrand route

Feelings, however, are running high in the fertiliser industry as Foskor is perceived to have moved downstream using third parties "It is unfair that we have to compete with our expensive plants, built with commercial rands, against a State corporation which is supported by foreign investors who have moved into SA via the cheap finrand route," says another industry spokesman

Meanwhile, Foskor keeps piling up the profits After increasing its phosphate prices from R257/t in 1986 to R403/t in 1989 and its phosphate rock prices from R45/t in 1986 to R90/t in 1990, earnings have shot up Turnover jumped from R231m in 1986 to R429m in 1989, while attributable profit increased from a mere R8m to R98m

So, as profits increase and the private sector complains bitterly about the unfair competition and pricing policies of a State-owned corporation, the time must be ripe to put Foskor's privatisation on the front-burner once again *Arnold van Huyssteen*

ISCOR FM 22/6/90

Coals to Newcastle

Iscor has been padding out scarce supplies of straight coking coal with imports from Poland and the US In the past six months the steelmaker has imported about 200 000 t Most of it from the US

Overseas merchants believe the tonnage imported will eventually build up to 1 Mt annually Though the US bans imports of coal from SA, there is nothing in its statutes to prevent anyone from *exporting* to SA

There are, however, still political sensitivities and, as *The Financial Times Interna-*

Positive forecast for Chemserve

B/Day 25/6/90

(183)

ZILLA EFRAT

CHEMICAL Services could achieve an 18% improvement in earnings and a 20% rise in dividends this year following static earnings growth last year, Davis Borkum analyst Gil Catton has forecast

In the five years between 1983 and 1988 Chemserve, an AECI subsidiary, recorded a solid 28% compound earnings growth

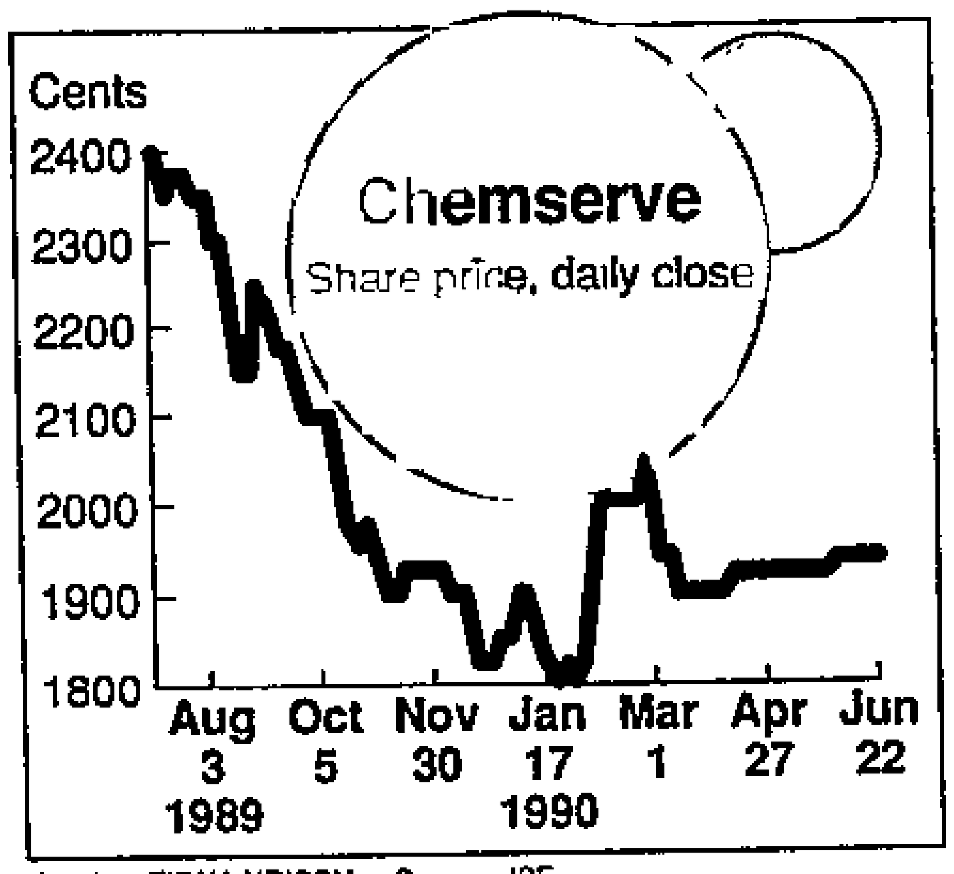
Much of the slowdown in its earnings in the year to December stemmed from the decision by a major supplier to cut credit terms The move pushed finance charges to a high of R6m (R3m) and helped cut pre-tax profit marginally to R30,8m (R31m)

While these conditions should improve significantly by the first quarter of 1991, Catton said Chemserve would face a heavy interest burden again, and high interest rates would restrict growth this year

A positive short term factor was a partial recovery in operating margins which came under pressure in 1989 when a contraction in overall economic demand tilted sales volumes towards trading and distribution operations at the expense of higher margin manufacturing sales

Gearing was recently boosted by Chemserve's R24m acquisition of Akulu-Marcon and SA Paper Chemicals Because they came into effect only this year, the transactions are not reflected in the 31% gearing at year-end.

Catton expected subsidiaries Chemserve Trio and Chemserve Systems would achieve excellent results in the current year, and Chemserve Food Sciences and Chemserve Trading would show moderate earnings growth Industrial Oleochemical Products' profits might fall marginally.



Graphic FIONA KRISCH Source JSE

But synthetic polymer manufacturer Chemserve Colloids was in for a difficult year, with price cuts hitting margins and labour strike action adversely affecting production. Its results last year were dented by dumping by an overseas competitor and a fall in mining industry sales.

Guar gum producer Chemserve Steinhall last year experienced a shrinking market, but has commissioned a plant to produce modified starches Sales are expected to start soon and there is a prospect of a trading improvement later this year

In the longer term, Chemserve will be the sole distributor for AECI's Soda Ash project in Botswana Bulk production will start in 1992

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R1,2bn new projects in Sasol's pipeline

183

B Day 27/6/90

ZILLA EFRAT

SASOL has announced six new projects which will cost R1,2bn and result in foreign exchange savings of over R400m by the 1993 financial year

Sasol MD Paul Kruger says the new projects will boost operating income by R300m or 18% by 1993

The programme will consist of a production line for candle and specialised waxes, a new ammonia plant, a production facility for paraffin products, an n-butonal plant, an anode coke plant and an expansion of the ethylene recovery plant

The programme is the first of about 20 new projects with a capital value of about R3bn Other projects will be announced when viability studies have been completed

Kruger says Sasol has indicated that its future lies in higher value added chemicals, but the importance of its synfuel operations should not be underestimated

While the Sigma Colliery and coal gassification plants at Sasolburg will continue to provide synthesis gas feedstocks, the wax facility at Sasol One will be expanded and the existing ammonia plant will be replaced with a larger and more efficient facility. A facility to produce paraffinic products will also be built at Sasol One.

The costs of these projects at Sasol One will be about R750m and the plants will start operating by January 1993.

The wax expansion project will be directed at the local and foreign candle wax market and the production of specialised waxes Sasol's total wax production capacity will rise from 64 000 tons to 123 000 tons a year

The new ammonia plant will produce 240 000 tons of ammonia for use in the fertiliser and explosives markets

In addition, the capacity of the plant could be substantially increased should discussions between Sasol and AECI lead to further rationalisation and replacement of old ammonia plants

Kruger says a R40m plant to recover acetyldehyde from the Secunda facilities and to produce 17 500 tons of n-butanol will be in production by January 1992

It will replace 4 000 tons of n-butanol imported annually and its world-scale size will enable it to export large quantities at competitive prices.

In addition, two plants will be erected at Sasol Two at Secunda at a cost of R320m This project, which follows years of research by Sasol scientists, entails the construction of a delayed coker to produce green coke and a calciner to process the green coke to anode and needle coke

These plants, which will come on stream by March 1993, will completely replace imports and could result in exports

Sasol's R115m expansion of its ethylene production facility at Secunda will increase ethylene production by 60 000 tons to over 400 000 tons a year

ATOMIC ENERGY CORP (183)

Technology for sale

The Atomic Energy Corp is the latest State-owned body to step into the bright lights of the commercial sector FM 29/6/90

Administration & Economic Co-ordination Minister Wim de Villiers says the corporation will make some of its technology

AEC . . . technology for sale

FINANCIAL MAIL JUNE 29 1990

FM 29/6/90 (183)

commercially available on both local and international markets It hopes to distance itself from some of the more mysterious and clandestine connotations associated with nuclear energy in SA and seeks to be recognised as a supplier of high technology products and services

Though this is the first time the corporation has made a fanfare about the trading of its technology, it has been in the commercial market for some time In its last financial year, the corporation generated R138m by selling products, technology and skills to industry Sales should reach R174m this year

CE Waldo Stumpf says the corporation began selling locally developed technology about three years ago Now its activities are being brought into the open

"The Atomic Energy Corp has been far too secretive about its work We aim to be more open After all, it's the public's money that has been invested"

Much of the technology the corporation aims to sell was developed during the construction of the nuclear fuel production facility at Pelindaba It involves specialised fabrication and welding processes, dust control, medical and industrial isotope production, identification of mineral deposits and development of other technologies Its most sought-after technologies are expected to be in the area of pollution control

Most of the sales so far have been on the domestic market, though Stumpf says there has been some trade with the Far East Eastern Europe and the Soviet Union are likely to be high on the corporation's list of potential markets Barter deals with them are possible. ■

Agriland quits war

By DON ROBERTSON

THE fertiliser price war is over Two months after entering the market at "abnormally" low prices, Agriland Fertilizer has been forced to close

Sales it concluded, mainly through farm co-operatives, will be met by AECI's Kynoch Fertlizer at previously agreed prices

Agriland entered the market on May 1 after taking over the lease of a Richards Bay granulation plant once owned by Triomf Fertilizer and now by European-based Indian Ocean Fertilizer

It intended to sell about 400 000 tons of fertiliser into an oversupplied market, causing considerable concern among the three other manufacturers, Kynoch, Sasol and Omnia

Agriland also planned to establish regional franchise operations to which it would supply raw materials and allow franchisees to mix products for bulk delivery This idea has been scrapped

Agriland managing director Rhynie Greeff says. "To enter the market, we had no option but to offer fertiliser at abnormal discounts The industry requires high levels of finance In the agricultural sector's present economic circumstances, it was difficult to obtain money (183)

"We required working capital of about R15-million, but with the long payment periods, we were unable to exist We had to decide whether to continue operations and run up debts or to close the company" S/Times

Dr Greeff estimates that because of the discounts Agriland was offering and the fact that it forced the three other manufacturers to cut prices, farmers saved R42m in a few months The saving for the year was estimated at R70-million

Agriland sold 46 000 tons of fertiliser through co-operatives About 40 000 tons of this will be delivered by Kynoch 1/7/90

Kynoch technical director Bob Fogel says his company has been approached by Indian Ocean Fertilizer to take over the lease of the granulation plant at Richards Bay S/Times 1/7/90

Agriland will not be liquidated, but wound down

No change at Chemserve

Some divisions performed well while others battled in 1989 — that's the message from Chemserve's annual report

After four years of dynamic growth, the group was unable to sustain its momentum in 1989, says chairman Dries Niewoudt

With a slowing economy and reduced demand for group products, is Chemserve looking abroad for some assistance?

A joint venture company, Chemoleo (Pty), was formed in partnership with an unnamed European company to trade and handle bulk oils and fats.

Also, Chemserve is negotiating to buy the shareholding held by Albright & Wilson of the UK in associated companies Akulu-Marchon and SA Paper Chemicals for R24 million.

This further investment in two proven operations always managed by Chemserve will have considerable long-term benefits, says Mr Nieuwoudt

But what's the use of spending R24 million on investments that will not have a material effect on group earnings in the next two years? An explanation was surely necessary.

Chemserve had a lacklustre 1989, with export sales down 28 percent. It was only the reduced effective tax rate from 46,6 percent to 43,9 percent that enabled the bottom line to increase by R263 000.

If the effective tax rate had been the same as in 1988, the bottom line would have declined by R577 000.

This was despite total sales increasing by nearly 20 percent What happened?

In MD Peter Francois's review there is a short essay on each division plus the problems and achievements in 1989

Then there are 10 pages devoted to products and their applications But without the individual sales and income or loss contribution with 1988 comparisons it is really a waste of time Putting it quite simply, there are no numbers to talk to me.

Management has tried to liven up the show with staff portraits galore and their achieve-

Bottom Line

MICHAEL MENOF

Star 2/7/90 (183)

ments

But this PR stunt cannot hide the company's stagnant year and really turns the annual report into a personnel file of key employees and their functions

Shareholders received an unchanged dividend, but what did the directors do that was so special to increase their salaries by almost 150 percent from R654 000 in total to R1,57 million as disclosed in Note 9? Surely the directors did not deserve this.

But let's not forget that Chemserve is held 65 percent by Riepen Holdings, a wholly owned subsidiary of AECI, so the board must have had Big Daddy's backing

Net financing costs virtually doubled and were a significant number in the income statement

The reduction in credit terms by a major supplier is the main reason given But at the same time total debt increased almost 40 percent to R33,18 million (1988 R24,59 million) at end-December 1989

Chemserve's income statement shows the stagnant position of the group that is primarily manufacturing-oriented, with agency and distribution divisions representing important overseas chemical producers

Sales increased to R335,7 million (1988 R283,4 million), with net trading income barely up at R36,85 million (1988 R34,33 million)

Export sales declined to R7,4 million (1988. R10,2 million) Substantially higher financing costs of R6,05 million (1988 R3,28 million) caused lower pre-tax profits of R30,8 million (1988. R31,05 million).

But assisted by lower taxes of R13,51 million (1988 R14,47 million) and despite reduced income from associated companies R2,35 million (1988· R2,61 million), the bottom line improved by the skin of its teeth to R18,97 million (1988 R18,7 million)

Earnings per share were 304,9c (1988 300,6c), with the annual dividend of 100c unchanged

The main problem seems to be subsidiary Chemserve Steinhall which suffered from reduced demand by the mining industry for its guar-based additives.

Escalations in raw material prices, which were not passed on, and a major reduction in credit terms offered by soda ash supplier Ansac, resulted in profits being materially down on 1988's figures despite increased sales.

Shareholders' equity increased to R82,34 million (1988· R67,4 million) at end-December 1989

The retained income for the year of R12,7 million plus R2,2 million devaluation of property were the reasons

Working capital improved to R38,6 million (1988· R30,2 million) Net worth increased to R13,24 per share, with the current JSE price around R19,35

Chemserve's objectives for return on net assets and improvement on productivity were not met, but management has promised to focus on these in 1990, which is being seen as a tough year of slow economic growth and increased competition

But Mr Nieuwoudt is forecasting "an earnings pattern of real growth in 1990 with a commensurate increase in dividends"

Mr Francois says the group enters the new decade with resolve and a commitment to excellence.

These are brave words, but while Chemserve's profile says it is proud of its problem-solving and innovative capabilities, its 1989 numbers have no oohs or aahs for shareholders

Those employees with the honour of having their pictures and work history revealed were perhaps the only ones who had anything to smile about

Engen man warns SA's refineries need updating

ZILLA EFRAT

183

RAPIDLY expanding vehicle fuel consumption and the freezing of future synfuels projects meant SA's refineries needed to be updated and expanded, said Engen technical director Theo van der Pas.

Speaking at the Techno-Economic Society of Southern Africa's chemical conference in Randburg recently, Van der Pas said since the energy crisis, SA's refinery industry had been overshadowed by synfuel production. Rationing and price increases had also suppressed growth in SA's oil industry.

The commissioning of Sasol II and III had adversely affected refinery throughput. However, Sasol was now in full operation and the market growth would once again be absorbed by the refineries

Based on an average market growth of 4% to 5%, expansion of refineries in SA would become necessary in the 1990s. B Day 3/7/90

Engen had already announced large capacity expansions and Van der Pas believed other crude oil refiners might also be investigating expansion.

Based on Engen's prediction that the real price of crude oil would increase 2% a year, it did not appear that prices would rise to a level that would justify new investment in the production of synfuels or chemicals from coal. Chemical production based on existing synfuel production capacity might increase at the expense of synfuel production.

Based on an average crude oil consumption increase of 3% a year worldwide, there would be sufficient reserves for several decades.

Star 5/7/90 (183)

NEWS

R200 000 boost for local primary school

Errol Frewen (left), executive director of AECI, hands a cheque for R200 000 to Glen Greenway,

By Abel Mushi

Paint manufacturers AECI yesterday donated a cheque of R200 000 to St Martin's Preparatory School in The Hill, Johannesburg, for the erection and equipment of a science laboratory

The laboratory will also run science seminars for the in-service training of black primary school-teachers in Tokoza township

Close

The offer is part of AECI's "Quality of Life" programme which has resulted from a close relationship between the company and the staffs of St Martin's Preparatory School and the R P Maphanzella School in Tokoza township

The three have co-operated on numerous educational and extra-curricular activities in the past

Glen Greenway, headmaster of St Martin's Preparatory School, received the cheque from executive director of AECI, Errol Frewen, who said his company considered the project a "very worthwhile effort"

Mr Greenway told The Star the laboratory would be completed by the end of this year, adding that the school would provide an extra R20 000

Hand-over

Staff members of both schools, pupils and members of the school's governing committee witnessed the hand-over.

St Martin's Preparatory School is a private non-racial institution with a current enrolment of 380 pupils

Oliver Tambo, president of the ANC, was a teacher at St Martin's Preparatory School in the early 1950s, said Anthony de Souza, the school's public relations officer

AECI earnings hit by negative factors

B.Day 18/7/90

183

BRENT MELVILLE

NEGATIVE market factors affected Anglo American associate and chemical giant AECI in the half year to June, knocking earnings by 13% to 73c (84c) a share

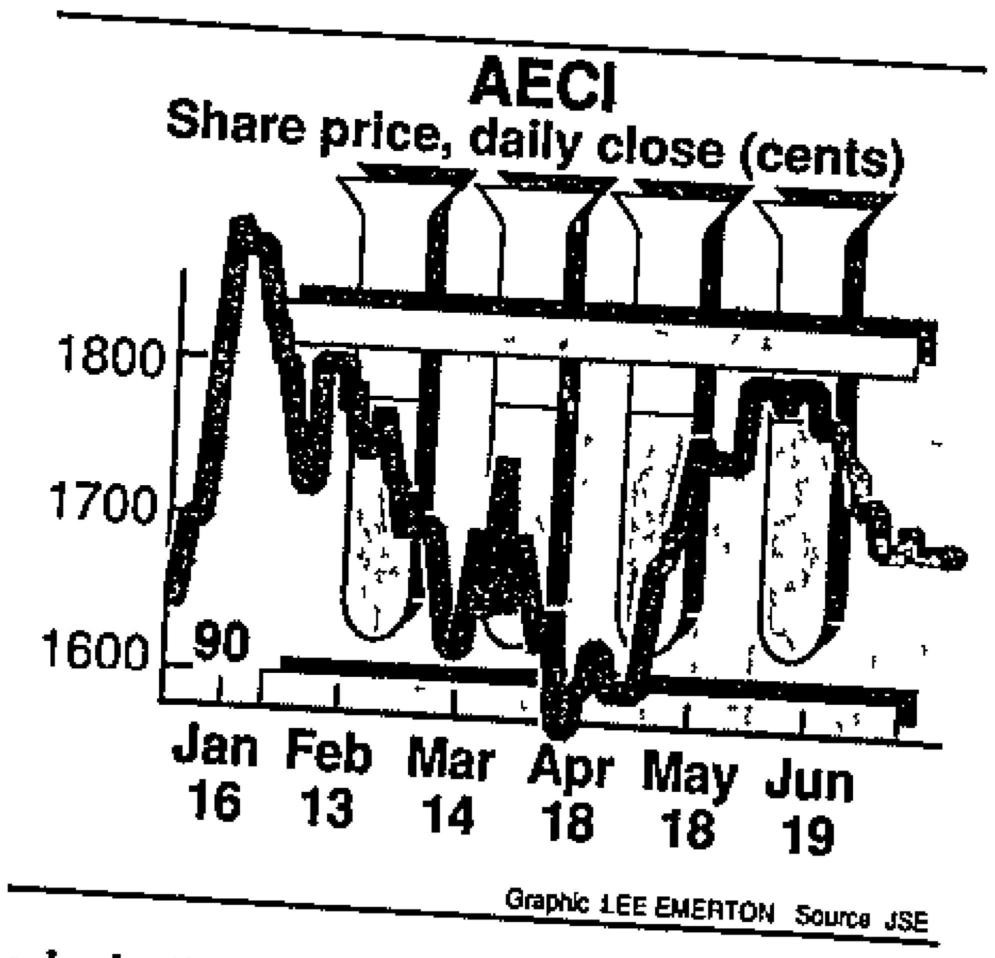
Virtually the entire AECI stable with the exception of Chemserve was hit by slashed margins, leaving net trading income down 14% at R219m (R255m) on a 5% rise in turnover to R2,37bn (R2,26bn) The dividend was retained at 30c, reducing cover to 2,4 (2,8) times

MD Mike Sander said yesterday the six months had been hard across the full spectrum of the group's interests The group had been forced to accept that there was no longer the same level of domestic demand for its product-line Domestic sales volumes dipped by 6% over the period

He said domestic demand had been affected by extensive destocking as well as sporadic work stoppages in consumer industries AECI itself had "considerable exposure" to industrial actions, which disrupted production at two of its largest factories, Modderfontein and Sasolburg

In addition, pricing on the international side had been very poor Although exports were increased over the period to 14% (8%) of total sales, the fact that prices had come off about 30% in the same period had resulted in exports in money terms reducing marginally to R199m (R201m)

Sander said, however, that the results should be seen in the light of the high base



Graphic LEE EMERTON Source JSE

which the group established during the comparable 1989 period The group had also reduced the ratio of working capital to sales to 23,5% (26%)

Reflecting the drop in borrowings, financing costs for the period dipped to R48m (R53m) Gearing was slightly lower at 41% (42%)

"Present indications are that the worst of the destocking is over and that end-user consumption will translate more directly into demand for the group's products during the second half of the year"

Assuming there was no escalation of industrial action, he said, the stabilisation of demand and measures taken to contain costs should enable the group to achieve similar earnings for the full year

R45m plant to boost SA Drugs' exports

S/Times 8/7/90 (183)

By DON ROBERTSON

WORK has started on a R45m pharmaceutical plant which will give SA Druggists capacity to boost its export drive

The plant, next to Lennon's in Port Elizabeth, will be completed by the end of next year and production is scheduled for the first half of 1992

SA Druggists expects to export about 10% of the factory's production

About 80% of the pharmaceutical raw material production from the Seravac factory in Cape Town is exported The Fine Chemical plant, which produces diagnostic enzymes, exports about 40% of production

The biggest factory, Lennon in Port Elizabeth, exports about 10% of its output.

The new factory will produce small glass ampoules and vials as well as intravenous solutions

Largest

Managing director Tony Karis says "Our access to investment capital, sophisticated foreign technology and competent management has enabled us to go ahead with this expansion"

A technology agreement has been signed with a large European company and licences have been obtained to manufacture new and established pharmaceutical products

The new plant will take the strain off the Bethlehem factory

Already the largest pharmaceutical manufacturer in the southern hemisphere, SA Druggists exports to New Zealand, Chile, Hong Kong and Taiwan

Senior general manager Clive Stanton says "There is huge potential for our export business to grow in Europe, the US, the Far East, the Middle East and in Africa But it needs a disciplined and co-ordinated approach"

Mines seen as source of right-wing terror explosives

183 Star 11/7/90

Right-wing bombers seem to have access to large amounts of commercial explosives with which to carry out a rapidly expanding terror campaign Where do the explosives for right-wing bombs come from and can controls be intensified? CRAIG KOTZE and MONICA NICOLSON investigate.

Tens of millions of kilograms of explosives are made in South Africa every week, making the country one of the biggest manufacturers and users of explosives in the world

"The dynamite factory", as AECI's Modderfontein plant has been called for years, is the biggest of its type in the world

Explosives are transported and stored in a long chain of activities between manufacture and usage, a chain which seems particularly vulnerable to interception and sabotage by various elements

It is the widespread availability and use of explosives at the mines where the real problem lies

Thousands of tons of explosives disappear into South Africa's mines every week and, according to police and mine sources, it is virtually impossible to impose total control.

It is also on the mines that large support for the far Right wing lies And with racial tensions still extremely high in places such as the Free State goldfields, the mines seem to provide ample opportunity for rightwingers to arm themselves with explosives.

The possibility that explosives can be stolen from magazines and other places above ground is not totally discounted, but police say regulations and a tight permit system make control of above-ground blasters very easy.

"It's not impossible for blasters using explosives for swimming pools and other commercial enterprises to steal explosives, but we keep them under such a tight rein that it would be very difficult.

The problem definitely lies elsewhere, underground on the mines.

"It is easy to criticise them, but we must remember that they have a vast problem. It is not easy to control explosives underground with unions — both white and black — resisting the searching of miners as they come out of shafts," said one policeman

According to a mine boss in charge of signing out explosives, finding out how much was used and then making sure the excess was returned at the end of the day was problematic

An official of the Department of Mineral and Energy Affairs in the Mining Engineers' Department said it was very difficult to establish exactly how much explosive was used

"It is easy for a miner to put a few sticks of explosives in his lunch tin, especially when the fine for being caught is only R500 and/or 12 months imprisonment," he said

It is stated in the mines and works regulations that the mine manager should appoint a person at exit points to search miners leaving work, and that no miner had the right to refuse to be searched.

The official pointed out that big mines, like Anglo-Vaal, had 40 000 miners, and to check everyone would be impossible

"We looked at putting in sensor gates, but every miner who came into contact with explosives during the day would get pulled off," he said

183

Plastics workers still out

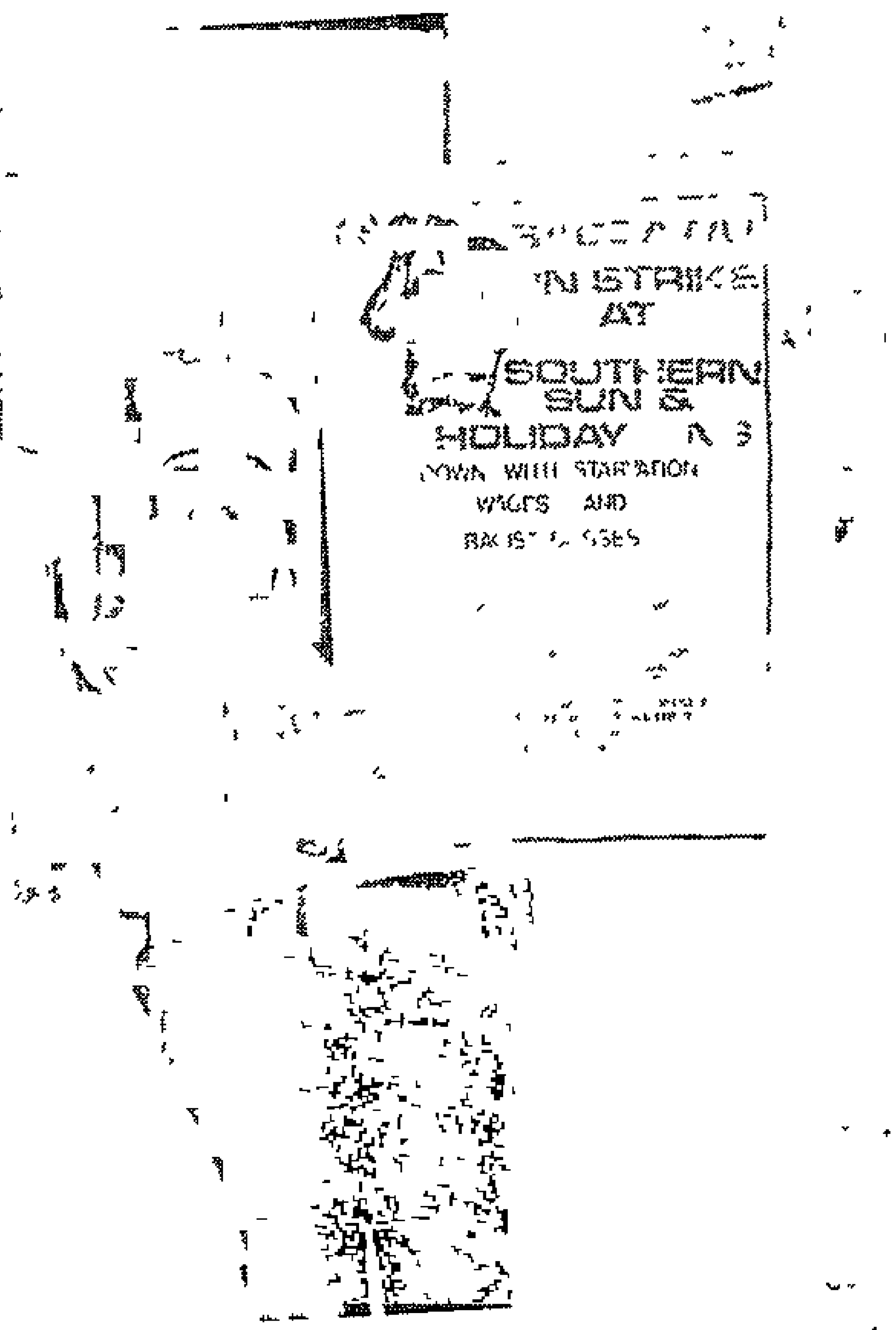
12/7/90

WORKERS in the plastic moulding section of the United SA Brush Manufacturing Company in Bellville South continued a wage strike yesterday, but work had resumed in other departments, the company said in a statement

The company met representatives of the Chemical Workers' Industrial Union yesterday following a sympathy strike by most of the workers, company personnel director Mr Garth Snyman said

The company's final offer for all areas other than plastic moulding was accepted by employees and an agreement had been signed, said Mr Snyman.

Although both parties made minor changes to their position, there had not been a settlement with the plastic moulding section workers — Sapa



PICKETER . . . A hotel worker pickets outside a Cape Town hotel yesterday. Workers say they intend striking and picketing until their demands are met.

Picture OBED ZILWA

Bombs of terror from the right

Sowetan 12/7/90

(183)

TENS of millions of kilograms of explosives are made in South Africa every week, making the country one of the biggest manufacturers and users of explosives in the world.

Rightwing bombers seem to have access to large amounts of commercial explosives with which to carry out a rapidly-expanding terror campaign Where do the explosives for rightwing bombs come from and can controls be intensified? *Sowetan* correspondents Craig Kotze and Monica Nicolson investigated

FOCUS

AECI's Modderfontein plant on the Reef is the single largest factory of its kind in the world

These explosives must be transported and stored and a long chain of activities exist between manufacture and usage - a chain which at first sight seems particularly vulnerable to interception and sabotage by various elements

But with rigid controls at factories over explosives transportation and the storage of explosives for use above the ground, the system seems impregnable

Problem

It is, say the experts, at the end of the chain - the widespread availability and use of explosives at underground mines - that the real problem lies

Thousands of tons of explosives disappear into South Africa's mines every week and, according to police and mine sources, it is virtually impossible to impose total control over explosives under mining conditions

It is also on South Africa's mines along with rural farm areas that the main support for the far rightwing lies And with racial tensions still extremely high in places such as the Northern Free State goldfields the mines seem set to provide ample opportunity for rightwingers to arm themselves with explosives

A Welkom mine captain, Hendrik Steyn, is already being detained in connection with a massive blast at the black National Union of Mineworkers (NUM) headquarters in the town

The possibility that explosives can be stolen from magazines and other places above ground is not totally discounted but police say regulations and a tight permit system make control of above ground blasters very easy

It s not impossible for blasters using explosives for swimming pools and other commercial enterprises to steal explosives, but we keep them under such a tight rein that it would be very difficult

The problem definitely lies elsewhere - underground on the mines

It is easy to criticise them but we must remember that they have a vast problem It is not easy to control explosives underground and with the unions both white and black - resisting the searching of miners as they come out of shafts - it s even more difficult, ' said one policeman

Explosives

According to a mine boss in charge of signing out explosives, finding out how much was used and then making sure the excess was returned at the end of the day, was problematic

An official of the Department of Mineral and Energy Affairs in the Mining Engineers Department said it was very difficult to establish exactly how much explosive was used

' It is easy for a miner to put a few sticks of explosives in his lunch tin - especially when the fine for being caught is only R500 and/or 12 months imprisonment ' he said

It is stated in the Mines and Works regulations that the mine manager should appoint a person at exit points to search miners leaving work and that no miner had the right to refuse to be searched

The official pointed out that big mines like Anglo Vaal had 40 000 miners and to check everyone would be impossible

"We looked at putting in sensor gates - but every miner who came into contact with explosives during the day would get pulled off," he said

Meanwhile it was learned yesterday that the massive arms cache seized by the security police in a swoop on a Yeoville, Johannesburg house at the weekend was stolen from various military installations

Quantities of dynamite found in the house may have been stolen from mines

At least two military bases have been the target of thefts - that at Wemmer Pan in Johannesburg's Southern Suburbs and Air Force headquarters in Pretoria

Police are now working with the military to trace the origin of the latest weapons haul

Concern has been expressed about the lack of security at some military bases and the access to explosives and weaponry by Citizen Force members doing camps

Three white men have been arrested in connection with the possession of the huge cache of military explosives and grenades discovered

They are believed to have rightwing sympathies but have not yet been linked to any specific organisation, police sources said

Suspects

Police are in possession of an AWB membership card with a picture of one of the suspects on it

At this stage it is not known whether the man is still a member

Police have not yet linked the men to any specific crimes, other than alleged illegal possession and the group does not seem to have any link with 10 suspected rightwing terrorists detained over the weekend

The case against the three suspects is registered in Kempton Park but police are still investigating from which bases the explosives came

The cache included Claymore anti personnel mines used by the Defence Force in ambushes to blow a swathe of small metal balls through enemy ranks

Such a device would be far more deadly than limpet mines or commercial explosives if used by terrorists in an urban environment

The cache included dynamite possibly stolen from a mine plastic explosives 39 M26 hand grenades Cordtex fuse and a 38 revolver and ammunition

The three suspects are Norman van Biljon Julio Aruma and Michael Street They appeared in the Johannesburg Magistrate s Court on Tuesday They were not asked to plead and the case was postponed to July 16 The men are in custody

At the time of the break in at the Wemmer Pan base police did not release the details of the weapons and explosives taken

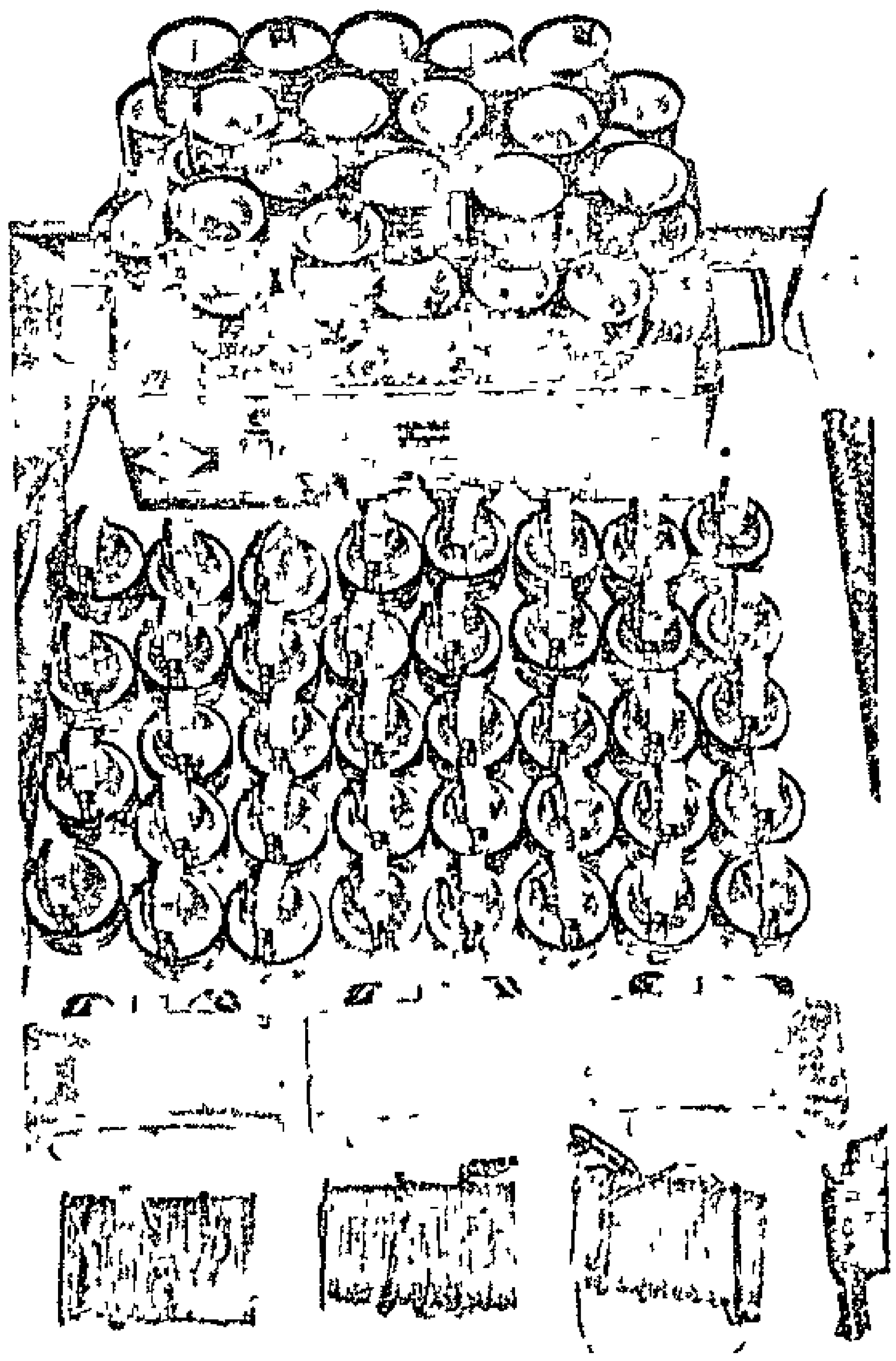
Only arms and ammunition were stolen in the raid on the armoury at SAAF headquarters in Pretoria

South Africa s most wanted man Piet Skiet' Rudolph, has claimed responsibility for the weapons thefts

Bomb blasts

Police yesterday released the names of another seven suspected rightwing terrorists being held in connection with a series of bomb blasts in Johannesburg Boilermaker Lodewyk J Minnie (39) supply clerk Petrus J Bester (31) technical control officer Leon van Rensburg (44) salesman Craig D Barker (20) Arthur Archer (29) who is unemployed and shop manager Eugene Becker (28)

The others whose names are already known are Leonard Veenendal Darryl Stopforth and Israel Rootenberg



Deadly haul the explosives found by police in a Yeoville home at the weekend The row of rectangular-shaped objects second from the right are Claymore mines while the M26 grenades can be seen in holders in the centre of the photograph The cigar-shaped objects are dynamite sticks

Media Council

THE South African Media Council is an independent body established to deal with various matters affecting media reporting and comment

One of the council's functions is to receive and act upon complaints from members of the public who have not been able to get satisfaction by approaching a newspaper or other news media directly

Complaints must relate to published editorial matter and should be lodged within 10 days of publication But late complaints may be accepted if good reasons can be advanced

The address is The Conciliator/Registrar SA Media Council PO Box 5222 Cape Town 8000 Telephone (021) 461-7317 Inquiries are welcome

- **Sowetan cartoonist Len Sak is away on leave His work will reappear when he returns.**

KENNISGEWING 572 VAN 1990

ONDERSOEK NA DIE DOEANETARIEWE VAN TOEPASSING OP PLASTIEKE EN PRODUKTE VAN DIE CHEMIESE EN VERWANTE BEDRYWE

Hierby word vir algemene inligting bekendgemaak dat die Minister van Handel en Nywerheid en Toerisme die Raad van Handel en Nywerheid versoek het om ingevolge artikel 4 van die Wet op die Raad van Handel en Nywerheid, 1986 (Wet No. 107 van 1986), ondersoek in te stel na, verslag te doen oor en aanbevelings te doen insake die tariefbeskerming verleen aan die bedrywe wat plastieke en chemiese en verwante produkte vervaardig, met spesiale verwysing na 'n moontlike verlaging in die vlak van die bestaande regte tot vry van die reg, met deeglike inagneming van die bedrywe se bydrae tot die ekonomie as geheel, die vermoë van die bedrywe om op die internasionale en binnelandse markte mee te ding en die effektiewe beskerming wat deur die regte verleen word.

Ten aanvang sal die ondersoek toegespits wees op die volgende produkte.

Beskrywing	*Doeanetariefindeling*
Bensool	2707 10
Toluool	2707 20
Xilool	2707 30
Petroleumgasse en ander gasagtige koolwaterstowwe	27 11
Asikliese koolwaterstowwe	29 01
Sikliese koolwaterstowwe	29 02
Gehalogeneerde derivate van koolwaterstowwe	29 03
Misstowwe	Hoofstuk 31
Polimere in primêre vorme	39 01, 39 02, 39 03, 39 04, 39 05, 39 06 en 39 07

Besonderhede van verdere stappe in die ondersoek wat betrekking het op die ander produkte indeelbaar by Hoofstukke 27, 29 en 39 en die produkte indeelbaar by Hoofstukke 28, 30, 32, 33, 34, 35, 36, 37 en 38 sal later vir algemene kennisname in die *Staatskoerant* gepubliseer word.

Belanghebbendes word versoek om, indien hulle beplan om vertoe te rig, so spoedig moontlik met die Raad van Handel en Nywerheid [mnr S Meyer, mnr G. Rudman of mnr. G. Bester, Tel. (012) 322-8244] in verbinding te tree rakende die uiteensetting van hul vertoe. Vertoe moet skriftelik gerig word aan die Hoof Uitvoerende Beampte, Raad van Handel en Nywerheid, Privaatsak X753, Pretoria, 0001, en moet binne ses weke na die datum van hierdie kennisgewing ingedien word.

(RHN-verw. T5/2/7/2/1)

(13 Julie 1990)

NOTICE 572 OF 1990

183

INVESTIGATION INTO THE CUSTOMS TARIFFS APPLICABLE TO PLASTICS AND PRODUCTS OF THE CHEMICAL AND RELATED INDUSTRIES

Notice is hereby given for general information that the Minister of Trade and Industry and Tourism has requested the Board of Trade and Inudstry to investigate, report on and make recommendations, in terms of section 4 of the Board of Trade and Industry Act, 1986 (Act No 107 of 1986), on the tariff protection afforded the industries manufacturing plastics and chemical and related products, with special reference to a possible reduction in the level of the existing duties to free of duty, in due cognisance of the contribution made by the industries to the economy as a whole, the ability of the industries to compete on the international and local markets and the effective protection afforded by the duties.

To begin with, the investigation will concentrate on the following products:

Description	*Customs tariff classification*
Benzole	2707 10
Toluole	2707 20
Xylole	7 20
Xylole	2707 30
Petroleum gases and other gaseous hydrocarbons	27 11
Acyclic hydrocarbons	29 01
Cyclic hydrocarbons	29 02
Halogenated derivatives of hydrocarbons	29 03
Fertilisers	Chapter 31
Polymers in primary forms	39 01, 39 02, 39 03, 39 04, 39 05, 39 06 and 39 07

Particulars of further steps in the investigation relating to the other products classifiable under Chapters 27, 29 and 39 and the products classifiable under Chapters 28, 30, 32, 33, 34, 35, 36, 37 and 38 will be published in the *Government Gazette* for general information at a later stage

Interested parties intending to make representations are requested to contact the Board of Trade and Industry [Mr S Meyer, Mr G. Rudman or Mr G Bester, Tel (012) 322-8244] as soon as possible regarding the form of their representations Representations in writing must be made to the Chief Executive, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, and must be submitted within six weeks of the date of this notice.

(BTI Ref T5/2/7/2/1)

(13 July 1990)

KENNISGEWING 573 VAN 1990

DOEANE- EN AKSYNSTARIEFAANSOEKE — LYS 5/90

A. Die volgende aansoeke wat deur die Raad van Handel en Nywerheid gedurende die tydperk 1 Mei 1990 tot 31 Mei 1990 oorweeg is, is nie gesteun nie:

Verhoging van die reg op:

Koppelaarvoerings (Lys 22/89, T A.K. 890385) (Verslag 2866).

NOTICE 573 OF 1990

CUSTOMS AND EXCISE TARIFF APPLICATIONS.—LIST 5/90

A. The following applications considered by the Board of Trade and Industry during the period 1 May 1990 to 31 May 1990 have not been supported

Increase in the duty on:

Clutch facings (List 22/89, T A C 890385) (Report 2866).

183 Star 17/7/90

AECI in joint venture with Rand Refineries

Finance Staff

A joint venture to manufacture a high value speciality chemical has been announced by AECI Limited and Rand Refinery Limited, an affiliate of the Chamber of Mines of South Africa

Neither party would reveal details of the size of the joint venture or exactly what each was contributing

Production will be aimed chiefly at the international market but will have some import replacement benefits for the local economy

The chemical, to be used exclusively in the gold plating industry, will be made by a new company, Goldchem (Pty) Limited, in which the partners have equal shares The technology has been developed by AECI and is new to SA

The venture which is not very labour intensive, is the culmination of prolonged development by AECI Chlor-Alkali and Plastics Limited's business ventures group

The partners will jointly manage the business with Rand Refinery looking after production and AECI playing a leading role in marketing the product

Planned to international scale, the plant is currently being constructed within the core of Rand Refinery's site near Germiston which has recently undergone a R78 million modernisation programme The Goldchem plant is scheduled for completion in early November

Goldchem will be competing internationally with similar major industries The value of the product is closely related to the gold price becaue the chemical has a 70 percent gold content One ton of the chemical therefore has an estimated market value of tens of millions of rand

International

According to a Goldchem spokesman, the company's target market will be Eastern countries (where there is a huge demand for costume jewellery) and, the international electronics industries

"The project is important as it demonstrates the ability of our chemists, engineers and marketing people to pull together in developing new business, including the technology, from scratch," he says

"The technology is novel and has been patented. We see this venture as the first of many into the arena of high added value chemicals," he concludes.

Acquisitions boost Chemserve

Finance Staff Star 17/7/90

(183)

AECI subsidiary Chemical Services (Chemserve) boosted earnings per share by 20,5 percent to 147c (122c) in the six months to end-June, after incorporating recently acquired Akulu-Marchon and SA Paper Chemicals.

The interim dividend is up 7,5c to 45,5c

As a result of the two acquisitions turnover rose 31 percent to R205,3 million (R156,5 million) and operating profits surged 46 percent from R14,5 million to R21,2 million.

Chemserve increased its stake in Akulu-Marchon and SA Paper Chemicals earlier this year when it acquired the interests held by UK group Albright and Wilson for R24 million

The deal lifted Chemserve's assets to R200,4 million (R168,9 million), but total borrowings more than doubled to R50,7 million (R25,2 million) and the gearing ratio increased from 31 to 65 percent.

CAPE TIMES 17/7/90

AECI in joint SA chemical venture

183

Business Staff

A JOINT venture to manufacture a high value speciality chemical has been announced by AECI Limited and Rand Refinery Limited, an affiliate of the Chamber of Mines of South Africa.

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According to a Goldchem spokesman, the company will target Eastern countries, which have huge costume jewellery and electronics industries "The project is important as it demonstrates the ability of our chemists, engineers and marketing people to pull together in developing new business "

AECI's poor results highlight weakness of the economy

Star 18/7/90

(183)

By Ann Crotty

Figures from AECI, the first major listed company to report for the six months to end-June, have stunned the market and highlight the extent of the weakness in the economy.

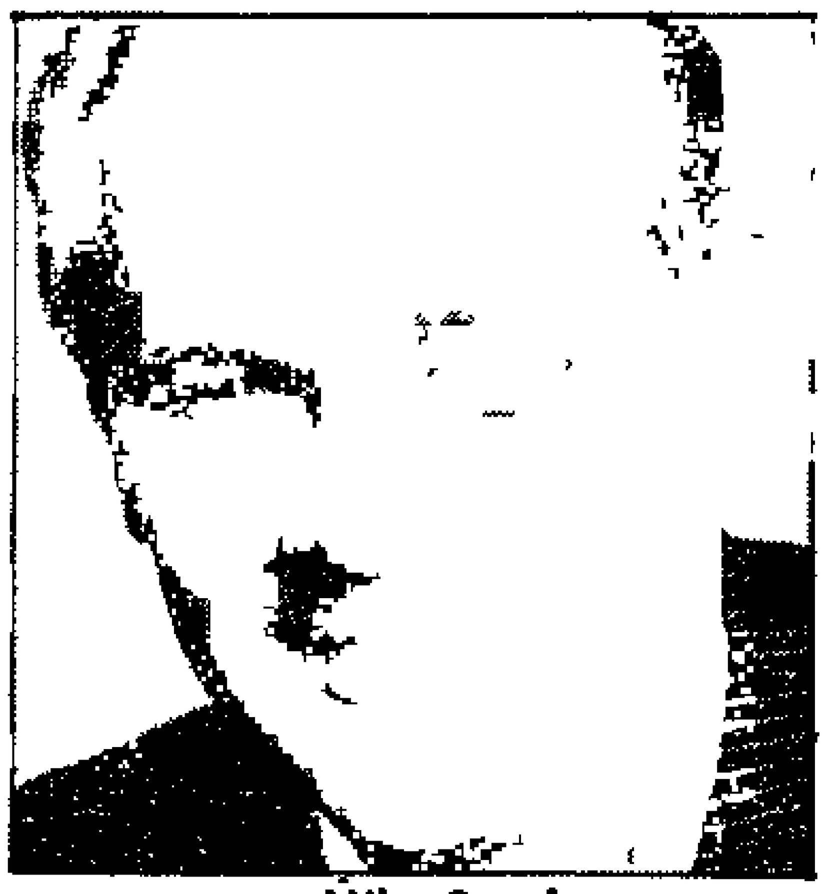
The giant chemicals, explosives and plastics group has reported a 13 percent drop in interim earnings to 73c a share from 84c Extensive destocking as well as fairly widespread industrial action aggravated the impact of the economic downturn on the group's performance.

Analysts had been expecting first half earnings to be unchanged on financial 1989's interim with the really tough conditions only being reflected in the second half profit performance

AECI management had expected the first half to be difficult MD Mike Sander says they indentified the much weaker trend in the last quarter of financial 1989 But management could not have anticipated the extensive destocking or the sporadic work stoppages that hit their customers and worked back to interrupt demand at AECI

Despite the extremely tough first half, Mr Sander is looking to unchanged earnings for the full year But this hinges on the nonrecurrence of the destocking problem and an improvement on the industrial relations front

He notes "Present indications are that the worst effects of the destocking process have been seen and that end-user consumption should translate more directly into demand for the group's products during the second half of the year



Mike Sander

"Provided that industrial action does not escalate further, this stabilisation of demand together with measures already taken to contain costs is expected to enable the group to achieve earnings for the full year at a level similar to that of 1989."

To do this, AECI will have to produce second half earnings of 130c — nine percent up on financial '89's second half earnings of 119c a share.

For the six months to end-June the group reported turnover of R2,4 billion (R2,3 billion) But pressure on margins and prices, reflecting the tougher trading conditions, meant that trading income was down 14 percent to R219 million (R255 million)

Financing costs were down to R48 million (R53 million) which management attributed to a reduction in the average level of borrowings that resulted from the tighter control of working capital

After allowing for tax (R68 million) and investment income (R15 million), attributable income was R113 million — down 13 percent on the previous year's R130 million.

Apart from the reduction in finance costs, there was little cheer in the interim performance. Domestic sales volumes were down 6 percent and although export sales volumes were higher, lower international commodity prices meant that revenue from exports was down on the June 1989 figure.

According to Mr Sander, some areas of the local market were weaker than others But the list of the weak areas is fairly extensive the mining industry, construction industry, automotive industry, textile industry and the paint industry.

The generally weaker conditions were exacerbated by extensive destocking which appeared to be precipitated by a sharp drop in business confidence and was aggravated by high interest rates The impact of this, hit sales in March and April

~~In addition:~~ "Industrial action caused considerable disruption to production at the Modderfontein and Sasolburg factories and hampered progress in aligning operations to the lower level of demand" As a result margins were lower in most of the group's divisions.

Mr Sander is not expecting a pick up in the economy to help second half performance but rather that (in the absence of destocking) demand will be more in line with consumption In addition management is looking at ways to reduce costs in order to improve margins

'Progress' on R2bn investment

183

MIKE ROBERTSON

DICUSSIONS with Italian state-owned corporation ENI on possible new investment of more than R2bn in chemical, plastic and related industries in SA have reached an advanced stage, Trade and Industry Minister Kent Durr said yesterday.

Durr has just returned from a 12-day visit to Italy, where he met ENI president Gabriele Cagliari and held talks with several Italian cabinet ministers

09

They included Trade and Industry Minister Adolfo Battaglia and State Participation Minister Carlo Fracanzani Durr was also received by Vatican Prime Minister Agostino Casaroli B/D4 18/7/90

Durr said yesterday he was encouraged by the meetings. There were several promising opportunities for improving trade links between Italy and SA A delegation of the Italian business organisation Confindustria would visit SA later this year to discuss joint projects

The Italians were interested in discussing joint ventures — particularly beneficiation of a wide range of raw materials

Italy was developing into a post-industrial society and had increasing pollution problems, he said For this reason the businessmen and politicians he had met were keen that Italy import beneficiated products rather than raw materials

Durr said he had discussed with Battaglia the possibility of bringing highlights of a "state of the art" handicrafts exhibition, which he had attended in Italy, to SA

Casaroli, he said, had told him the Vatican was watching developments in SA with great interest. "I was impressed by his understanding of our situation. He .. was confident that a just solution could be found."

MEDICINE

Beware the floods of imitation drugs

Star 18/7/90 183

Beware of imitation drugs flooding the market in the wake of publicity for Retin-A, warns a leading dermatologist.

Retinoic Acid, which is marketed as Retin-A, was introduced in 1977 as an acne treatment.

Later, it was dubbed the "wonder drug" when research showed added benefits from its use, especially in reversing the effect of ageing from sun damage.

The dermatogolist, who cannot be named for ethical reasons, says over-the-counter products which contain Retinol (Vitamin A) do not have the same effect as Retin-A.

"Some of the cosmetic houses are making creams containing Retinol and giving the impression that these are different guises of Retin-A.

"These highly priced creams are sold with unsubstantiated claims that they lead to cellular repair and biological changes in the skin as would occur with the use of Retin-A.

"However, Retin-A is a Schedule 3 drug and the law prohibits its use in products sold over the counter," she says.

"All products containing Retinoic Acid have to be registered with the Medicines Control Council and prescribed by qualified medical practitioners"

The product is available in South Africa, on prescription only, in cream or gel form and should be used only under medical supervision.

CAROLINE HURRY

CHEMSERVE FM 20/7/90

Chemical compound

Chemserve's first-time consolidation of newly acquired Akulu-Marchon (A-M) and SA Paper Chemicals (SAPC) boosted turnover sharply in the six months to June They contributed 18% of the half year's 31% turnover advance

183

The fact that the two newcomers sell higher-margin products helped to boost the overall trading margin to 10,3% from 9,3% However, director Lex van Vught points out that Chemserve also managed to increase margins on its other products

A-M and SAPC were bought for R24m on January 1 when UK chemicals group Albright & Wilson divested and became wholly owned subsidiaries after acquisition of shareholdings formerly held Albright & Wilson of the UK The transaction increased Chemserve's total assets to R200,4m (R168,9m) but the borrowings more than doubled to R50,7m and the gearing ratio increased to 65% from 31%

Van Vught says Chemserve's trading cash flow is good and he foresees that gearing will be cut to an acceptable 50% within six months.

Demand for the group's products weakened during the past few months in line with the overall contraction in economic activity and a difficult second half year is foreseen Still, it is possible the final could be increased in line with the interim

Gerhard Slabber

ACQUISITIONS BOOST

Six months to	Jun 30 '89	Dec 31 '89	Jun 30 '90
Turnover (Rm)	156,5	179,2	205,3
Trading profit (Rm)	14,5	22,4	21,2
Pre-tax profit (Rm)	11,8	19,0	17,4
Earnings (c)	122	183	122
Dividends (c)	38	62	45,5

Pressed chemical industry looks to specialist products

B\day 23\7\90 (183)

BRENT MELVILLE

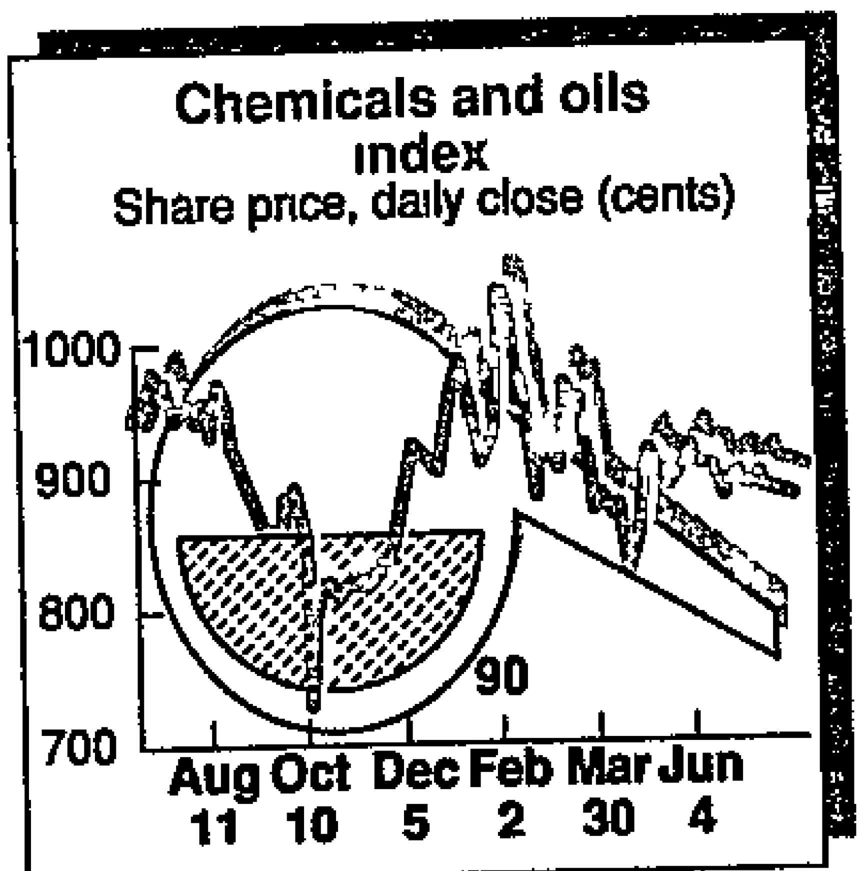
WITH declining domestic demand and crumbling international prices eroding performance figures in SA's chemical industry, the market's major players are finding themselves looking increasingly to specialist products for a reprieve

The three major producers — Sentrachem, AECI, and Sasol — have all been suffering from a depressed commodity chemical market. The recent performance of AECI in particular, gauged by its results for the six months to June, shows satisfactory growth in only its specialised chemical business — Chemserve

AECI posted a 13% drop in earnings on the back of what MD Mike Sander termed a "hard, grinding" six months Conversely, Chemserve's speciality seems to be in achieving new profit plateaus, with a 46% improvement for the half-year

Chemserve financial director Lex van Vught said speciality chemicals were no longer small business "We are following the trend started about two decades ago by the big international corporations which now derive a substantial proportion of their profits from specialist chemicals"

In following their larger overseas counterparts such as German-based Hoechst and Bayer and America's DuPont and Union Carbide into the specialist niche, the industry is also replacing expensive imports and potentially opening up a lucrative export market



Graphic: LEE EMERTON Source: JSE

Sankorp's R2bn-a-year chemical interest, Sentrachem, has been highly active in investigating the potential for downstream products Sentrachem MD Johan van der Walt says the group's strategy has involved targeting niche markets and adding value to local raw materials

Prompted by large losses several years ago, and lacklustre domestic demand at present, the group has undertaken extensive rationalisations in its commodity chemical divisions and is gearing itself for the production of specialist chemicals

As part of this Sentrachem merged its agricultural chemicals operations with Farm-Ag's into Sanachem, it acquired Sappi's chlor alkali business and Agbro, and built two plants worth a combined R74m aimed at import replacement of specialist chemical components

More importantly the group has proposed that production begin on its joint venture with AECI on a R6bn naphtha-cracking project, which will provide the critical building blocks to SA's chemical industry

Sasol, although a relative newcomer, has made significant inroads into the specialist chemical game Sasol intends to continue its expansion into the production of the higher margin products, such as explosives, where it is already giving AECI a good run, admits an AECI spokesman.

Van Vught says the problem for the big chemical producers is that commodity chemical factories usually require major financial investment and complicated plants "Whereas there may be more technology involved in the production of speciality chemicals, the end process is simpler

"There is also always the attraction of higher margins," he said, with the proviso that potential for a much more rapid increase in profits lay within the commodity chemical market in boom times

SA backs timetable to phase out CFCs

183

BRENT MELVILLE

A MAJORITY vote to speed up the timetable for phasing out chlorofluorocarbons (CFCs) and other damaging chemicals was passed at a recent conference in London

SA representatives at the conference, aimed at upgrading steps to save the ozone layer, backed the motion

Signed by 56 of the 100 nations present at last month's meeting, the agreement included the setting up of a $240m international fund through which industrialised nations could help developing countries adopt environmentally safer technology

Revisions to the Montreal Protocol, which came into effect in April and was signed by SA in January, include cutting worldwide CFC use by 20% by 1993, 50% by 1995, and 100% by the year 2000 The use of carbon tetrachloride will be cut 85% by 1994 and 100% by 2000, by which time 70% of all use of methyl chloroform should be phased out, with a total ban by 2005

Ian MacDonald of the Wildlife Society Ozone Assessment Board said on Friday "To organise and persuade the majority of industrialised nations to eliminate some of the world's most useful industrial chemicals within a decade means that the problem must be of absolutely catastrophic proportions." B 1194 231779

A spokesman for AECI, SA's sole producer of CFCs, said AECI would find it quite easy to cut down to the 50% level through reductions in aerosol use, although slashing 75% of CFC out of industry would mean impinging upon refrigeration use. Any higher percentage meant eliminating use in deep-level mining

Because AECI was in such a confined market the group was not prepared to devote money or technology to research into finding alternatives. AECI's UK parent ICI was putting £100m into research into a CFC alternative called 134A, but this substitute would not be available in sufficient quantities until the middle of the decade.

As an interim measure AECI was constructing a CFC 22 plant at Sasolburg. CFC 22 had only 20% of the ozone-depleting potential of the CFC 11 and 12 currently in use

Star 24/7/90 (183)

Medicines battle: Govt ultimatum

By CARINA LE GRANGE

The dispute between the medical and pharmaceutical professions over doctors who dispense prescriptions is in the process of being resolved after a recent meeting during which agreement was reached between the Pharmaceutical Society of South Africa (PSSA) and the Medical Association of South Africa (Masa).

While doctors have maintained it was their right to dispense medicine, the pharmaceutical profession has officially claimed this was a "vexing problem" threatening the existence of the profession as a whole

The agreement in principle between the PSSA and Masa to "jointly resolve their dispute" was reached at one of a series of meetings held between the two professional bodies late last month.

It followed an ultimatum by the Minister of Health, Dr Rina Venter, that the Government would intervene if the crisis had not been settled by August 15

Details of the agreement will not be made public until after a meeting with Dr Venter on August 2. Neither party is speaking, except to each other.

This sudden lull follows a long period where pitched battles were fought on the pages of the journals of both bodies and in the media, and during which representations were made to the parliamentary joint committee on health in March and April this year

In May Dr Venter warned unless the two parties managed to get their houses in order themselves, the Government would intervene

B/Day 24/7/90

183

Ruhold's off-shore plan held

MARIETTE DU PLESSIS

RUBENSTEIN Holdings (Ruhold), with subsidiaries involved in financial services and plastics manufacture, has postponed its plans to found an off-shore credit operation

Ruhold financial director Peter Riskowitz said plans to establish an off-shore credit operation for the confirming and establishment of letters of credit had encountered "unrelenting resistance from authorities with regard to necessary exchange approval".

The Reserve Bank, he said, previously approved the transfer of funds overseas more readily, but due to the international community's favourable change in attitude towards SA in terms of sanctions and disinvestment, the bank recently tightened its policy in this regard.

Riskowitz believed the Reserve Bank's view was premature "The need to establish off-shore operations does exist, because political developments will only have an effect on the current economic climate in the long term "

Ruhold has an effective 31% interest in Combined Packaging and joint control with Lenco Holdings

Since February 1990 the company has successfully restructured its plastics operations, but as a result of labour unrest in the beginning of July, these operations lost more than a week's production, with a related loss in turnover for this period, Riskowitz said.

In keeping with Ruhold's policy, no interim dividend was foreseen at this stage.

COMPANIES

B|Day 25/7/90

Aroma plans liquor expansion

MARCIA KLEIN

AROMA Liquor Holdings' hotel division was performing well and directors planned expansion in the liquor division, accountant Tiziano Santovito said yesterday

(183)

And in the annual report chairman and MD Mike Kovensky said there had been an increase in turnover and customers since January Turnover in the hotel division was expected to reach "record" levels due to favourable public response to the new facilities, including 50 extra rooms and expanded conference facilities

Improved liquidity ratios were expected as a result of the reduction in stockholdings since year-end

Kovensky said the listed group had the required infrastructure in place to implement the expansion opportunities opened up by Trade and Tourism Minister Kent Durr

Durr announced in May, in terms of the Liquor Act, any group or person holding 12 licensed outlets could acquire six more, a move welcomed by Kovensky

Aroma reported a 10% decline in taxed income for the year to end-February Earnings fell to 6c (6,7c) a share and dividends were maintained at 2,5c

The decline was attributed to trading difficulties, the cost of extensions to the Brackenfell Aroma Protea Inn and provisions in the Liquor Act preventing expansion, later removed by Durr's announcement.

The Muizenberg outlet was closed after construction work in the area made it unprofitable

Although there had been no expansion, directors were looking for the right areas to move into and were "waiting on changes in the Group Areas Act".

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DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGSONTWIKKELING

No. 1698 **27 Julie 1990**

WET OP DIE BEHEER VAN MEDISYNE EN VERWANTE STOWWE (WET No 101 VAN 1965)

INTREKKING VAN DIE REGISTRASIE VAN MEDISYNE

Hierby word ingevolge artikel 17 van die Wet op die Beheer van Medisyne en Verwante Stowwe, 1965 (Wet No. 101 van 1965), bekendgemaak dat die Registrateur van Medisyne, met die goedkeuring van die Medisynebeheerraad ingestel by artikel 2 van genoemde Wet, die registrasie van die volgende medisyne ingetrek het

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No. 1698 **27 July 1990**

MEDICINES AND RELATED SUBSTANCES CONTROL ACT (ACT No 101 OF 1965)

CANCELLATION OF THE REGISTRATION OF MEDICINES

It is hereby notified, in terms of section 17 of the Medicines and Related Substances Control Act, 1965 (Act No 101 of 1965), that the Registrar of Medicines, with the approval of the Medicines Control Council established by section 2 of the said Act, has cancelled the registration of the following medicines

Nommer Number	Naam van produk Name of product	Applikant Applicant	Datum Date
P/21 1/301	Insulin Velosulin 40 iu	Novo-Nordisk (Pty) Ltd	89-10-06
P/21 1/302	Insulin Velosulin 80 iu	Novo-Nordisk (Pty) Ltd	89-10-06
P/21 1/304	Insulin Insulatard 40 iu	Novo-Nordisk (Pty) Ltd	89-10-06
P/21 1/305	Insulin Insulatard 80 iu	Novo-Nordisk (Pty) Ltd	89-10-06
P/21 1/298	Insulin Mixtard 40 iu	Novo-Nordisk (Pty) Ltd	89-10-06
P/21 1/299	Insulin Mixtard 80 iu	Novo-Nordisk (Pty) Ltd	89-10-06
B/11 2/206	Dicolic Cramp Drops	Adcock Ingram Laboratories Limited	89-12-29
B/13 4 1/207	Topilar Ointment	Adcock Ingram Laboratories Limited	89-12-29
B/13 4 1/209	Topilar Cream	Adcock Ingram Laboratories Limited	89-12-29
B/2 9/221	Level Capsules	Adcock Ingram Laboratories Limited	89-12-29
C/8 3/6	Hydrex Injection	Adcock Ingram Laboratories Limited	89-12-29
C/20 1 1/132	Urfamycin Syrup	Adcock Ingram Laboratories Limited	89-12-29
C/20 1 1/133	Urfamycin Injection	Adcock Ingram Laboratories Limited	89-12-29
C/20 1 1/134	Urfamycin Capsules	Adcock Ingram Laboratories Limited	89-12-29
E/5 4 1/59	Emeldopa Tablets	Adcock Ingram Laboratories Limited	89-12-29
F/11 4 2/247	Adcobiscarb Mixture	Adcock Ingram Laboratories Limited	89-12-29
H/13 6/84	Methyl Salicate Ointment	Adcock Ingram Laboratories Limited	89-12-29
H/13 6/85	Methyl Salicate Linament	Adcock Ingram Laboratories Limited	89-12-29
H/7 5/88	Cholemel Capsules	Adcock Ingram Laboratories Limited	89-12-29
H/4/2735	Absolute Alcohol Injection	Adcock Ingram Laboratories Limited	89-12-29
J/18 7/117	Norquest Tablets	Adcock Ingram Laboratories Limited	89-12-29
J/3 1/225	Suppil	Adcock Ingram Laboratories Limited	89-12-29
K/18 1/338	Cyclozide Tablets	Adcock Ingram Laboratories Limited	89-12-29
J/18 1/235	Cyclozide Tablets	Adcock Ingram Laboratories Limited	89-12-29
LX/22 1 4/272	Calciferol Injection	Adcock Ingram Laboratories Limited	89-12 29
Q/2 9/209	Aspegic Powders	Adcock Ingram Laboratories Limited	89-12-29
Q/2 9/210	Aspegic Powders	Adcock Ingram Laboratories Limited	89-12-29
Q/2 9/211	Aspegic Powders	Adcock Ingram Laboratories Limited	89-12-29
A/2 8/804	L R 122	Roussell Laboratories (Pty) Ltd	90-01-12
J/33/255	Lumelix-N	Voortrekker Apteek	90-02-19
M/11 4 1/277	Laxa Fiz Sparkling Antacid Salts	Pharmador Limited	90-03-26

No. 1700 **27 Julie 1990**

AANSTELLING VAN VOORSITTER, ONDERVOORSITTER EN LEDE VAN DIE SENTRALE RAAD VIR MEDIESE SKEMAS

Die Minister van Nasionale Gesondheid en Bevolkingsontwikkeling het kragtens die bevoegdheid haar verleen by artikels 5 (1) en 7 (1) van die Wet op Mediese Skemas, 1967 (Wet No. 72 van 1967), die volgende persone met ingang van 1 Julie 1990 vir 'n tydperk van drie jaar aangestel as Voorsitter, Ondervoorsitter en lede van die Sentrale Raad vir Mediese Skemas.

Voorsitter:

Mnr. Stephanus Johannes Naude Marais.

Ondervoorsitter:

Mnr. Herbert Alfred Peters.

Lede:

Dr. Colin McKenzie Cameron.

Mnr. Brian Cook.

Mnr. Johannes Albert de Klerk.

No. 1700 **27 July 1990**

APPOINTMENT OF CHAIRMAN, VICE-CHAIRMAN AND MEMBERS OF THE CENTRAL COUNCIL FOR MEDICAL SCHEMES

The Minister of National Health and Population Development has, under and by virtue of the powers vested in her by sections 5 (1) and 7 (1) of the Medical Schemes Act, 1967 (Act No 72 of 1967), appointed the following persons to be Chairman, Vice-Chairman and members of the Central Council for Medical Schemes for a period of three years with effect from 1 July 1990

Chairman:

Mr Stephanus Johannes Naude Marais

Vice-Chairman:

Mr Herbert Alfred Peters

Members:

Dr Colin McKenzie Cameron

Mr Brian Cook.

Mr Johannes Albert de Klerk

Better days ahead seen for Molyslip

(183)

Diagonal Street

Star 27/7/90

LYNNE PEACH

DCM-listed Molyslip has disclosed a disappointing set of results for the year to February, largely because of increased financial costs.

But it could do better in the year ahead, brokers say.

They believe that if export business continues to grow and group borrowings are reduced, or interest rates start easing, profit could show significant growth this year.

In the annual report, chairman Roberty Spanjaard is positive about the group's outlook.

He expects further substantial increases in sales and an acceptable level of income.

Molyslip carries on business as a manufacturer and distributor of specialised lubricants and allied chemical products for industrial and consumer applications.

The company also has the sole distribution rights for metal powders manufactured by a company controlled by two of the directors.

The subsidiaries include a property company and its holding company.

Mr Spanjaard says in the interests of securing the long-term supply of metal powders, the margin on these products was reduced and that this is beginning to bear fruit in that the metal powder manufacturer has improved its trading results since year-end.

In the year to February group turnover climbed 20 percent from R10,9 million to R13,2 million.

There was a substantial improvement in export sales, which form a significant part of turnover, and this trend is expected to continue, if not accelerate, in the current year.

Operating profit increased 15 percent from R746 000 to R861 000

Margins came under pressure as a result of increased overhead costs due to the establishment of a professional management team and the reduced margins from metal powder sales.

After the interest bill more than tripled from R99 000 to R359 000, pre-tax profit declined by 22 percent from R647 000 to R502 000.

The latter figures also represent attributable profit as no tax payments were made in financial 1989 and financial 1990.

Earnings a share decreased from 11,4c to 8,8c, while the dividend for the year remained unchanged at 3c.

The balance sheet discloses a 42 percent rise in total borrowings from R645 000 a year ago to R916 000.

This pushed gearing up from 25,6 percent to 32,1 percent.

Net asset value appreciated by 13 percent from 44,3c a share to 50,1c.

Molyslip, priced at 75c, is trading on a P/E ratio of 8,5 and provides a dividend yield of four percent.

Brokers believe the thinly traded share is worth holding on to, but should be sold if the interim results are disappointing.

COMMENT: Molyslip's share price entered a downward trend three months ago when the price fell from 95c to 75c.

The price will have to rise above 83c to confirm a trend reversal.

AECI FM 27/7/90

Volumes hit

(183)

Labour unrest — suffered by customers and in AECI's plants — was one of the more significant reasons for the 13% slide in the group's interim earnings

There were a number of other adverse developments, such as weak international prices and the stable rand exchange rate against the dollar But the key problem was the drop in domestic sales volumes, which fell by 6%, with turnover rising by only 6%

MD Mike Sander does not quantify how much of the turnover weakness resulted from labour unrest in the market, but the figure partly reflects general intensification of this activity in recent months The directors cite extensive destocking, together with sporadic work stoppages which worsened the impact

FM 27/7/90 (183)

of the downturn Industrial action disrupted production at the Modderfontein and Sasolburg factories and hampered progress in aligning production to the reduced demand

AECI successfully uprated its linear low density polyethylene plant to 100 000 t/year in 1989, creating a base for further expansion of exports

Exports rose to 14% of turnover from 8% a year ago, but lower international prices eroded the gains The international chemical market is thought to have bottomed out ahead of the European summer holiday and a small firming in prices is expected after the holiday season

If management is right in their belief that the worst effects of the destocking process have been seen and if the labour situation stabilises, some improvement should be seen in the second half. Management is cautiously forecasting unchanged earnings for the year, based on these assumptions. They must also be assuming the economy does not weaken much further.

Meanwhile, the interim dividend has been pegged — there is no chance of an increase for the year — and the share has shed 200c to R15 in response to results which the market regards as worse than expected

Gerhard Slabber

AECI plan to reduce CFCs

B/Day 20/7/90

ZILLA EFRAT (183)

AECI Chlor-Alkali & Plastics has announced a R200 000 project to reduce the amount of chlorofluorocarbons (CFCs) being released into the atmosphere

The programme, which starts this month and is based on technology developed in-house, will recover CFCs from large refrigeration plants and rework the product for later re-use

AECI will visit major CFC users, collect the product from the customer and take it to its Sasolburg plant where impurities such as oil and heavy metal deposits will be removed

The operation will not only serve bulk users but will encourage wholesalers and distributors of CFCs to collect the gas from their customers for reworking

Proteapak withdrawal eases spare capacity

ZILLA EFRAT

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SPARE capacity in the competitive woven plastic packaging industry, which became heavily overtraded by the first quarter of this year, will be eased by the withdrawal of Proteapak, reports BMI FoodPak

Proteapak's closing, coupled with cuts in decentralisation benefits, could result in the industry's return to almost full capacity in due course, it says

BMI FoodPack found demand in the woven plastic packaging market is likely to rise 4,5% this year However, the growth rate in the medium term is expected to fall slightly

B Day 31/7/90

One reason for this is heightened competition from alternative packaging methods Mineral producers, mining industry suppliers and wool producers are investigating other types of packaging

Purchases by the milling industry, which takes more than half of all woven plastic sacks produced, will continue to expand despite a trend towards bulk deliveries

BMI FoodPak warns that woven bag manufacturers serving the chemical industry — the second largest user of woven plastic packaging — will have to improve their products to meet new international standards coming into effect at the beginning of next year

However, salt, which closely follows chemicals in market size, could provide a major opportunity for woven sacks

Afrox shares rocket on a rosy prediction

B\Day 2/8/90 183

GAS manufacturer and healthcare operator Afrox's shares jumped 75c this week to a 12-month high of 3 600c after management predicted a rosy future during an Investment Analysts' Society briefing. The share was bid at 3 475c yesterday.

Afrox's business interests were characterised by stability, steady growth and a broad customer base, which accounted for it usually doing well in a downturn relative to the economy, Afrox CE Peter Joubert said "We are driven by (improving) earnings a share and expect it to be much the same at the year-end as previously"

Afrox's UK-based parent company BOC has agreed that, when necessary, it will sell a further 2,5% of its 57,5% shareholding to Afrox to boost its employee share ownership scheme, AOL Unit Trust.

AOL holds 8% of the shares, making it the second-largest shareholder

The company's three main interests — gases, welding and hospitals, were all doing well, Joubert said

"The gases business grows in multiples of GNP and always does well One of our main aims is to extend the range of applications," he said

MANDY JEAN WOODS

"Welding is linked to the domestic consumption of steel, which is going through a lean time It is, however, the strongest of our businesses in terms of market share" The gases and welding divisions account for 80% of Afrox's profits

Afrox's 11 hospitals represented steady growth generally unaffected by economic cycles

"Major health opportunities lie in poorly managed state health facilities Generally, inefficiency is abhorrent and we believe we could reduce nurses' training by 30% and make it more effective," Joubert said

He said Afrox had discussed with government the possibility of commercialising hospital services rather than privatising state hospitals

"We hope to lease a hospital soon" Joubert declined to identify the hospital or the terms of the lease, but said he hoped details could be made known within the next few weeks.

Afrox planning and development manager Rodney Man said the long-term prospects of Afrox were very much tied into SA's long-term economic potential "The company is therefore gearing itself towards a situation of flexibility and responsiveness to meet any challenge which may arise, rather than trying to forecast what may or may not happen

"For example, sophisticated computer systems are being implemented to manage stocks more efficiently and to obtain optimum output from our gases production plants in accordance with any change in demand"

There were a number of major projects, most of them in the planning stage, to which Afrox was ready to commit its services "in full", he said

He mentioned the naptha cracker project of AECI and Sentrachem, the Mobil expansion and the possible Iscor Corex expansion in Vanderbijlpark, Newcastle or Saldanha Bay

"There is also continuing oil and gas exploration offshore Sasol has also announced its expansion programmes for Secunda," Man said

"Afrox has traditionally performed well in economic downturns While healthcare is fairly non-cyclical, much of our gases and welding products are used for maintenance purposes at such times These characteristics give stability to the company"

Afrox steps on the gas and cares for the sick

S/Times 5/8/90

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THE second-largest shareholder in Afrox after BOC is the group's staff. Perhaps for this reason Afrox is going like a train. The triple-core group disproves the belief that recessions hurt industrial companies.

Chairman and managing director Peter Joubert and a troupe of top management gave a presentation to the Investment Analysts Society in which they showed what the businesses are, where the money is made, and where they are going The three mainstays are gases, welding products and medical care. The first and third are essentially recession proof, and the second is feeling the pinch

Afrox says it is SA's cheapest supplier of gas, largely because of a smart manufacture and supply scheme The biggest customers, such as Iscor, have the gas plant on their own premises for an over-the-fence supply

Afrox pays for the plants — there are 12 The clever bit is that the gas made over and above that customer's requirements is sold for Afrox's account

Fortunes

Large users are supplied from tankers — giant travelling Thermos flasks which cost R1-million or more to make in-house

The 35 000 small users get cylinders, of which there are a million costing R600 each — a R600-million asset Afrox spent R21-million on new cylinders last year — asset management is high on the priorities

Gas use grows in line with the fortunes of the gross national product Long-term supply contracts help it in slow times.

Welding products rely on consumption of domestic steel The two factories make all kinds of cutting equipment and welding electrodes, regulators, nozzles and safety products with high local content

Chairman and managing director PETER JOUBERT a blue-chip company with a strong employeee base driven by earnings growth on the bottom line

Health care has great prospects Afrox entered the field in 1984 not because it saw a market for its medical gases but because it foresaw growing demand for private health care It was right

With the money raised through the sale of Dowson & Dobson's engineering business, Afrox bought into Amalgamated Medical Services and delisted it There were four hospitals, and the number has increased by about one a year since then

Afrox now has about 15% of the private beds in SA That means about 10% of all hospital beds Average overall occupancy rates are 65% and more than 90% of patients' expenses are met by medical-aid schemes

The Afrox philosophy is not merely to administer hospitals but to manage them as any business should be

Dick Williamson, managing director of the medical division, says SA has enough hospital beds, but resources are ill managed

More than 60% of the cost of operating Afrox's hospitals goes on staff pay Afrox has had the cheapest entry into health care, having bought all but one of its hospitals and refurbished them The only one it has built was at a bargain basement cost of R160 000 a bed

Mr Williamson thinks no new licences will be granted for private hospitals, but a change in owner-manager profile is coming about

The group's personnel structure — as few people as possible — works The line manager is the personnel manager except for specialised functions such as training courses The concept of job ownership is sold heavily — a bit like the idea of home ownership

Mr Joubert says Afrox is driven by earnings growth at the bottom line Considering the employee participation it is not surprising, but that bottom line is not inflated to suit — more the opposite

Earnings a share would be 30% higher than reported if Afrox did not apply current-cost, or inflation accounting Even the management accounts are compiled on current cost

Trebled

Afrox trades on a relatively high PE of 14 but without inflation adjustment, the PE would be commensurately lower

Mr Joubert says BOC is a determined holder in spite of pressure on its US interests BOC was willing to part with 2,5 percentage points of its 57,5% holding to the Afrox employee unit trust scheme Afrox produces 12% of BOC's profits even though BOC has not invested a cent for 40 years

Afrox's share price has trebled in three years and it is one of the JSE's blue chips This week's presentation went a long way to justifying the apparently steamy rating and the price of R35

Peroxide — new friend of earth

183

S1 Times 5/8/90

By CHARMAIN NAIDOO

TWO chemical giants joined forces to commission a R60-million hydrogen peroxide plant, the first of its kind in Africa

The CG Smith Chemicals and AECI plant, housed at AECI's Umbogintwini premises near Durban, can produce 10 000 metric tons of the odourless, mildly acidic substance a year

Alliance Peroxide general manager Keith Harris says hydrogen peroxide is gaining popularity as an alternative to "aggressive oxidisers, such as chlorine-based chemicals"

"Hydrogen peroxide is environmentally friendly, emitting no process effluents It decomposes to produce oxygen and water"

Mr Harris says it is becoming the preferred oxidant in the textile, paper, chemical and water-treatment industries

Mr Harris says "Obtaining the technology for the plant was a scoop CG Smith Chemicals was looking for market gaps to diversify from sugar-based chemicals.

"We signed a licensing agreement with Ohio-based international consultants Apel Associates, which has more than 15 years' experience in this industry

"Because by-product hydrogen is produced at AECI's Umbogintwini factory, we formed a 50-50 venture"

Star 7/8/90 (183) (85) (85)

Doctors, chemists must co-operate – Venter

The vested rights of the Medical Association of SA (Masa) and the Pharmaceutical Association of SA (PPSA) had to be recognised in seeking a solution towards resolving their differences on the dispensation of medicines.

This was said in a statement yesterday by the Minister of National Health and Population Development, Rina Venter, after discussion with the two organisations last week.

Dr Venter stressed that in seeking a solution, the vested rights of the two professions should be recognised.

Both had a "great responsibility" in determining how they should co-operate without affecting those rights.

She said that at all times the interests of the patient would be paramount – Sapa.

Gresham chairman hopeful

MARIETTE DU PLESSIS (183)

GRESHAM Industries' acquisitions in the ~~year-to~~ end-March should make a meaningful contribution to the retail and wholesale-listed group's performance "in due course", says chairman Gordon Utian in the annual report. B\Day 8\8\90

Problems initially experienced in the pharmaceutical wholesale distribution division following the merger of Pretoria Wholesale Druggists (PWD) and SA Pharmaceutical Development Corporation (SAPDC) exacerbated the "depressant" effect which the economic slowdown and high interest rates had on the group.

Despite the 6% fall in turnover, Utian said the programme implemented by management of the pharmaceutical division to address industry conditions "already gives cause for encouragement".

However, he remained doubtful that the industry would stabilise in the short-term, and said problems facing Gresham would therefore "take time to be resolved".

COMPANIES

B1Day 8/8/90

Increase for Adcock expected

MARIETTE DU PLESSIS

BARLOW Rand's pharmaceutical subsidiary, Adcock Ingram (Adcock), is expected by an analyst to report a 26% increase in earnings a share to 180c (143c) for the year to end-September 1990 (183)

A dividend of 65c a share is forecast

Fergusson Bros analyst Richard Price says Adcock's strength lies in its strong position in the ethical drug market, medical care and hospital products, with the self-medication market and exports seen as natural growth areas

"Shareholders will not be disappointed," says Adcock chairman Robby Williams Despite the economic slowdown, the pharmaceutical group had a reasonable year during which acquisitions made in 1989 were fully integrated

An anti-ulcer agent, Losec, cough syrup Panadoc and Rhinocort for the treatment of nasal congestion were products successfully introduced by Adcock in 1990

Williams declined to comment on Adcock's expected turnover for 1990 since the final results are due in September However, he says all the divisions have shown substantial increases in turnover.

PSSA Contracts applies to board for exemption

BIDay 8/8/90

MARIETTE DU PLESSIS

PSSA Contracts, a division of the Pharmaceutical Society of SA (PSSA) which trades as Medikredit, has applied to the Competition Board for permanent exemption from the prohibition on price and supply collusion.

The Government Gazette dated August 3 says PSSA Contracts enjoys a temporary exemption which expires on December 31.

The prohibition affects contracts negotiated between Medikredit and medical aid schemes in terms of which members can obtain prescribed medicine from certain participating pharmacists.

(183)

Discounts

PSSA executive director Boet van der Merwe says the Medikredit contract system was developed to give medical aid members freedom of choice in purchasing prescribed medicines from any contracted-in pharmacy in SA.

Medikredit tariffs are based on tariffs laid down by the SA Pharmacy Council, says Van der Merwe The service is primarily in the patient's interest and guarantees medical aid schemes pre-determined discounts for prescribed medicines

The Pharmaceutical Manufacturer's Association (PMA) declined to comment until the matter had been considered at PMA's executive council meeting this month

Medscheme financial director Paul Bosch says the company is in favour of permanent exemption being granted to PSSA Contracts because unnecessary administration costs involved in the processing of medical claims will be cut out by Medicredit contracts.

Medical aid members have benefited from existing contracts between Medicredit and Medscheme and will continue to benefit from less administration and through advanced credit at pharmacies.

The temporary exemption has been renewed twice since it was first promulgated in May 1986. Provision is made for the Minister of Administration and Economic Co-ordination to exempt appropriate cases from the prohibition on a recommendation from the Competition Board.

Namibian third party to be backdated

LINDA ENSOR

THE promulgation of a Namibian version of SA's Mullilateral Motor Vehicle Accidents Fund Act — to be passed by Parliament this week — will settle the concerns of SA motorists travelling to the country without third party insurance.

Namibian Director of State Revenue Hannes Lubbe said yesterday the Act would be made retrospective to March 21 and would cover all who bought petrol or diesel in Namibia.

The fund will be financed through levies on petrol and diesel All Namibian contributions made to the National Energy Council (NEC) since independence pending the creation of its own fund will be transferred back to Namibia.

As the Namibian Act is retrospective, travellers involved in accidents since independence will have had third party cover, a fund spokesman said. BIDay 8/8/90

Noristan undergoes restructuring

B Day 10/8/90 (183)

MARIETTE DU PLESSIS

THE Noristan health care group has restructured its pharmaceutical, R & D, manufacturing and marketing divisions into one pharmaceutical business unit

Noristan director and head of the business unit Dr Fritz Snykers said it would consist of three operating centres — marketing, commercial and production.

The restructuring would enable the medical division, also part of the new business unit, R & D and clinical trials to combine all Noristan's innovative functions The production and R & D sections now operated seperately, while all Noristan's pharmaceutical marketing activities were combined into one unit.

Market intelligence and information services, part of corporate services, would now form part of the new business unit, he said

Snykers said the newly created commercial function would incorporate customer services and liaison, tenders, master scheduling and inventory planning as well as export business.

The pharmaceutical business, the group's core activity, together with the non-pharmaceutical businesses Noriscel, Noridata and newly acquired Crest Healthcare Technology, formed the group's main operational divisions

KEMTRADE FM 10/8/90

Shaking out

183

Activities: *Manufactures and distributes budget toiletries, pharmaceutical sundries and cosmetics*

Control: *Directors 81%*

Chairman· *R Y Lowenthal, MDs M R Yesner and N Taitz*

Capital structure *13m ords Market capitalisation R3,9m*

Share market: *Price 30c 12-month high, 47c, low, 20c Trading volume last quarter, 100 000 shares*

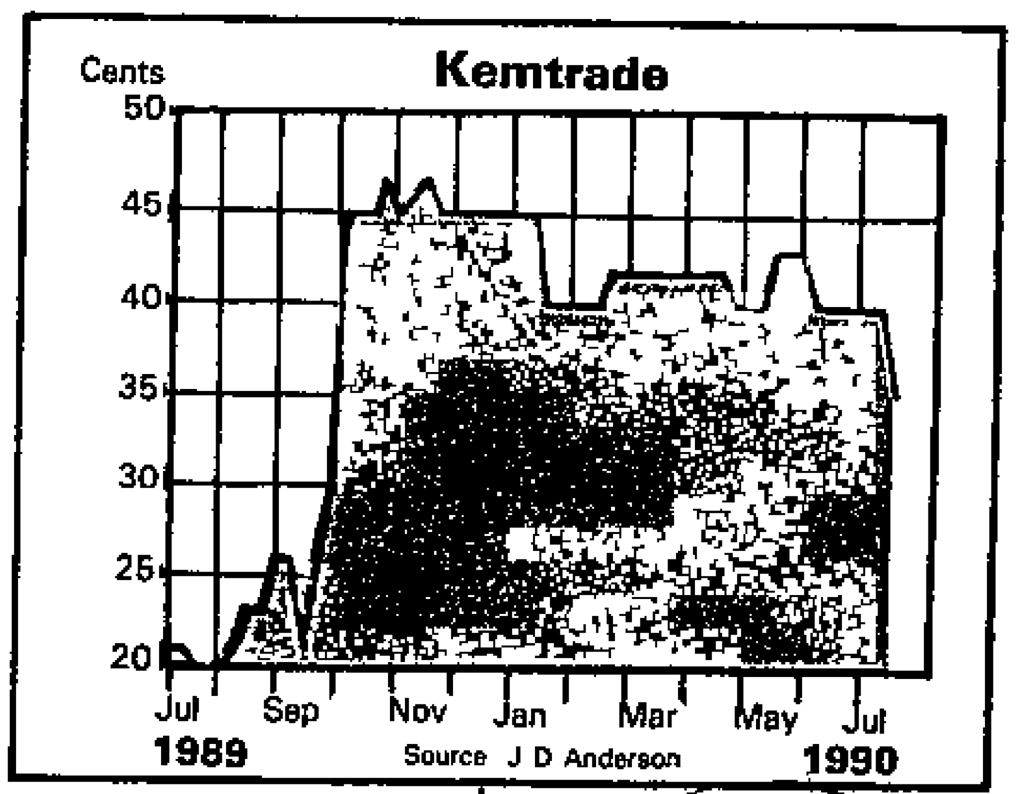
Year to Feb 28	***'86**	***'87**	***'88**	**†'90**
ST debt (Rm)	—	—	1,5	5,9
LT debt (Rm)	—	—	—	0,8
Debt equity ratio	—	—	0,32	0,48
Shareholders interest	0,66	0,73	0,55	0,22
Int & leasing cover	40	220	6,6	—
Return on cap (%)	21,0	22,8	14,2	—
Turnover (Rm)	—	—	—	—
Pre-int profit (Rm)	1,3	1,3	1,2	(1,1)
Pre-int margin (%)	—	—	—	—
Earnings (c)	7,3	8,6	6,1	—
Dividends (c)	3,3	3,7	2	—
Net worth (c)	34	35	36	20

* Year to Dec 31
† 14 months

The inherent value of Kemtrade's product lines, with some of the brand names established for more than 30 years, is what prompted a consortium led by Ronald Lowenthal to take control of the ailing pharmaceuticals and toiletries firm in October

A loss of more than R2m was posted for the 14-months to February after a distributable profit of R793 000 in the preceding year Reasons given for the bad results are a substantial decline in sales in the second half of the financial period, a disproportionate increase in expenses relative to sales and high interest rates on increased borrowings

Joint MD Malcolm Yesner says Kemtrade suffered from big structural problems when



FM 10/8/90 183

the consortium took over These ranged from outdated computer systems to ineffective accounting controls

The new management started to clean things up Some unprofitable product lines were discontinued and the old computer system was written off and replaced by one expected to help in tightening stock control Sales volumes are established on daily and regional bases and the information translates into proper production planning and stock levels Yesner says under the previous management very high stock levels built up in some product lines to more than a year's supply

Another criticsm he has is that all previous acquisitions were funded from cash flow Management is looking into restructuring the balance sheet, probably by issuing preference shares The object is to improve the debt equity ratio to acceptable levels

Yesner expects Kemtrade to move into profit by this year's halfway stage Better trading conditions in the second half will provide information to make a good assessment of the restructured company at the end of its financial year

Since the change in control, Kemtrade has acquired the business and products of Allied Pharmaceuticals for R3,1m

The share is trading at 30c after reaching a high of 47c in November *Gerhard Slabber*

Synfuel projects 'still not viable'

11Day 13/8/90

183

ZILLA EFRAT

EVEN a significant rise in the petrol price would not make investment in new local synthetic fuel projects commercially viable, oil industry spokesmen said at the weekend

The Middle East tension, which last week sent Sasol's share price to new peaks on the JSE, had already been felt in the landed cost of SA's fuel.

Before the Gulf turmoil, new local synfuels development had come to a halt Last year, government did not approve projects proposed by AECI and Gencor and it has still not decided on the sugar industry's proposed ethanol plant

Value

In addition, the viability of the R7,8bn Mossgas project, in which energy giant Engen has a stake, had been widely questioned in recent times.

An industry expert said even at a significantly higher crude price, the capital cost of synfuel production on a commercial basis would still be much greater than the market value of the product

A higher oil price would result in a rise in all the associated costs of building a synfuels plant, he said.

A Sasol spokesman said the current cost of replacing a plant of the size of Sasol 2 or 3 would be about R15bn.

This represents a marked jump from past estimates Sasol 2, which came on stream in 1980, cost R2,5bn and Sasol 3, which first produced oil in 1982, cost R3,3bn.

Sasol MD Paul Kruger confirmed that at current prices, Sasol could not consider new investments in oil-from-coal plants.

Engen chairman Bernard Smith added that government would be very reluctant to sponsor new synfuel projects even if oil prices rose

A higher fuel price would also not prompt the chemical industry to switch from oil-based to coal-based technology

Sentrachem CE Johan van der Walt said oil price rises would not affect the investigation by Sentrachem and AECI into the R6bn naphtha cracker plant to produce feedstocks for the chemical industry.

Because the petrochemical industry was based on fuel technology, the plant would remain competitive in world terms

Van der Walt said a similar plant based on coal technology was currently not competitive and the crude oil price would have to be substantially higher before it became so

While the Gulf conflict and the recent Opec fuel price rise could lead to another local petrol price rise, the situation has affected the existing synfuels industry positively

Sasol's share price closed at a peak of 1 560c on Friday after showing a steady rise during the week

With oil prices above $23 a barrel, the tariff protection for the synfuels industry does not currently apply to Sasol

Below $23 a barrel, Sasol enjoys variable tariff protection Between $23 and $28,70 a barrel it enjoys the full benefit of the increased oil prices.

Impact

If the price rises above $28,70 a barrel, Sasol pays government 25% of the difference between the ruling oil price and the $28,70 until the effect of the accumulated tariff protection has been neutralised Thereafter Sasol enjoys the full benefit of higher oil prices

While the rise in oil prices also increased the viability of Mossgas, the Gulf crisis made little impact on Engen's share price last week

Smith said this was because Engen had not yet made the decision to take up its rights in Mossgas He added that the oil price rise would increase the value of Engen's petrol stocks fare payments. Picture REUTER

He said shares of smaller companies had

He said he expected the recession to end next year

Retailers to return skin products worth R6m to Twins

183

MARIETTE DU PLESSIS

TWINS Pharmaceuticals' consumer division expects to receive R6m worth of stock of skin products containing hydroquinone back from the trade at the manufacturer's selling price after a change in legislation

GM Maurits Rood said Twins would export the excess stock to among other countries, Namibia, Botswana and Zaire

BDay 6/9/90

Rood said Twins' overall financial performance would not be affected since the company had started to phase out all products containing the hydroquinone substance and to replace the formulas in those products

Production of the products in question would continue, but without the hydroquinone ingredient

The phase-out followed government's ban on hydroquinone, which was announced in 1988 The ban on the use of hydroquinone in skinlightening creams — brought forward from January 1 1991 and gazetted on August 10 1990 — prohibited the import, manufacture or sale of cosmetics containing the substance

Although Twins acted previously to minimise stock, the change in the effective date of the ban resulted in excess stock in the trade

Scheme to drop discount

Star 17/X/90 (183)

The chairman of Pro Sano Medical Aid Scheme, Cyril Beukes, announced yesterday that Pro Sano would suspend the 15 percent discount on medicines previously required of dispensing doctors

The decision to suspend the discount opens the way for Pro Sano to negotiate its own cost-containment measures with doctors.

Mr Beukes said that the original 15 percent discount was introduced as a uniform cost-containing measure

Such discounts were devised to reduce the drain on Pro Sano medical scheme funds and keep medical-aid member subscriptions to acceptable levels — Sapa

CONFIDENCE INDICES F/M 17/8/90

Business uncertain

The SA Chamber of Business business confidence index (BCI) recovered slightly in July to 92, from 91,8 in June, after four straight months of decline

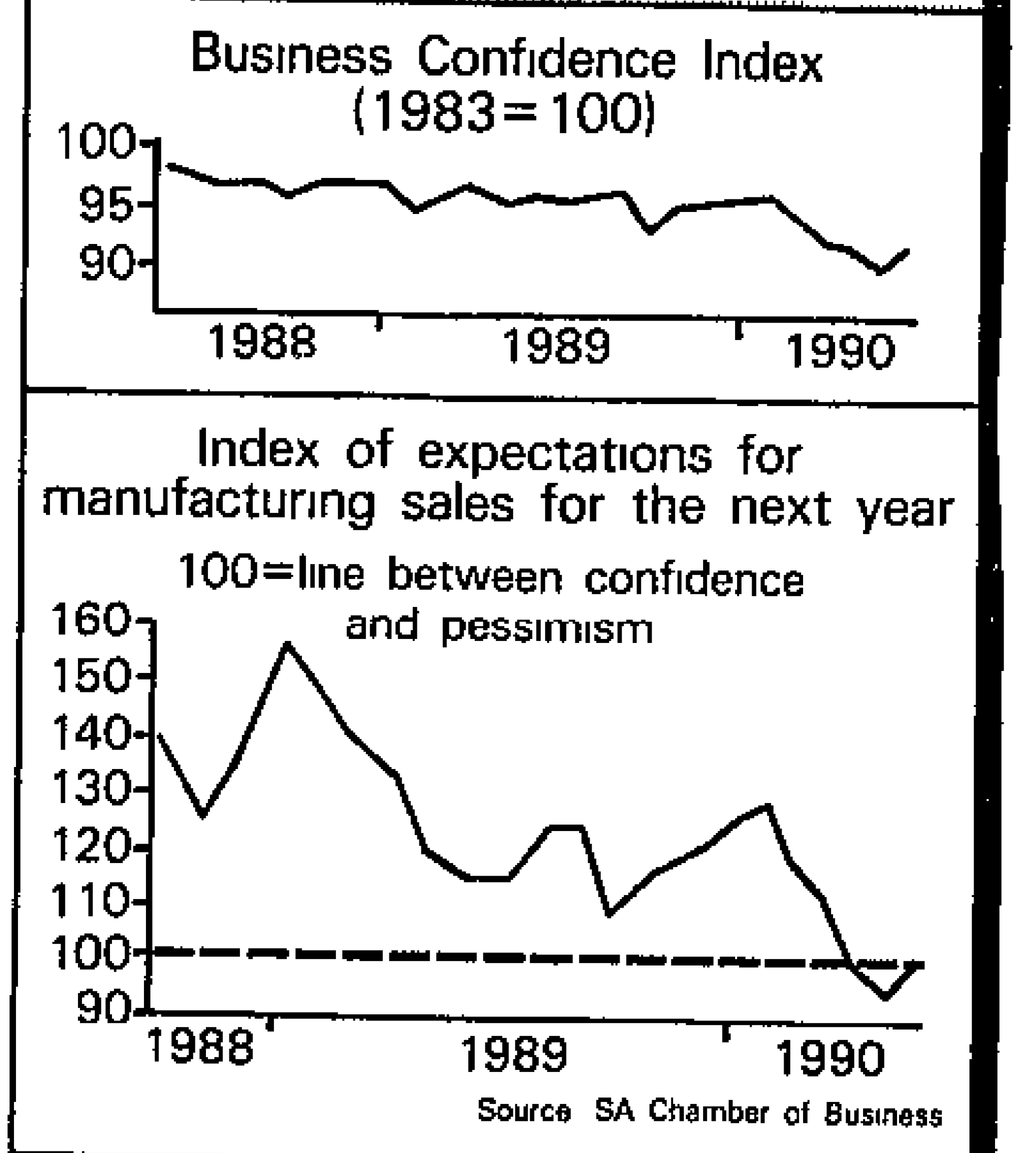
Confidence was buoyed by the higher dollar gold price, rise in real imports, fall in the June CPI from 13,9% to 13,6%, further drop in the three-month BA rate, increased exports, higher value of building plans passed and small increase in net immigration

These positive developments were largely offset by weaker JSE prices, lower new car and retail sales, higher unemployment and fewer new companies registered (180)

In the chamber's monthly report, economist Keith Lockwood continues to emphasise the negative effect of political uncertainty on business confidence While high interest rates could be calculated into investment plans, it is much more difficult to determine the effect of future political developments

Lockwood says many investors will want reassurance as to future economic policies before engaging in costly new projects Since

Levelling off



F/M 17/8/90

such assurances are unlikely in the short term, hopes of an investment-led upswing in the first half of 1991 are becoming more remote and the prospect of an extended and deep recession more real (180)

Uncertainty can be seen in the chamber's survey of manufacturing, which shows orders from the retail and wholesale sectors were expected to decrease in July As a result, respondents will be happy to maintain production volumes in the coming 12 months at the level of the previous 12 months

Sales are also expected to remain static In the light of the previous five successive months of declining sales expectations, this could be seen as good news and reflects hopes that sales will pick up early in 1991

□ It's not only SA manufacturers that are gloomy a survey in *The Economist* shows only 42% of businessmen polled worldwid (excluding Japan) expect sales to rise in the third quarter, down from 47% for the second quarter Australia, Britain and Canada have lowest expectations, Italy, France and West Germany top the list ■

'Light skin' cosmetics are finally banned

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Sowetan 17/8/90

By PEARL MAJOLA

SKIN lightening creams or any cosmetic containing hydroquinone can no longer be imported, manufactured or sold in South Africa

Hydroquinone is now controlled strictly as a Schedule 2 substance

This means that from August 10, when the notice was published in the Government Gazette, hydroquinone can only be sold at chemists under the discretion of pharmacists and cannot be sold to anyone below the age of 17

The ultimate ban on skin lighteners follows the long debate on whether skin lightening creams containing hydroquinone, a chemical which causes permanent damage to the skin, should be controlled as medicines are.

RINA VENTER

Last Friday the Minister of National Health and Population Development, Dr Rina Venter, decided in favour of control and withdrew the exemption of hydroquinone from the Medicines and Related Substances Control Act, making it a Schedule 2 substance

A pharmacist, who cannot be identified for professional reasons, said "The new law means that there is now a definite control over the sale of hydroquinone or any product that contains it, unlike in the past when it was available from any supermarket

"Making hydroquinone a Schedule 2 substance means that not only will it be exclusive to pharmacies, but it will be sold under the discretion of a pharmacist who will record the name of the buyer, who must be over 16 years of age, on the Schedule 2 register,' she explained

The initial date for the banning of skin lighteners was July 1989 but manufacturers threatened to contest the ban in court, which resulted in the former Minister deciding to grant them a three-year phasing-out period

This year the manufacturers contested the ban unsuccessfully in the Transvaal Division of the Supreme Court They were contesting that the ban be effective only on January 1 1991 as agreed last year

WOMAN

Mid-East war threats boost SA's synfuels

W/Mail 17/8 - 19/8/90

THE threat of war in the Gulf and rising world oil prices have provided an unexpected boost to South Africa's highly developed synthetic fuels industry

But industry analysts said it was too soon to draw long-term conclusions about the expansion of capacity for man-made fuels

"Let's first let the dust settle and then we can see what it all means," said Bernard Smith, chairman of South African energy corporation, Engen Ltd, part of the mining house Gencor Ltd

Iraq's invasion of Kuwait on August 2 did, however, underline how vulnerable Middle East oil supplies were, he said

Benchmark oil prices have risen from around 18 dollars a barrel just before Iraq invaded Kuwait to 25 dollars and some foreign oil analysts say it could go much higher

"Uncertainty has been created about the fate of 25 per cent of the world's proven reserves," said Peter Gignoux, a director at London trading house Lehman Brothers

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The uncertainty, exacerbated in South Africa by a partial anti-apartheid oil boycott and the lack of independent oil resources, boosted shares in t Sasol Ltd oil-from-coal facility from 13 60 rand (5 26 dollars) before the crisis to 14 80 rand (5 72 dollars) on Thursday

Sasol, with a 1989 turnover of 4 1 billion rand (1 6 billion dollars), is believed to supply up to half South Africa's fuel needs and, according to industry analysts, generates foreign exchange savings of about 3.3 billion rand a year.

Smith, whose Engen group is managing the development of an eight billion rand (3 1 billion dollars) oil-from-gas facility at Mossel Bay on the south coast, said the government needed to re-examine its synfuels policy in light of Gulf developments

"I think all countries in the world would like to have an independent oil supply or a synfuel capacity as an insurance against this sort of thing," he said

He said the rising oil price would not influence Engen policy on the Mossgas development, the country's second major synfuels project, which isdue to begin converting fuel from the offshore gas fields at Mossel Bay around April, 1992

"It is clear that the Mossgas development was not seen to be commercially viable when the decision was made to go ahead with it It was a matter of national security a strategic decision that took it forward," he said

Smith said the oil price would probably have to rise further, however, to attain the plant's viability threshhold

"We have worked on a per barrel price of about 25 dollars as the point at which Mossgas would become commercially viable its probably rather higher than that now," he said

The government encouraged synfuel development particularly in the face of anti-apartheid sanctions that have forced it to buy oil in confidential deals often at a stiff premium

But government funding for private projects to extract petroleum from oil shale and methanol from coal was withdrawn in November as the sanctions showed signs of easing under the stewardship of President F W de Klerk

A Sasol spokeswoman said the firm's state-subsidy, designed to cushion it against low petroleum prices, fell away this month for the first time since it was set up in 1950 after the oil price topped 23 dollars a barrel when Iraq went into Kuwait

But Sasol managing director Paul Kruger said "Sasol will not consider constructing any new synfuel production facilities, even at the current oil prices"

Now-banned skin-lighten cosmetics (183) to be sold outside SA

By PAT SIDLEY

THE country's biggest manufacturer of skin-lighteners will export its newly-banned wares to other African countries. WMail 17/8 - 19/8/90

Health Minister Dr Rina Venter last week gazetted a notice which made any substance containing hydroquinone a medicine controlled by law and sold only by pharmacists

The same gazette prohibited the sale, manufacture or import of any cosmetic containing hydroquinone from August 10

The company which manufactures the majority of skin-lighteners on the market — Twins Pharmaceuticals — attempted to stall the minister with a court order, but failed

Now Twins says it will export the creams to other countries in Africa

Twins Pharmaceuticals consumer division general manager Maurits Rood yesterday told the *Weekly Mail* his company intended to export the creams it is unable to sell here to other countries in Africa including Zambia, Namibia and Botswana (Zimbabwe has similar legislation to South Africa's) Twins makes about 70 percent of skin lighteners which were legally available as cosmetics until last week

Mr Rood said his company had existing markets in Africa which were also supplied by US and British companies.

But the Department of Health told the *Weekly Mail* yesterday that in its opinion it would be illegal to export the skin-lightening cosmetics.

Now another legal clash between the ministry and the manufacturers looks likely.

Consumer groups and doctors have for years tried to get hydroquinone controlled, as it can cause severe disfiguring when used as a skin lightener The industry has resisted this, claiming that only its misuse causes the disfiguring.

Dermatologists say that while the new law is a vast improvement, the substance can be sold over the counter by a pharmacist once it has been registered ~~as a medicine~~, and there is nothing to stop a pharmacist selling it to anybody who asks for it

Additionally it would take an army of inspectors to police all the outlying rural general dealer stores to see that they stopped selling the cosmetic

According to the head of the Dermatological Society, Dr Mary-Ann Sher, dermatologists are delighted that Venter has controlled the sales

She said the profession originally asked for it to be made a schedule 3 drug (on doctors' prescriptions only), but she said this fight could be taken up again at a later stage

The legal position now is that any substance containing two percent hydroquinone or less can be sold by a pharmacist as a medicine Some substances contain more than this and have to be prescribed by doctors

Farm-Ag turns in a loss of R7,7-m

Star 17/8/90 183

By Ann Crotty

A litany of woes from Farm-Ag to explain the "material reduction in profitability" that turned a financial '89 attributable profit of R11,2 million into a loss of R7,7 million in the 12 months to end-June 1990.

The list includes increased working capital requirements and inept working capital management in certain subsidiaries which aggravated the impact of higher interest rates to produce a doubling in interest charges from R9,2 million to R19 million

The group's Potter and Moore toiletries, household products and pharmaceutical division reported a loss of R3,7 million — no explanations are given.

Losses of R11,2 million were incurred in the group's Staalchem retail agricultural chemical division, the M5 engineering division and the Nu-Care toiletries division Again no explanation for the losses is given but management points out that all of these divisions were sold during the year.

Farm-Ag's associated companies increased their contribution by 21 percent to R3,5 million

In the second half of the year, management undertook a major rationalisation and reorganisation programme. This involved the disposal of poor performing operations and those with heavy working capital requirements.

Also involved was the acquisition by Farm-Ag of the agricultural chemical wholesaling and retailing business of subsidiary Staalchem as well as the minority interest in its subsidiary Hyperchemcials International. The retail portion of the agricultural chemical business acquired from Staalchem was subsequently sold.

Joint venture

Then Farm-Ag merged its agricultural chemical manufacturing and wholesale operations with those of Sentrachem in a joint venture Farm-Ag has agreed to sell its stake to Sentrachem at end-February '95 on the basis of a predetermined price formula.

Ahead of all this rationalisation the loss for financial '90 was 56,9c a share. No dividend will be paid.

Rale, which holds 63,8 percent of Farm-Ag, reported a loss of 8,1c a share. No dividend will be paid.

Banned

(183)

but still

South 23/8 - 29/8/90

on sale

By MUSA NDWANDWE

TWO weeks after the banning of the manufacture, import and sale of the skin lighteners, the cream is still readily available in the Western Cape.

An investigation this week showed that cosmetics containing the skin damaging hydroquinone chemical are still obtainable over the counter at various general dealers in the Peninsula

In terms of a notice in the government gazette two weeks ago, hydroquinone — containing skin lighteners were now a medicine controlled by law and could only be available from pharmacists on prescription.

Department of Health spokesperson Karen Klobel, said that it was a "crime" to sell skin lighteners over the counter as from August 10

Concern

"According to the law they are not supposed to be have these wares on their shelves as from August 10," she said

But she acknowledged that most dealers were likely to continue to stock the products

The ban came after numerous appeals by progressive consumer groups and concerned dermatologists that skin lighteners cause permanent damage to the user's skin and should be banned.

In pursuit of a brighter complexion, scores of black women have caused extensive disfiguring to their skins

Dimension

This has triggered a considerable concern from health workers who staged numerous awareness campaigns

Their efforts paid off with the halting of skin lighteners advertisements in all media

The issue of skin lighteners took on a political dimension with the advent of the Black Consciousness Movement in the early 70s

A myth prevalent among specially African people was that the brighter the complexion, the more beautiful and socially accepted you are

In terms of the government ban, any substance containing more than two percent of hydroquinone can be acquired only through a doctor's prescription

"The most important thing is to educate people that there is nothing wrong with their black skins," said Shawco health worker Stompie Mosala.

"But education is almost unworkable when these creams are easily available from our shops "

Mosala is appalled at the "alarmingly high rate" of the use of skin lightners especially in the squatter areas

Doctors and health workers fighting for the ban on skin lighteners have always been met with a dismisal from the industry, claiming that only the misuse of the products causes harm

A local company producing 70 percent of skin lighteners is reportedly planning to export its wares to other African countries

SA fuel price rise inevitable — NEC

W/Mail 24/8 - 26/8/90

By REG RUMNEY

IF world oil prices stay above $28 a barrel an increase in the price of fuel is inevitable, according to the National Energy Council

World oil prices surged above $30 a barrel yesterday

The latest increase in world oil prices could eventually add 5c to 7c to the cost of a litre of petrol. A 6c rise in the petrol price would increase the inflation rate, as measured by the Consumer Price Index, by 0,5 percentage points

The NEC has pointed out in the past that fuel demand is relatively inelastic

It is difficult to predict when the NEC will raise prices. However, the NEC will say the recent "overpaying" by motorists for their fuel was reversed dramatically this month

Increases in world oil prices are not reflected immediately in petrol and diesel prices because the South African fuel industry operates a buffer fund called the "slate"

The slate can go into the red (when motorists underpay) as well as being in surplus from time to time.

Eventually, the local fuel price must mirror the price of oil on world markets

Even Sasol, though it produces fuel domestically from coal, is paid according to world fuel prices

South African fuel prices are determined according to a complex formula that takes into account a world price of refined petrol and diesel in dollars

The exchange rate of the rand against the dollar also affects the calculation of the price of petrol

If the rand appreciates against the dollar, any rise in oil prices may be cancelled out. The rand has stayed firm, but oil prices have shot up

Santam economist Roy Justus yesterday predicted that the oil price rise could be cancelled out for South Africa to some extent by a rise in the gold price

Gold closed in London at $412,75 an ounce yesterday

"If the crisis in the Middle East deteriorates," he said, "it would benefit the gold price and that would offset the crunch to some extent, but the benefits of a higher gold price would take a fairly long time to work through into general economy

"What will emerge from the Middle East crisis (assuming there is no outright war) is that the average price of oil will finally stabilise at a considerably higher level in the future.

Whereas a short while back oil was around $15-$16 a barrel and $19-$20 immediately before Iraq's invasion of Kuwait, I cannot see it settling down at much below $24-$25 a barrel in the future," said Justus

This would upset profit prospects and economic growth throughout the world, and bring renewed inflationary pressures world-wide South Africa would not be able to escape an increase in the local petrol price

While it is believed that most governments have contingency plans to contend with disrupted oil supplies and a rising oil price, Justus did not expect the South African government to fall back automatically on its strategic oil reserves to feed the market's demands

"I wouldn't be surprised to find that the money tied up in South Africa's strategic oil reserves could eventually make a contribution to social spending

"Many millions of rands are involved in the hoard of oil, and it would come in very useful to meet future needs

"Taking a long-term view, with sanctions lifted and free trade again possible (including the importing of oil), this massive hoard of oil would not be as necessary and could well be reduced thus releasing some of its hidden wealth."

Sapa-Reuter reports that world oil prices topped $31 a barrel yesterday, their highest since December 1982, and analysts believe they will rapidly spiral higher if fighting breaks out in the Gulf.

Oil prices have now climbed more than $10 since Iraq invaded Kuwait on August 2, and market analysts say that if the war of words in the Gulf turns into fighting, there is only one direction they can go — up

Amic's earnings fall 19,5 percent

WMail 24/8 - 26/8/90

(183)

Weekly Mail Reporter

ANGLO American Industrial Corporation (Amic) has maintained its interim dividend at 110c a share for the first six months of 1990, in spite of a 19,5 percent decline in earnings a share to 451(561c)

Amic's attributable earnings decreased by 19,5 percent to R243-million (R302-million)

Turnover increased marginally to R2,96-billion (R2,79-billion) with earnings from operations falling to R344-million (R586-million) and income from associated companies to R109-million (R118-million)

Interest earned amounted to R46-million (R26-million), while interest paid and finance lease charges increased by R14-million to R70-million Taxation was lower at R103-million (R241-million), of which normal tax was R50-million (R130-million) and deferred tax R53-million (R111-million)

Amic's directors expect local trading conditions to be more difficult in the second half of 1990

In addition, they believe recent political events and resultant higher oil prices could have recessionary effects on international trade and commodity prices

In these circumstances, Amic's earnings for the year are expected to show further deterioration

Focusing on the quality of life

(183) Star 27/8/94

Chemical giant AECI Limited spend 60 percent of their R6,2 million Quality of Life budget on education

Sandy Vandeyar, Quality of Life budget manager, said AECI had three main CSI budgets — one for scholarships, one for tertiary education and the third to improve the quality of life of South Africans

AECI spend one percent of their pre-tax profit on their Quality of Life budget

"We found that it is impossible to cover the whole spectrum of needs across the country and so we ended up focusing on certain identified communities where our employees lived," he said

CSI activities fall under two broad categories of education and community development

On the educational front AECI identified their main priority areas as teacher upgrading, science and technical education, the improvement of English and communication skills in schools and the improvement of basic facilities in classrooms

Mr Vandeyar said that there were many teachers without matric "One of the projects we are particularly proud of is the establishment of Promat colleges — colleges which provide Std 9 and matric in one year — and we have many teacher students here," he said

"Another project we are involved in is the establishment of the first non-racial teachers training college in Pretoria"

"An area of concern is the upgrading of English and communication in schools We do a lot of work with READ in this regard and we have an upcoming story festival"

AECI have recently donated funds to the ACE education centre in Alexandra for a computer science class and science laboratory

On the community development front, AECI's main priorities are job-creation programmes, early child educare and the development of leadership skills

End of a 10-year battle to ban skin lighteners

BDay 30/8/90 (183)

SA HAS banned skin lightening cosmetics, blamed by local doctors for disfiguring thousands of black women, after a rearguard battle by manufacturers defending a lucrative market

The government this month abruptly brought forward a ban planned for next January on cosmetics containing hydroquinone — the key ingredient in creams used by blacks who want a fairer skin

"After all the hard work put in to get the substance controlled, we are ecstatic," said Dermatological Society chairman Dr Mary Ann Sher "There have been very bad effects on skin from the continued use of skin lighteners"

She said hydroquinone caused ochronosis — permanent ugly dark patches on the face and, in serious cases, grainy black lumps under the skin

But Maurits Rood, general manager of top manufacturer Twins Pharmaceuticals Ltd, said. "Obviously we are very unhappy with the situation."

Twins denies that properly used skin lighteners are damaging. It says the ban will merely foster an unofficial market in home-made products, with dangerous consequences.

Twins argues hydroquinone does not cause ochronosis, and damage is due to users adding stronger substances like bleach.

The controversy has dragged on for more than a decade, while manufacturers fought to keep their products on supermarket shelves and protect an industry worth R70m a year in retail sales.

The government originally aimed to ban the creams in June last year, then postponed the move until early 1991 But Health Minister Rina Venter suddenly ordered all such products off the shelves from August 10 this year

ANTHONY BARKER

"Any cosmetic containing it (hydroquinone) may not be imported, manufactured or sold," she said in a statement.

This month, the Transvaal Supreme Court rejected a last-ditch attempt by Twins, which accounts for R35m of the annual sales, to stop the ban.

Aides said Venter had accepted the case for tighter control

Twins says because of the sudden change in dates, it has been stuck with goods worth up to R13m

Rood said that Twins would consider exporting the creams that now cannot be sold in SA elsewhere on the continent, including Zambia, Namibia and Botswana

In SA, products containing hydroquinone will now be available from pharmacists only as registered medicines

Sher said the restriction was not tight enough "We feel that the government should go further and that hydroquinone should be given on prescription only"

She said surveys showed about 30% of black women in the densely populated Johannesburg and Pretoria region had damage from skin lighteners.

Damage had persisted despite a ruling in 1983 limiting hydroquinone in creams to two per cent

Rood said skin lighteners were used elsewhere in Africa without harm and had a bigger market in the US, where laws are more strict than in SA

"According to information based on US data, hydroquinone is safe and effective," Rood said

Anthropologists say one reason skin lighteners are sought is that ideas of beauty have been influenced by concepts of racial superiority, especially in SA

"Successful people are seen as light-skinned people," said one university anthropologist who asked not to be named

But ochronosis victim Anastasia Thula, who as a young nurse used creams containing hydroquinone in the 1970s, denied that she had bought such products to look whiter.

"It was included in products which were billed as being ideal for black skins," said Thula, now a spokeswoman for the National Black Consumers' Union

Thula said the disfigurement had done grave psychological damage to women who had hoped for beautiful skins

"I am very happy," she said of the ban "We are dealing with the skin of a human being, a black human being Any person will always want to have a beautiful face," Thula said — Reuter

LETTERS

Govt urged to act on medicine costs

B|Day 30|8|90

183

MARIETTE DU PLESSIS

GOVERNMENT should intervene to help reduce the cost of medicine and improve health care in SA by addressing problems in the pharmaceutical industry, Gresham Industries chairman Gordon Utian said yesterday

Rising costs could severely hamper pharmaceutical wholesale and retail businesses if

● UTIAN

government did not alleviate the present situation

At Gresham's AGM yesterday Utian stressed the need to address inequities in the pharmaceutical industry, where vested interests had created a situation in which wholesalers were caught up between manufacturers, retailers and doctors

Manufacturers demanded exeptionally high prices for their products, and doctors, influenced by advertising and sampling campaigns, prescribed their products

Consequently, consumers remained oblivious to the fact that in many cases there were equally effective medicines available at a fraction of the price

Utian also questioned the credibility of the medical aid system, in terms of which pharmacists were being pushed by medical aid societies to assume the role of a discounter

This and other urgent issues were brought to the attention of the Department of Health and Development three years ago, when the De Villiers Committee of Inquiry was appointed to look into pharmaceutical matters Utian said no feedback has been received from the department since

A department spokesman said yesterday the De Villiers committee should be able to report back during late September

General Optical feels pressure

Star 30/8/90 (183)

The benefit of the 16,9 percent increase in sales achieved by General Optical Company for the year ended June was offset by pressures on overheads and higher finance costs

Net income reflected a marginal drop to R1,56 million, compared with the previous figure of R1,61 million. This translates into earnings a share of 57,4c (58,9c)

In the present economic climate the directors decided to declare an unchanged final dividend of 11c, making an unchanged total of 16c for the year

Battle against skin lighteners ends

(183)

Sowetan 30/8/90

FOCUS

SOUTH AFRICA'S decision to ban skin lighteners has been welcomed by the medical profession, but not by manufacturers.

The skin lightening cosmetics had been blamed by local doctors for disfiguring thousands of black women, after a rearguard battle by manufacturers defending a lucrative market.

The Government this month abruptly brought forward a ban planned for next January on cosmetics containing hydroquinone - the key ingredient in creams used by blacks who want a fairer skin

"After all the hard work put in to get the substance controlled, we are ecstatic," said Dermatological Society chairman Dr Mary Ann Sher

"There have been very bad effects on skin from the continued use of skin lighteners "

She said hydroquinone caused ochronosis - permanent ugly dark patches on the face and, in serious cases, grainy black lumps under the skin

But Maurits Rood, general manager of top manufacturer Twins Pharmaceuticals Ltd, said "Obviously we are very unhappy with the situation "

Twins denies that properly-used skin lighteners are damaging It says the ban will merely foster an unofficial market in home-made products, with dangerous consequences

Twins argues hydroquinone does not cause ochronosis, and damage is due to users adding stronger substances like bleach

The controversy has dragged on for more than a decade, while manufacturers fought to keep their products on supermarket shelves and protect an industry worth R70 million a year in retail sales.

The Government originally aimed to ban the creams in June last year, then postponed the move until early 1991 But health minister Rina Venter suddenly ordered all such products off the shelves from August 10 this year

Imported

Any cosmetic containing it (hydroquinone) may not be imported, manufactured or sold," she said in a statement

The Transvaal Province Supreme Court this month rejected a last-ditch attempt by Twins, who account for R35 million of the annual sales, to stop the ban

Aides said Venter had accepted the case for tighter control

Twins says that because of the sudden change in dates, it has been stuck with goods worth up to R13 million

Rood told reporters that Twins would consider exporting the creams that now cannot be sold in South Africa elsewhere on the continent, including Zambia, Namibia and Botswana.

In South Africa, products containing hydroquinone will now be available from pharmacists only as registered medicines

Sher said the restriction was not tight enough "We feel that the Government should go further and that hydroquinone should be given on prescription only "

Effective

She said surveys showed about 30 percent of black women in the densely-populated Johannesburg and Pretoria region had damage from skin lighteners Damage had persisted despite a ruling in 1983 limiting hydroquinone in creams to two percent

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"Successful people are seen as light-skinned people," said one university anthropologist who asked not to be named

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"I am very happy," she said of the ban "We are dealing with the skin of a human being, a black human being Any person will always want to have a beautiful face," she said - *Sapa-Reuter*

Company now has R13-m of stock

Chemical companies set to merge

ZILLA EFRAT

CH CHEMICALS and Whitney Chemical are to merge to create a major new force in the chemical industry with an annual turnover close to R300m a year.

The merger into the new company, CHW Chemicals, effective from October, aims at taking advantage of the potential for synergy between the companies, says new group MD Peter Columbine (183)

CH Chemicals — formed through a management buy-out when US group Dow Chemical disinvested from SA — represents Dow in southern Africa, marketing its range of chemicals, polymers and urethane and agricultural products

Whitney Chemical is the agent for the US-based Hoechst Celanese Chemical Group; its [illegible] products — which includes vinyl acetate, acrylate monomers and other chemical intermediates — is used in the manufacture of coatings, plastics and fibres

CHW Chemicals will retain these and other developing agencies, and market them through its expanded network of sales, services and technical offices

Columbine says "combining our two product ranges produces a superb fit, and gives us a turnover of some 55 000 tons of ex-stock bulk and packaged chemicals"

BDay 3/9/90

Consul expects R2bn turnover

LIZ ROUSE

CONSOL is budgeting for a R2bn turnover and a total of 13 500 employees in the current year, chairman Clive Menell says in his annual review.

Although demand for beer and soft drink bottles is expected to grow, packaging markets are expected to remain soft. Demand for tyres and industrial rubber products is not expected to increase although the trend towards radial tyres will benefit the Goodyear range

Menell says the prolonged but non-repetitive Tycon disinvestment strike, the full year's benefit of the new Clayville glass furnace, the planned enlargement of tyre capacity and 12 months' earnings from Tredcor, compared with six months in the past year, all indicate earnings growth this financial year.

Consol took a major strategic step by acquiring a substantial investment in the tyre and industrial rubber markets in line with policy to diversify from its traditional glass, paper and plastic packaging fields

Tycon (formerly Goodyear) was acquired in July 1989 for R176m, funded by internally generated funds and the issue of R50m redeemable preference shares.

In January this year, Tycon's interests were combined with Tredcor, the largest retreader and retail distributor of tyres in SA. Consol has a 61% holding.

Risk

This venture gives the group a major position in retreading and the manufacturing, marketing and distribution of new tyres in a growing vehicle market, Menell says

Consol's plastics division made two significant disinvestments — the industrial flexibles operation, formerly Gundle, and the woven polypropylene bags and sacks operation in Ladysmith.

Consol's business risk has now been significantly spread by broadening its operations into two profitable segments of SA industry.

Rubber and related products already made a large contribution of R724,1m compared with the packaging and related products' contribution of R813m to total group turnover of more than R1,5bn in the year to end-June. The respective operating profit contributions were R140,3m and R70,03m

Respective net assets of the two divisions are R333,073m and R330,155m

After some static years, Consol started to forge ahead in 1987 and in the past year earnings were up 48% to 157,7 (106,9c) a share while the dividend was increased to 45c (33c)

Net borrowings to shareholders' funds was 34,8% because of the acquisitions and high capex of R79,8m.

Sowetan 3/9/90

183

Harmful creams still sold

Skin lighteners remain on shelves despite ban

By SIZAKELE KOOMA

SALES of hydroquinone-containing creams still continue despite a ban on them since August 10

Most Johannesburg stores, pharmacies and some big-name supermarkets seem to be ignoring the Government Gazette notice which prohibits the sale, manufacturing and import of cosmetics that contain the substance

Skin lightening creams, in colourful packages and equally brilliant slogans that promise "magical", "fantastic" and "super" results, still stand on the shelves and storekeepers continue their trade as if nothing has happened

Some containers still bare the scary message that warns users of the dangers of hydroquinone contained in the creams, while other manufacturers have cleverly dropped the warning and replaced "complexion lightning" with "complexion activating".

Survey

The creams no longer give a " bright and beautiful" complexion but they "prevent the skin from going dark".

In a snap survey conducted by *Sowetan* in central Johannesburg and surrounding areas, most storekeepers pleaded ignorance of the law while some were hostile when asked about the banned merchandise still displayed on their shelves

One said he would not remove the stock from the shelves but had informed the manufacturers to come and collect it, while another said there was nothing he could do except to advise people who bought the creams of the dangers

Hydroquinone causes ochronosis - irreversible ugly dark patches on the face - and has damaged the skins of about 30 percent of black women in Johannesburg and Pretoria, according to one survey.

A spokesman from the Department of National Health and Population Development said storeowners had not been individually informed about the ban but the Gazette, media reports and letters sent to representative associations and bodies of the grocery and pharmaceutical industries, were believed to have been effective in disseminating the information

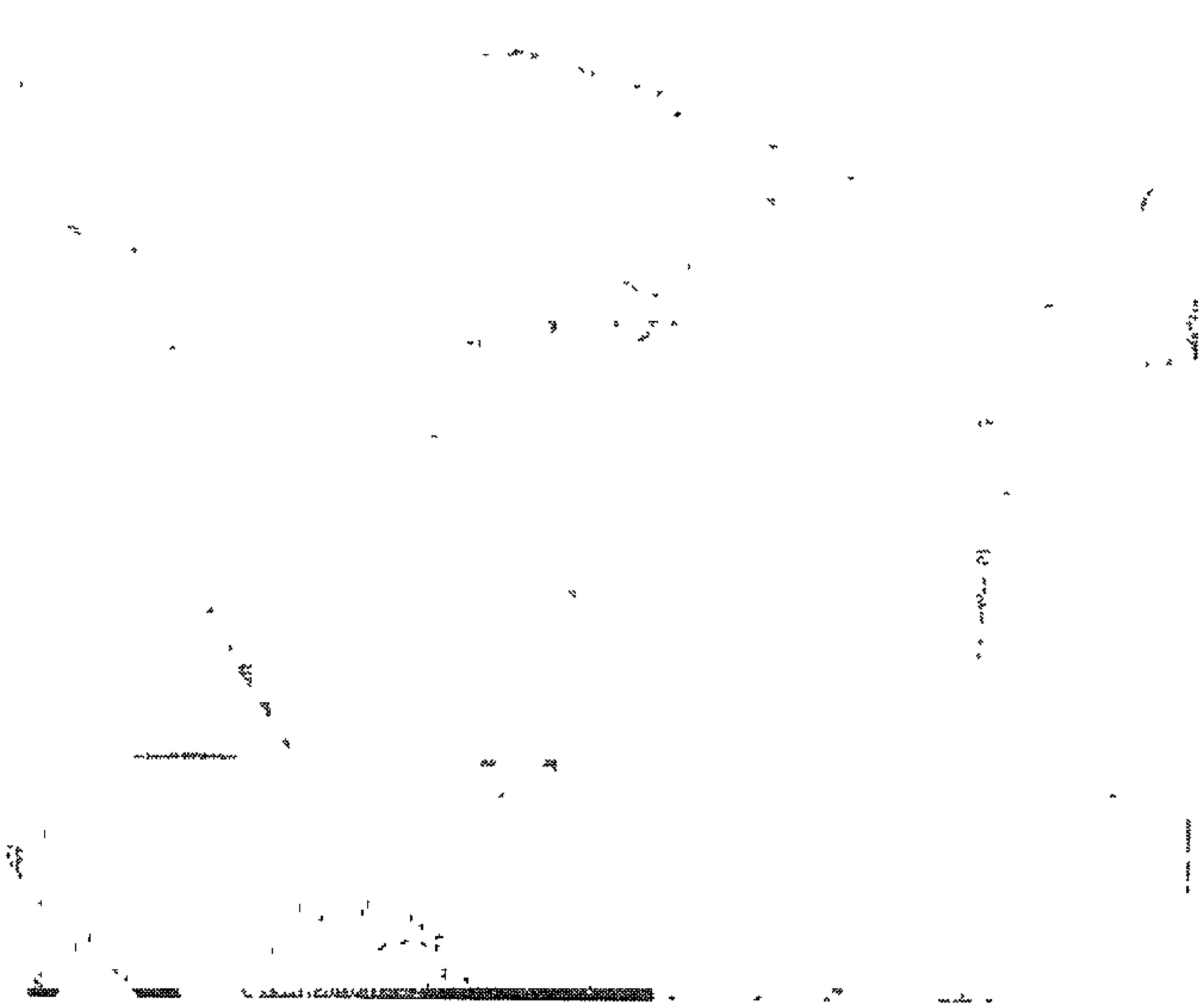
Exporting

She said the removal of stock from the shelves was not the responsibility of manufacturers, but that of individual wholesalers and retailers

The department had informed all departmental inspectors of the ban. They would in turn seize stock found in shops during inspections.

The penalty for illegal sales would be up to 12 months imprisonment and or a fine of up to R1 000 Stock would also be confiscated

Twins Pharmaceuticals, which accounts for R35 million of the total R70 million generated from sales of skin lighteners and whose application to stop the implementation of the ban was rejected in court earlier this month, said it would consider exporting the creams to countries like Zambia, Namibia and Botswana.



Severe skin damage can be caused by the use of skin lightening creams

Petrol u

(183) Cape Times 4/9/90

. . . and price could r

Staff Reporters

PETROL will cost 11c a litre more from today — and hard-pressed consumers could face a steep increase in their fuel bills before the end of the year.

According to the National Energy Council (NEC), a war in the Middle East and further oil-price hikes could lead to another round of petrol-price increases — and even fuel conservation measures

"If crude oil prices keep on rising we would have no choice in order to curtail an excessive outflow of foreign currency," NEC group executive Mr Louw van der Bergh said

According to the new prices announced by the NEC, motorists in Cape Town will from today have to pay

- R1,23 a litre for 97-octane fuel — a 9,8% increase from R1,12
- R1,19 a litre for 93 octane — a 9,1% increase from R1,09
- 10c a litre more for diesel, which rises by 7,3%

This will mean an extra R6,05 (97 octane) and R5,50 (93 octane) for the average tankful of 55 litres, according to the Automobile Association (AA)

The NEC said the increase had become necessary because of the higher landed cost of petrol, which had increased since July by 46% to 35c a litre

During August the war crisis in the Middle East pushed up the crude oil price from $21 (R54,60) per barrel to a present price of between $28 and $33 (R72,80 and R85,80) per barrel

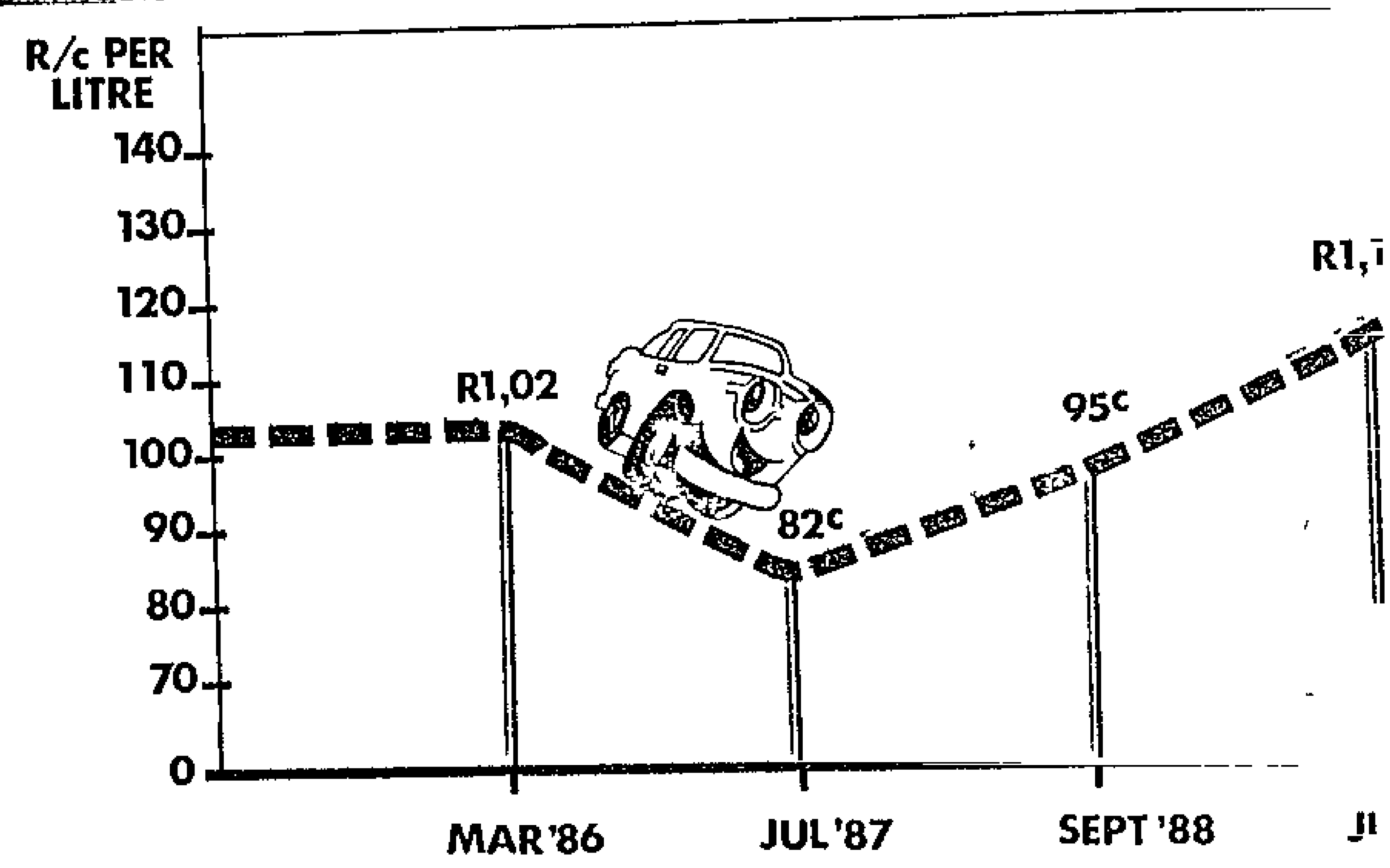
Last night Old Mutual economist Mr Andre Roux said the price hike would have an immediate impact of about 0,5 percentage points on the inflation rate

This could be boosted to an increase of about one percentage point in the long term, which could lead to a delay in bringing down interest rates

City transport operators said last night that commuters could be faced

Mr Bob Krause, ... Tramways, said the ... to find out what the ... a statement later," ...

Fall and RISE of the petrol price



UP AND UP This graph shows how the petrol price has changed sinc... July 1987, but has been rising since The last increase before this or...

FILLING UP . . . Mr Justice Siceja fills up Mr Brian McEwan's car — at the old price

Picture RICHARD BELL

Further fuel
depends on (

Financial Editor

A FURTHER increase in the petrol price later this year will depend on how higher oil production by Opec will affect oil prices, industry sources said yesterday

Working on an oil price of $22 a barrel, there is still an underrecovery of more than 20c a litre in the increased petrol price

Hopes for lower oil prices were kindled last week when Opec decided to increase production in accordance with need from Western countries

After the emergency ministerial talks in Vienna last week, Western oil company executives said they believed this decision might result in extra Opec produc... million barr...

Yesterday ... its oil output ... a day by the ...

Oil minist... the increase ... meeting whi... freedom to ... for embarg... Kuwait

"We will s... a week's ti... by the end ...

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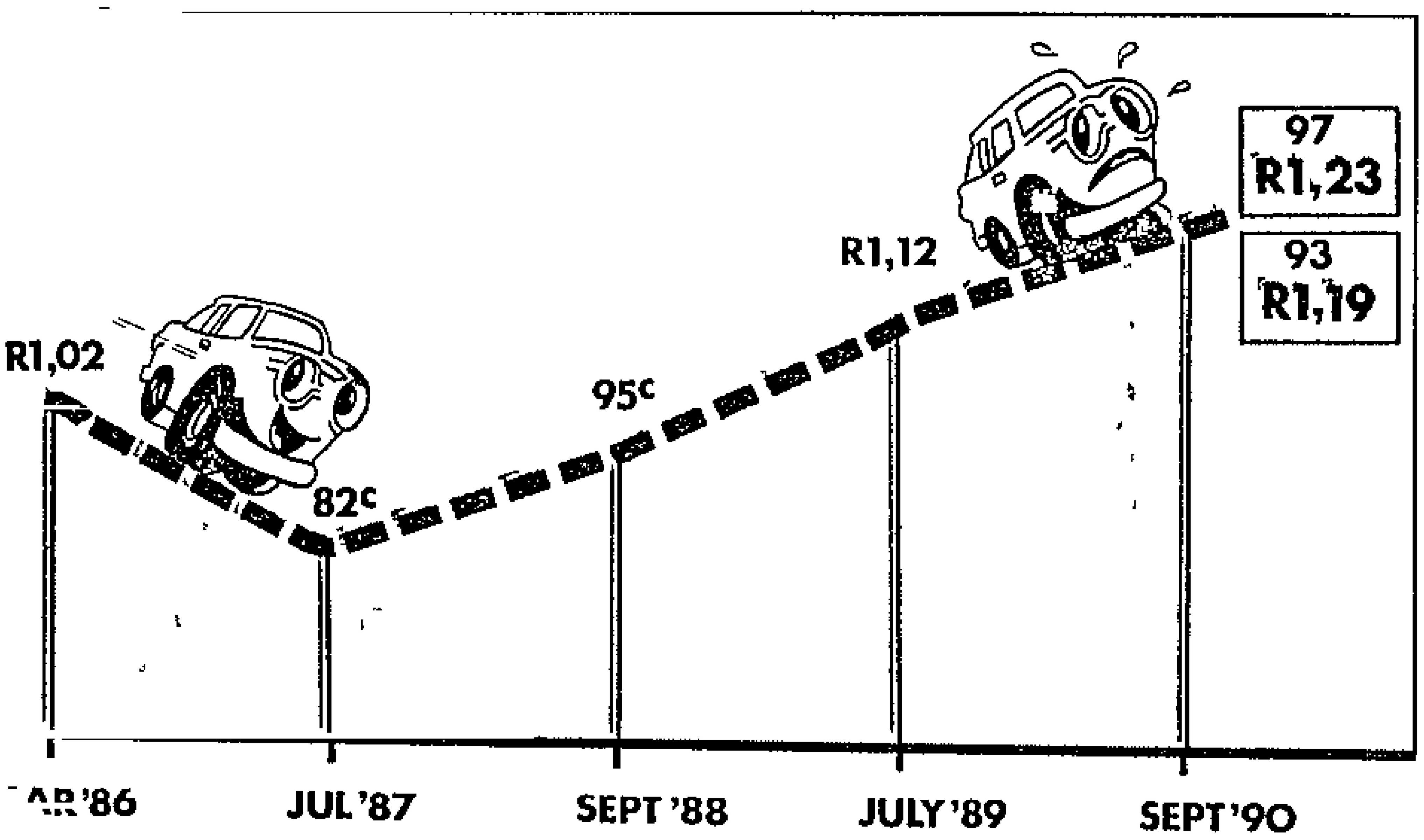
l up 11c

Cape Times 4/9/90 (183)

e could rise again soon

SE of the petrol price



..h shows how the petrol price has changed since 1986 The price declined until i rising since The last increase before this one was in mid-July last year.

..nts on the inflation rate .. an increase of about one .. term, which could lead to interest rates .. said last night that commuters could be faced with higher transport fees

Mr Bob Krause, public relations officer for City Tramways, said the company was "doing calculations to find out what the implications are" "We will make a statement later," he said

Mr Basil Nagle, provincial chairman of the Western Province branch of the SA Black Taxi Association (Sabta), said the operators of the 3 500 Sabta affiliated taxis in the Peninsula were free to raise their prices from today

The AA said it appreciated the government's decision not to pass the full extent of the required increase on to the user

According to an AA spokesman, the full cost to the consumer would have been an increase in excess of 30c a litre

Unless crude oil prices stabilised around $22 (R57,20) per barrel, a further increase in fuel prices was in the pipeline, the AA warned

The Afrikaanse Handelsinstituut (AHI) said the increase was inevitable It was, however, pleasing that a steep hike was for the time being postponed

The Democratic Party's energy spokesman, Mr Roger Hulley, said the government should commit itself to removing the latest petrol price increase as soon as there was a settlement in the Gulf

The DP greatly regretted the necessity for a fuel price increase just when inflation seemed to have been coming down in recent months, he said

● South Africa is not alone in being hit by a fuel price hike France and the United States have already increased their prices by more than 11,0c per litre, while in countries like Germany, the Netherlands, Italy and the UK, fuel prices have been raised by more than 20c a litre

Namibia yesterday also announced an increase of 10c per litre, while the Mozambican government raised petrol prices by 65%

● Gains in European oil prices — Page 10

Further fuel hike depends on output

Financial Editor

FURTHER increase in the petrol .. later this year will depend on higher oil production by Opec will .. oil prices, industry sources said ..day.

..king on an oil price of $22 a ..el, there is still an underrecovery more than 20c a litre in the in..ed petrol price

.. for lower oil prices were kin.. last week when Opec decided to ..ease production in accordance .. need from Western countries

..fter the emergency ministerial .. in Vienna last week, Western oil .. executives said they believed .. decision might result in extra Opec production of 3 million to 3,5 million barrels

Yesterday Nigeria decided to boost its oil output by around 250 000 barrels a day by the end of September

Oil minister Mr Jibril Aminu said the increase followed last week's Opec meeting which gave member states the freedom to pump more oil to make up for embargoed crude from Iraq and Kuwait

"We will start to pump more in about a week's time, building up to capacity by the end of the month," he said

Some four million barrels of oil are estimated to have been removed from the market by the embargo on oil exports from Iraq and Kuwait

FREEDOM . . . Mr Michael Matakata after his release from Robben Island yesterday Behind him is his father ● Report — Page 2 Cape Times 4/9/90 (327) Picture REUTER

Skin creams not medicine

Sowetan 7/9/90

(183)

SKIN lighteners containing hydroquinone cannot be sold as medicine, says the Pharmaceutical Society of South Africa.

By SIZAKELE KOOMA

The president of the society, Mr Tom Carse, said in a statement the preparations were not registered as medicine and, therefore, could not be sold as such until they were registered.

The process of registration could take many months and it was unlikely that the preparations would enjoy easy passage, Carse said

He said it was not true that pharmacists could sell preparations containing hydroquinone "as medicine to anyone who asks" as has been reported

Both the Pharmaceutical Society and the South African Association of Retail Pharmacists, he said, had for years campaigned for a total ban of such products

The organisations had also issued a joint statement in 1988 condemning the decision by the previous Minister of Health for permitting the continued sale until 1991 of skin lighteners containing two percent or less hydroquinone

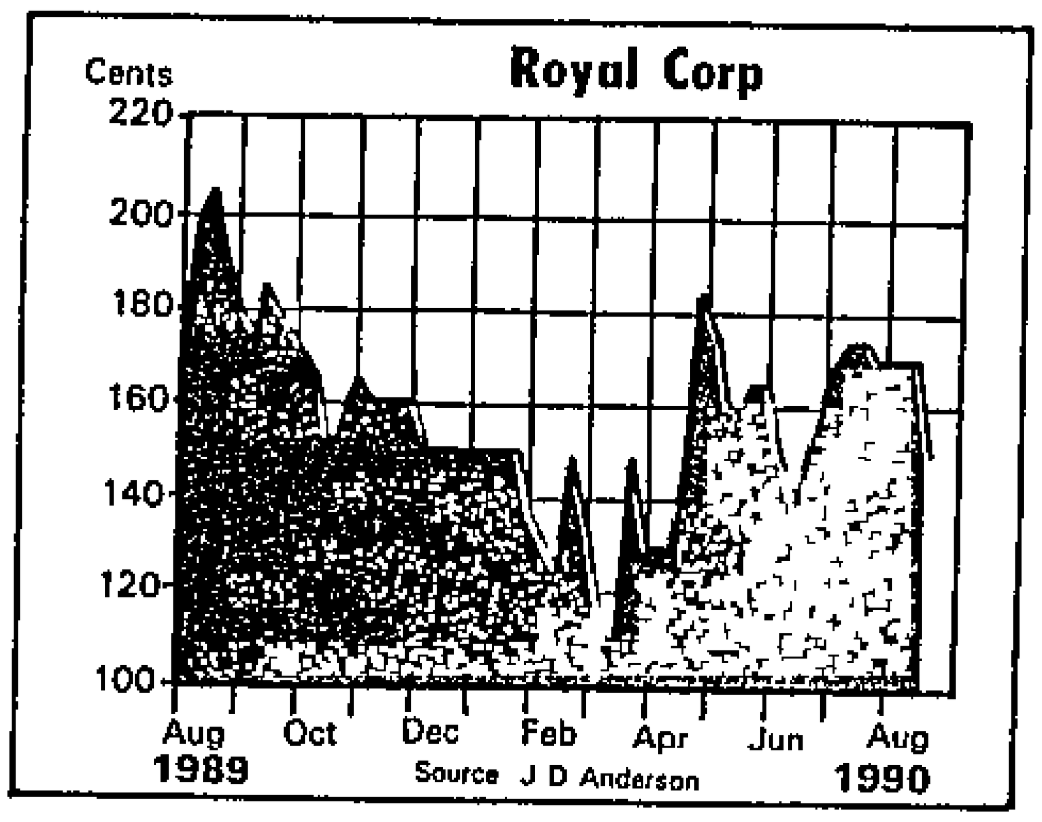
Hydroquinone itself was not banned, said Carse, as it was occasionally contained in creams prescribed by dermatologists. Such rare treatment was limited to people of fair skins suffering from birth marks.

He said hydroquinone was not relevant for treatment on darker skins as such blemishes were not at all prominent

ROYAL CORP FM 7/9/90 183

BUYING BENEFITS

The market initially took a sceptical view of Lovasz's buyout of Royal Beech-Nut (RBN) last year and subsequent listing of the enlarged group, Royal Corp Results for the 1990 year show the acquisition brought benefits all round — including management skills and independence from US parent Nabisco — which resulted in substantial growth apparently without the usual problems Tough trading conditions this year, particu-



Activities: *Manufactures and distributes confectionary and food products and distributes speciality pharmaceuticals and industrial chemicals*
Control: *Directors 33,5%*
Chairman: *V Imerman, MD D Johnston*
Capital structure: *67,8m ords Market capitalisation R101,7m*
Share market: *Price 150c Yields 4% on dividend, 12,3% on earnings, p e ratio, 8,1, cover, 3,08 12-month high, 195c, low, 110c Trading volume last quarter, 1 311 000 shares*

Year to Feb 28	*'88	'89	'90
ST debt (Rm)	2 2	1,9	5,7
LT debt (Rm)	6,1	10,1	10 7
Debt equity ratio	0 62	0 55	0 29
Shareholders interest	0,44	0,41	0,53
Int & leasing cover	4 5	4,0	3 9
Return on cap (%)	12,6	10 2	16,6
Turnover (Rm)	44,6	63 4	170 5
Pre-int profit (Rm)	3,9	5 6	17,7
Pre-int margin (%)	8,7	8,8	10 4
Earnings (c)	11,8	15 1	18,5
Dividends (c)	3 0	5,0	6 0
Net worth (c)	50,0	75,1	80,8

* Pro forma

larly for Royal's chemical products, are expected to limit earnings growth

The relative size of the acquisition of RBN, including Manhattan Confectioners and a number of Kellogg's brands, is reflected in turnover and profit comparisons between the 1990 and 1989 years turnover rose to R170,5m from R63,4m and operating profit to R17,6m from R5,6m RBN contributed 63% of attributable profit

A comparison of the new entity with financial 1989 pro-forma figures, published in Royal's transmuted listing statement last July, gives a better indication of the 1990 performance operating profit increased 28% on 15% turnover growth, earnings rose 37%, exceeding the forecast, and the dividend rose 20%

Management was restructured, with three RBN executives strengthening Lovasz's team Financial director Jacques Fragis says the stress on asset management practised at RBN has been adopted throughout, and this accounts for working capital rising only 30% despite turnover more than doubling

RBN products benefited from rapid urbanisation and made several "strong gains in market share " Fragis says the severance of ties with Nabisco expanded export opportunities for some RBN products and export sales, though relatively small, increased by 40%

It seems Nabisco's reluctance to increase its investment in SA resulted in a need to upgrade machinery Capex of R9m this year reflects the new owner's belief in running state-of-the-art equipment

Lovasz's chemical and pharmaceutical products encountered tough competition and trading conditions deteriorated in the latter half of the year Chairman Vivian Imerman says turnover and profit forecasts were achieved

March 1990 saw the merging of Lovasz and Holpro Pharmaceutical & Chemical Group, a former competitor which Fedsure bought as an intermediate step The intention is to list the joint Fedsure-Lovasz venture separately, but a dispute with the family owners regarding the purchase price is delaying this A listing of the food and confectionery division is also on the cards

Imerman says the group is in a strong position to grow organically and acquisitively The integration of Holpro should lead to operational efficiencies and cost savings In addition to growth in the domestic market, RBN intends to expand export sales and is constantly seeking offshore opportunities This year the group is hoping for earnings growth ahead of inflation *Pam Baskind*

HOW I CAME A CROPPER ON FARM-AG

S Times 9/9/90 · (183)

READER Ama van Dam of Kensington, Johannesburg, has reminded DAVID CARTE of his ringing endorsement of Farm-Ag a year ago. In response, the Business Times editor pleads that he had too much faith in the description by management of the company's position. But he believes there is a real prospect of the share price moving back above 270c.

FARM-AG recently announced a net loss of R7,7-million for the year to February after a net profit of R11,2-million the previous year The shares have fallen from 270c at the time I said they were a "steal" to 200c

Financial director Richard McElligott says a much-changed Farm-Ag will recover As I reported last year, the big hang-up about Farm-Ag was debt This was pooh-poohed by managing director Robert Maingard and Mr McElligott

They argued that the debt was funding perfectly good debtors and stocks The stocks were basic chemicals and the debtors some of the biggest chemical companies in the land

Mr Maingard also told me how great lawnmower subsidiary M5 was with its Stilleto and Miracle Mowers

Now Mr McElligott reports that M5's "working capital requirements ran away, debtors battled to pay on time and supermarket and lawnmower shops cut back purchases" The company lost R7,5-million Its assets have been sold to market leader Wolf for R11,9-million

The other problems occurred in listed Staalchem, an unlikely combination of a steel and chemical company Staalchem, then a 32% associate, was also devastated by bad debts It had a R4-million rights issue to refund itself and, as underwriter, Farm-Ag picked up nearly all the new shares, making Staalchem a 57% subsidiary

Since the yearend, Staalchem management has bought the steel division for R13-million The chemical division initially went into Farm-Ag

But later the wholesale chemical division went into Sanachem, the agricultural chemical company owned 50-50 by Sentrachem and Farm-Ag

The retail chemical division lost R2,5-million last year It too has been sold for R8,3-million cash to Sentrachem

Collected

A year ago, management said group stocks and debtors could be squeezed and that debt could be reduced from R67-million to R50-million

In the event, debt soared to R95-million Mr McElligott hastens to put this in perspective

At the end of February, Farm-Ag was owed R72-million in respect of businesses sold. Mr McElligott says Sentrachem and Sanachem still owe Farm-Ag R26-million to be paid when shareholders' meetings have ratified the deal Another R30-million has come in

He expects debt to fall soon to R45-million

But there will be heavy finance charges in the first half of the current year

Farm-Ag pins its hopes on its remaining assets — 50% of Sanachem, Potter & Moore, the soap and cosmetic company, recently stripped down after losses, 40% of Hacks Holdings, biggest maker of socks in SA, and 23% of Bearing Man, which has not yet missed a beat

Sanachem will be headed by Mr Maingard It forecasts taxed profit of R22-million, suggesting R11-million attributable to Farm-Ag Apparently Farm-Ag expects a dividend of R3,85-million from Sanachem

Sentrachem managing director Johan van der Walt says that with the entrepreneurial Mr Maingard at the helm and Sentrachem's professionals backing him, Sanachem has fine prospects

Mr Maingard received a tax-free R3-million restraint of trade settlement from Farm-Ag after the formation of Sanachem

Why did Farm-Ag pay for the restraint when Sanachem was the company ostensibly threatened?

Mr McElligott says "Because the terms offered by Sentrachem were a single price inclusive of restraint, negotiated between Farm-Ag, Sentrachem and Mr Maingard "

In 1995, Sentrachem has the right to buy Farm-Ag's stake in Sanachem at the higher of net asset value or 80% of the PE multiple of the JSE Actuaries industrial holdings and chemicals sectors

That would put a PE of seven on the company compared with Farm-Ag's recent best of about three The present value placed on Sanachem by this future offer is R176-million, R88-million attributable to Farm-Ag

Valuable

The hope is that by 1995 trading in chemicals will be normal and Sanachem will be an even more valuable asset because of synergies of the merger and its huge market share

Mr Maingard and Farm-Ag directors still have 30% of Rale, which hold 64% of Farm-Ag They have a strong interest in making all divisions of the company perform

For the current year Farm-Ag can expect earnings of R11-million or more from Sanachem, R3,5-million from associates Bearing Man and Hacks, less about R4-million of interest in the holding company, say, R11-million, or 80c a share

Any dividend will have to be small because the payment from Sanachem will almost all go to interest But in 1992 interest should be down Net assets, after all the transactions mentioned, at cost, are 234c a share Assuming no further shocks, the real payoff will come in 1995

Noristan lifts earnings 43%

(183)(189)

CAT lifts 10/9/90

PRETORIA. — Noristan Holdings, the Pretoria-based healthcare group, showed a 43% growth in attributable earnings of R10,5 for the year-ended June.

Turnover was up 54,9% to R97,09m (R62,6m) with profit before taxation increasing by 46,9% to R13,6m

Earnings per share rose 12% to 19,6c (17,5c), after taking into account the issue of "A" ordinary shares for the acquisition of Norimed in June this year

MD Hugo Snyckers said "In view of the long-term benefits which are expected to flow as a results of strategic moves during the year, the results for the period under review are considered satisfactory

"The pharmaceutical business, which accounts for 60% of turnover, showed good results in spite of difficult trading conditions and continuous pressure on margins

"The consumer products division turned in an excellent performance with profit contributions dramatically increased over last year

"Excellent progress has also been made with the development and registration of new generic products A number of high-quality products, scheduled for introduction in the coming financial year, are expected to further improve noristan's mix of available products as well as contribute to the increased market share

"The acquisition of 79% of Norimed (formerly Aurochs Investment Co (SA) Ltd) constitutes our initial investment in the broader healthcare industry Norimed is well positioned to make significant progress in the year ahead

"Our entry into the manufacture and distribution of medical equipment through the acquisition of Crest Healthcare Technology by Norimed in October 1989 was one of the significant moves from which long-term benefits are expected to flow

"The balance sheet remains strong, with cash resources exceeding interest-bearing liabilities"

Noristan is the vehicle for FSI's entry into the pharmaceutical and healthcare markets, in partnership with the Snyckers family, which continues to excercise control of Noristan

"With a sound management and financial structure, the group is now able to actively investigate and take advantage of opportunities in the broad healthcare market," said Snyckers

"Given reasonably stable trading conditions, and before allowing for deployment of liquid funds in deposit, the directors expect the earnings will show satisfactory growth in the year ending June 30, 1991"

Dividends of 6c a share will be paid to ordinary shareholders

A final dividend of 6,8c a share will be paid to "A" ordinary shareholders making a total dividend for the year of 13,2c

After having paid the dividend for this year, Noristan will revert to its policy of paying dividends covered on average three times by earnings — Sapa

Sasol profits rise by 18,6%

CM-Tuits 11/9/90 183 ~~260~~ ~~269~~

By PIETER COETZEE
Financial Editor

THE oil-from-coal giant Sasol posted excellent results for the year to end-June Attributable profit rose by 18,6% from R629,4m to R746,3m and pre-tax profit by 18,3% to R1,33bn

This equals earnings per share of 132,4c against the previous year's 111,7c

The final dividend was increased from 27,5c to 32c a share, bringing the total for the year to 59,5c (52,5c)

Turnover rose from R4,09bn to R5,03bn and pre-tax profits increased from R1,13bn to R1,33bn

Chairman Joe Stegmann said he expects a further increase in profits in the year ending June 30, 1990, as a result of strict costs control, the restoration of Sasol's Secunda plants in the Eastern Transvaal to optimum production levels after setbacks in the past year, and the commissioning of a propylene/polypropylene project

Stegmann said the predicted improvement in earnings did not take into account the Middle East crisis, which has sent world oil prices soaring above $30 a barrel

If the higher prices should persist for most of the year they would further benefit profits from Sasol's synthetic fuel and crude oil refining operations

Stegmann said Sasol, whose business focuses on production and marketing of liquid fuels, pipeline gas, fertilisers, mining explosives and petrochemicals derived from coal and crude oil, envisaged significant diversification in the 1990s.

"Most of these projects are based on adding value to existing chemical streams They are aimed at import replacement but frequently with a strong focus on export markets as well," he said

"Apart from the projects already approved in principle, there is under investigation petrochemical projects to the value of nearly R2bn which, if they should come to fruition, will further contribute to a sound balance between Sasol's various fields of activity," he said

He added however, that although the expansion of Sasol's petrochemical activities will be the main source of growth in the 1990s, synthetic fuel will remain the mainstream of business for the foreseeable future

Sasol was to consider a proposal to take over from the state-run Central Energy Fund its 50% stake in Sasol Three, giving Sasol full ownership

SAD expects turnover rise

B | Day 12/9/90

MARIETTE DU PLESSIS

PHARMACEUTICAL group SA Druggists (SAD) appears to be in good health again and is looking at a substantial rise in turnover for the six months to end-September, MD Tony Karis said

183

Commenting on SAD's performance for the six months to September, Karis said difficult trading conditions and tight margins would prevent it from improving on its 22% increase in operating income for the same period last year

Samcatiles' R25-m factory on stream

Star 12/9/90 (183)

The giant R25 million factory being built for Samcatiles in Babelegi, Bophuthatswana, is on stream The first tiles will be produced later this year

'Samcatiles, is the largest project undertaken by leading ceramics group Italtile.

Dispute will delay listing, says Royal

(183)

B Day 13/9/90

MARIETTE DU PLESSIS

DISPUTES with the sellers of Holpro Pharmaceutical & Chemical Group would delay the proposed listing of Royal Corporation's (Royal's) Lovasz-Holpro venture for several months, Royal chairman Vivian Imerman said this week

Imerman said at the group's AGM that Royal's chemical arm assumed control of Holpro from March and successfully integrated it with existing operations

However, a dispute with the Holz family — owners of Holpro — regarding the purchase price and certain warranties germane to the true value of the acquisition had not been resolved

He said if a satisfactory agreement could not be reached between the parties concerned, appropriate legal steps would have to be considered

Market speculations were that a possible lawsuit resulting from the dispute could involve R20m, but neither party wished to comment

Commenting on Royal's balance sheet, Imerman said the low current ratio of 1 1,4, which meant each R1 of current liabilities was covered by R1,4 of current assets, indicated a "healthy state of current affairs"

Manro to be reverse listed into Pricefurn cash shell

BDay 14/9/90 (183)

ZILLA EFRAT

SPECIALITY chemical group Manro SA — with a projected annual turnover of R91,6m — is to be reverse listed into the Pricefurn cash shell on October 15

It will change its name to Manro Chemical Holdings and the listing will be transferred to the chemicals and oils sector

In the year to December, Manro forecasts a 23% rise in attributable profit to R4m

On earnings of 9,8c a share, a three times covered dividend of 3,3c a share is expected

The Wynberg-based company manufactures and supplies speciality chemicals to the foundry, detergent, toiletry, pulp, paper, textiles, agricultural and mining industries

Held by UK group Manro Holdings, Manro was established in SA in 1981

In 1987 it bought Durban-based speciality chemical supplier Bevaloid SA

After Manro Holdings UK was acquired by multinational chemical group Hickson International in 1988, Manro SA took over the local Hickson subsidiary

At the same time it bought complementary companies SA Wood Preserving and Fire Retardant Chemicals

This year Bevaloid acquired Pinetown Industrial Laboratories to strengthen its presence in the paint industry

Group MD Bruce Murray says following these acquisitions, Manro is now undergoing a consolidation phase

Next year it plans to expand existing capacity and it will look for acquisitions the following year To fund this it will undertake a rights issue

Manro forecasts marginal turnover growth to R91,6m (R90,4m) in the current year Murray says the economic downturn has resulted in a lack of volume in the chemical industry

In addition, major slowdowns have been experienced in the textile and mining industries

However, an improvement in operating margins to 9,7% (8,3%) is expected as a result of increased synergies from the group's consolidation And Murray expects accelerated growth in the 1991 financial year

After the listing Hickson International will have a 67,3% stake in Manro, while management will hold 8,5%

AECI to boost role of technologists

(183)

TECHNOLOGY is the fuel on which a new South African economy will be run and to help boost the country into a front-runner in this field, AECI has introduced a scheme to recognise the contribution made by technologists

The AECI Technology Fellowship Programme will provide a formal career path for technologists in AECI comparable to those in the production, marketing and business fields.

The programme offers recognition of outstanding technical contributions and creative achievement and affords technologists with exceptional abilities the opportunity to embark on long-term careers in AECI by developing and expanding their expertise

22/3/90

Appointed

Group MD Mike Sander says four AECI people have been appointed to the new fellowship positions

Two are Steve Koller, of AECI engineering department and Bob Dehning, of AECI process computing, both senior engineering fellows.

The other two, from the company's R&D department, are Dr Jan Pretorius and Colin Kenyon, both research fellows

Sander says the fellowships are an attempt to boost the role of technologists, recognise their contribution and "challenge new business areas"

"This will only be possible if our most creative and competent scientists, engineers and technologists can be offered job satisfaction and the incentive to make long-term careers in their fields"

MOLYSLIP FM 14|9|90 (183)

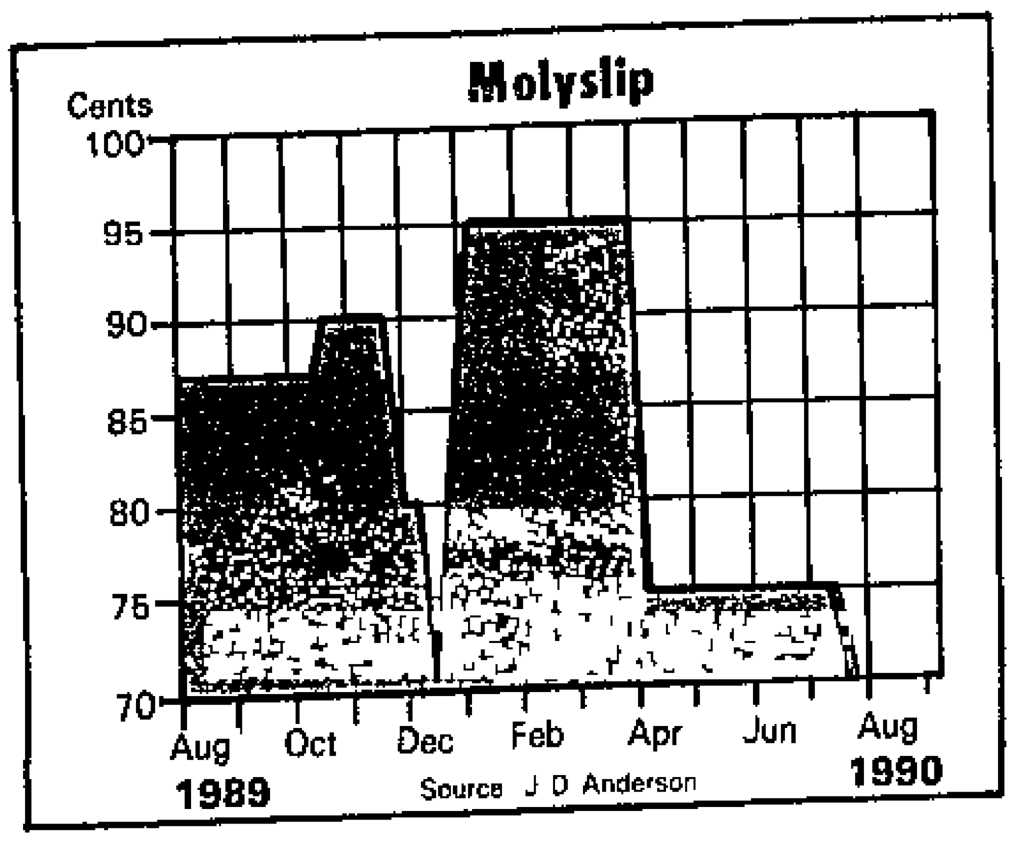
TEAM BUILDING COSTS

Activities: *Manufactures lubricants and allied chemical products for industrial and consumer application*
Control: *Directors 83%*
Chairman: *R Spanjaard, MD I Visee*
Capital structure: *5,7m ords Market capitalisation R4m*
Share market: *Price 70c Yields 4,3% on dividend, 12,6% on earnings, p e ratio, 7,9, cover, 2,9 12-month high, 95c, low, 75c Trading volume last quarter, 65 000 shares*

Year to Feb 28	***'87**	**'88**	**'89**	**'90**
ST debt (Rm)	—	0,32	0,19	0,40
LT debt (Rm)	—	0,46	0,45	0,51
Debt equity ratio	—	0,42	0,28	0,34
Shareholders interest	—	0,47	0 47	0 47
Int & leasing cover	—	3 4	7,5	2,4
Return on cap (%)	—	16 8	15 1	15,2
Turnover (Rm)	5 6	8 3	10,9	13 2
Pre-int profit (Rm)	0,50	0 65	0 75	0 86
Pre-int margin (%)	8 8	7 9	6,8	6 5
Earnings (c)	7,1	8,9	11 4	8 8
Dividends (c)	—	—	3	3
Net worth (c)	18,9	35,5	41 0	47,5

* Pro forma

Establishment of a professional management team at DCM-listed Molyslip is cited as one of the reasons why finance costs soared by



263%, while earnings fell by 23%

Net borrowings rose by about 40%, partly because the group had to finance new cars and office equipment to accommodate the management team. MD Ivan Visée says Molyslip did not have company cars but decided to go along with the industry standard The management team, he adds, needed to be enhanced to prepare the group for its next growth phase The bigger team frees chairman Robert Spanjaard to concentrate on expanding exports, which contribute 30% of turnover

Rising interest rates also caused factoring costs to soar 41% to R151 000 and management has now stopped the practice Net interest paid jumped from R194 000 to R372 000, the increase bill could have been bigger had the dividend cover not been previously kept at a conservative 3,8 times With the payout pegged, the cover has dropped to 2,9 times

In fact, gearing does not look particularly high at 0,34 The real problem is that Molyslip's profitability is inadequate to support this level of gearing — the interest and leasing cover fell to 2,4 times

Near-term growth will depend partly on export performance Management is confident last year's improvement in exports will be repeated or accelerated

The share trades at 70c, down from the 95c high in March

Gerhard Slabber

F/M 14/9/90 **BUSINESS**

THOR CHEMICALS F/M 14/9/90

IN THE CLEAR, FOR NOW

Natal-based chemical company Thor Chemicals, SA subsidiary of Thor Chemical Holdings (UK), can continue to import spent mercury catalysts from overseas clients that they supply with the original product Its operation does not fall within present government definitions of what constitutes toxic waste — at least for the moment (183)

Thor, following a controversy earlier this year when mercury contamination was found in sediment in a spring near its Hammarsdale plant, has been attracting criticism from environmental groups such as Earthlife, which has a blanket policy of opposing the importation of toxic waste across international boundaries

Though the company's mercury recycling operation, which accounts for between 5%-10% of its total business, was cleared by various government departments earlier this year, MD Steve van de Vyver was concerned by recent statements from Environment Minister Gert Kotze on a total ban on importing toxic waste to SA, including waste imported "for the purpose of treatment"

Van de Vyver consequently wrote to Kotze seeking clarification And the minister's spokesman, Niel du Bois, said this week that, under present definitions, "we are happy Thor Chemicals does not import hazardous waste" (183)

The Foundation for Research Development of the Council for Scientific & Industrial Research is now conducting an independent investigation at the request of Environment Affairs into the disposal of hazardous waste Definitions could change when its report is published in a few months

But until then, Environment Affairs, together with other government departments that wrote to Thor three months ago, are happy with the plant's mercury recycling process and say it is environmentally sound

Thor, which specialises in producing catalysts used for chemicals, paints, textiles and plastics, recycles between 80 t to 200 t of spent mercury catalysts a year The reclaimed mercury is then put back into the production process

Van de Vyver insists his company takes back only spent mercury catalysts — in the form of toxic sludge — from overseas companies they supply with the original product

"We believe that what we do here is environmentally sound We close the loop — rather than generate increasing amounts of mercury, we take back spent catalysts from the clients we supply, reclaim the mercury and put it back in the system"

Meanwhile, the *FM* has received a copy of a letter confirming that the Transkei Development Corp wrote to West German authorities offering to dispose of their industrial waste

The letter, on official letterhead and signed by an official of the corporation, also offers to dispose of Europe's industrial waste with a proposed R100m incineration plant It suggests the "sanitised waste" could be used to fill soil erosion areas and as a landfill for industrial estates

Kotze brought the development to the attention of Foreign Affairs Minister Pik Botha, who strongly criticised the idea and brought it up with Transkei military leader Bantu Holomisa

At first, Holomisa denied the claims, but then said that if the approaches were made, it was without his consent or knowledge ■

DARMAG FM 14/9/90

CHANGE OF VIEW

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Activities: *Manufactures plastics, rubber and engineering products, primarily for the automotive and mining sectors, and sanitary ware*
Control: *Directors 57,5%*
Chairman: *D A Buchanan, MD R M Dersley*
Capital structure: *22,2m ords Market capitalisation R7,3m*
Share market: *Price 35c Yields 8,7% on earnings, p e ratio, 11,6 12-month high, 90c, low, 25c Trading volume last quarter, 259 000 shares*

Year to Mar 31	'88	'89	*'90
ST debt (Rm)	1,0	0,6	3,8
LT debt (Rm)	2,4	2,3	2,7
Debt equity ratio	0,34	0,33	0,69
Shareholders' interest	0,44	0,5	0,5
Int & leasing cover	7,9	7,0	1,3
Return on cap (%)	20,1	21,8	7,5
Turnover (Rm)	18,9	23,8	26,4
Pre-int profit (Rm)	3,1	4,0	1,5
Pre-int margin (%)	16,6	16,8	5,6
Earnings (c)	11,6	11,1	3,03
Dividends (c)	2	5,3	—
Net worth (c)	32,3	39,1	42,4

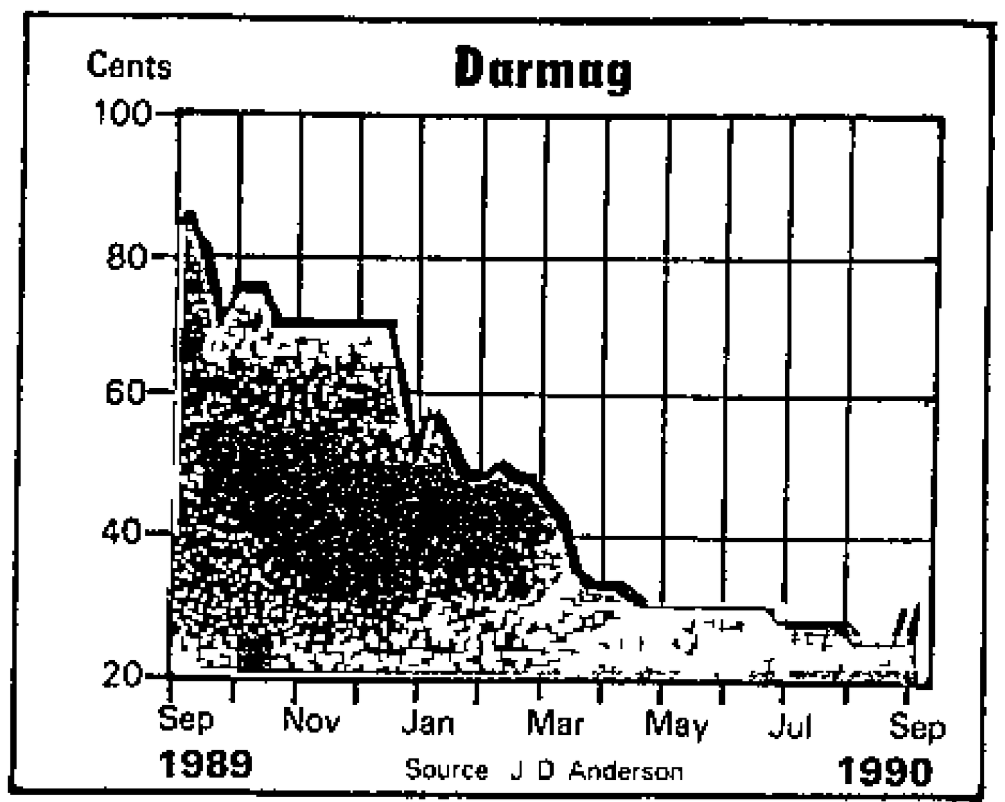
* 13 month period

Solid growth in turnover and EPS posted a year ago by Ciskeian rubber and plastics producer Darmag persuaded the board to lift the dividend by 167%

CE Monty Dersley believed then that new technology, enlarged capacity, improved efficiency and a low tax base would enable the group to maintain the growth trend He notes, however, the shift towards use of plastic materials curbed demand for rubber products Other products were being developed to take up capacity in this division

Within a year, the rubber division was running at a loss because of product obsolescence and substitution of new products The division contributed to the 75% tumble in EPS in the 1990 year when the dividend was passed Why the board should have misread prospects so badly is unclear The share price has now slumped to 25c from the 12-month high of 90c.

Management has been hoping for an upturn in the battery industry, the group's major market, which would result in improved trading for the plastic division



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Chairman Des Buchanan says greater pressure on the rubber and separator divisions is expected

Longer term, prospects will depend on the group's ability to adapt to market changes and to develop a product range for a wider market

The share price is now well below the net worth of 42,4c but the profit and dividend outlook remains uncertain *Gerhard Slabber*

BRUCE BRAVES IT

By DAVID CARTE

WHEN the going gets tough, Manro Chemicals boss Bruce Murray gets going S Times 16/9/90

Never mind suggestions of civil war and a soggy second-line section of the JSE, managing director Murray is to list Manro on the JSE through the cash shell of Price Furn Listing date is October 15

Mr Murray says "Timing is not critical because it's largely a private placing Those coming on board through their holding in Price Furn will constitute only 3% of the total

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Gearing

"We want to be on the JSE so we can raise capital and issue shares when we need to

"We would like to reduce gearing, which is a bit high after a spate of acquisitions"

With turnover of R100-million, the speciality chemical company is a medium-size independent competitor to Sasol, Malbak's Protea Chemicals, AECI's Chemserve and certain subsidiaries of Sentrachem It is also a customer of these groups

Mr Murray says the group has several promising high-growth products, including surface activating agents, raw materials for detergents and shampoos

Recently acquired Hicksons makes inorganic chemicals for the treatment of timber, as well as fire retardants The success of timber-frame housing in coastal areas, makes this a growth market

Manro is not only an importer It has four factories — in Durban, Wynberg, Johannesburg, Potchefstroom and Roodepoort

Advice

Manro was founded by UK entrepreneur Ken Schofield in 1981 He visited SA and liked it so much he settled here and set up a branch of his UK business After returning to the UK, Mr Schofield wished to list his top company on the London Stock Exchange

He was advised to disinvest because 40% of Manro UK's profits came from SA

But before he could act on this advice, Hicksons of the UK offered to buy his UK company He accepted the £18-million Hicksons UK had an under-performing subsidiary which it wished to sell

A decision was made to inject Hicksons SA into Manro SA Hicksons is now profitable as the inorganic division of Manro

After the listing, Manro will be controlled 67% by Hicksons UK, Ken Schofield 15%, Cape Investment Bank 6%, management 8% and the Price Furn minority 3%

Although he is cautious about the current financial year because of the depressed economy and some repair work still going on in Hicksons, Mr Murray believes there is plenty of long-term growth potential in Manro's markets

Prospects for organic growth are good In addition, Manro can undertake import replacement — and it can make acquisitions — possibly picking up crumbs from the big groups, which are rationalising and selling off smaller subsidiaries that do not fit

Mr Murray says there is some cyclicality to demand for special chemicals, but Manro's portfolio is widely spread and some markets are not cyclical

Weight

"We want to get deeper into mining One of our surface activating agents, for instance, can be used to reduce the water content in coal If a mine is shipping 100 000 tons of coal and it can reduce weight by 5% by extracting water, it saves 5 000 tons from freight charges"

Earnings a share are forecast at 9,8c for the year to December compared with a pro forma 8,2c for 1989 A dividend of 3,3c is forecast

SA Druggists disappoints

Bottom Line

183

MICHAEL MENOF

Star 17/9/90

SA Druggists has had a chequered history.

Prior to 1964, the group was in judicial management. It recovered and was listed on the JSE before being delisted and run as a subsidiary of Federale Volksbeleggings.

In the mid-80s it was listed again, but judging from the disappointing 1990 annual report, management is still lacking in entrepreneurial skills.

The group really needs to end the age of hierarchy Despite sales rising 20 percent, and helped by a lower effective tax rate, costs were higher, margins lower and net interest more than doubled.

Something is amiss if growth was 17 percent in the first half of the year, with numbers for the whole year falling below 1989's results.

Lennons Pharmaceutical Manufacturing & Marketing and third party distributor LPA created the problems.

Setbacks came at a time when management was giving considerable attention to group strategy, structure and manpower, says MD A M Karis.

But changes are being implemented to bring a return to positive growth, he says What are these changes?

Isn't it a case of SAD needing to free itself from Fed Volks' sluggish mantle and learning to cherish change?

While SAD is no Adcock-Ingram, management can take a lesson on how Barlow Rand runs its subsidiaries There's nothing wrong with the balance sheet, it's the trading results and management that need winding up

I wonder what subsidiary Superweave, which manufactures a range of quality products for the automotive industry and the decorating and furnishing markets is doing in a pharmaceutical group?

During the year SAD spent R15,5 million on capex, including a R5 million factory in Robertville, which will greatly enhance Superweave's production capacity.

I discussed this with management in the mid-80s and they said it was making an excellent bottom line, so why sell.

If Fed Volks had used a little imagination it would have listed this company separately and capitalised on the 1987 JSE euphoria and still held control. This could have raised millions for SAD!

Sales climbed to R948 million (1989 R791 million) Operating income was R87,24 million (R84,15 million) — as a percentage of sales, a poor 9,2 percent, compared with 10,6 percent in 1989.

Net interest expense more than doubled to R12,63 million (1989: R5,41 million). After deducting tax of R33,76 million — effective rate 45,3 percent (1989: R37,09 million — effective rate 47,1 percent) and insignificant minority profit share, attributable earnings were lower at R40,58 million (1989: R41,03 million).

Below-the-line extraordinary expenses of R2,09 million — goodwill and deferred tax on LIFO reserve — (1989: a credit of R951 000 from sale of subsidiaries) — reduced the bottom line even further to R38,49 million (1989 R41,98 million).

Earnings per share were 28,8c (1989 29,1c), with the annual dividend unchanged at 10c.

Divisional results were virtually unchanged.

The pharmaceutmicals division contributed pre-tax income of R25 million (1989: R26 million) because Lennons' selling prices were depressed and below budget.

Winning state tender contracts appears unprofitable and because of negative experience Lennons will in future be more selective in its allocation of production capacity for the state tender market

Exports to the UK, Europe and Taiwan look promising, but the venture into the diagnostics field is not yet profitable

The chemicals division contributed an unchanged R14 million profit

Fine Chemicals was marginally below 1989's record profits Two major US customers had problems with Food and Drug Administration rulings, resulting in their products being withdrawn from the market.

The distribution division also produced an unchanged R22 million profit contribution.

Customer service suffered, a major unnamed principal was lost and high expenses were incurred in restoring service levels Remedial action was completed by-mid June 1990.

The consumer division and the medical, industrial and commercial divisions had unchanged profit contributions of R2 million and R7 million respectively

The balance sheet is sound — total shareholders' interest was R192,4 million (1989: R168,79 million) at end-March 1990.

Debt more than doubled to R53,08 million (1989 R22,9 million)

Working capital improved to R127,86 million (1989. R104,07 million). Net asset value per share increased to R1,36 (1989: R1,18)

The current JSE price is around R2,50. With Fed Volks holding 68,32 percent and individuals 1,45 percent, there's little movement.

I wonder why directors reduced their holding from 1,69 million shares a year earlier to only 633 000 at year-end? They need to hold a larger slice of the pie to be committed.

Mr Karis says prospects for 1991 are good.

LPA should improve in the second half and, after an uncertain first quarter, Lennons should be back on track when its new strategy works.

Targets for meaningful growth have been determined and accepted by management, he says

I am still sceptical and, with the recession setting in, we will only see a real improvement when the group has freed itself from the Fed Volk yolk, embraced dramatic organisational change and instilled some entrepreneurial spirit into management.

Drug companies fight against sale of cheaper derivatives

(183)

WEMail 21/9- 27/9/90

A RAND Supreme Court judge is pondering a dispute which should interest consumers — between a large British multinational drug company, Beecham Group, and a computer software company, Super Scripts.

Beecham makes drugs such as Amoxil, Penbritin (both basic and much-used penicillin drugs) and Maxalon.

Super Scripts has designed a programme that makes the life of pharmacists a lot easier. When the pharmacist needs to find a substitute (which is usually less expensive) for a branded name drug, he or she can type the name of the branded name drug into the computer and all its "generic" substitutes and their prices will appear on the screen.

So if you come into the chemist with a prescription for Amoxil and you have a medical aid which will only pay out on the cheaper substitute, the pharmacist can dial into his programme and suggest to you, say, Amoxycillin. Amoxil costs R17,67 for 15 and the substitute costs R10,30 for the same quantity.

This programme, according to a pharmacist, does not only reflect Beecham's drugs and its substitutes, but many other brand name drugs and their substitutes.

The problem, according to press reports of the court case, is that the programme may encourage the pharmacist to sell cheaper substitutes to the public. Beecham has asked the court to stop Super Scripts from allegedly infringing its trademarks.

Other multinational pharmaceutical firms have not applied to the court for the same help, but presumably would go along with any finding in favour of the drug company.

A consumer may wonder why a drug company should be so sensitive about its drug that it does not want pharmacists or consumers to be encouraged to look at a list of cheaper drugs which do the same work.

It is an old row in the drug company world. A company, like Beecham, spends millions of rands researching and developing a drug which it then has to test over a long period before it can put it on the market. When it finally reaches the market several years later, it holds a patent for about 20 years. Nobody else may use the formula during this time and the company will price its drug so that it recoups what it spent developing, testing and marketing the product, and makes a profit. That, after all, is business.

PAT SIDLEY

But when the patent expires, anybody is free to copy the drug and market it under another name. It will almost invariably be cheaper, as the brandname drug companies point out, because the copycat companies have no research and development costs.

The industry in this country, however, is protected by legislation that obliges pharmacists to fill the prescription exactly as it is written. So if a doctor prescribes Amoxil, it is Amoxil that has to be dispensed, not the generic substitute. The only exceptions to this rule occur when some government departments and medical aids will only reimburse their members the cost of the lowest-price substitute.

This is why the software company devised the pharmacists' programme.

It's noteworthy that the drug company does not appear to have used the argument in court that the brand name companies usually use, which is that the generic substitutes are often of inferior quality.

This, according to one local dispensing doctor, is often true in South Africa. Overseas, where the trend is to encourage pharmacists to dispense cheaper substitutes where necessary, generics are tested more thoroughly and quality is controlled to a greater extent.

In this country, says the doctor, there are few (almost no) tests on the substitute drugs. Often, he says, they do not perform as well as the originals.

He quoted the case of an anti-epileptic drug which was useful in its original form, but hardly absorbed into the body when the generic substitute was used.

The pharmacist I consulted faxed the substitutes for two of the Beecham's drugs to me, gleaned from the software in question.

The Amoxil substitutes ranged from R10,30 for 15, to R19,41 for the same quantity. The original costs R17,67.

For 20 Maxolon tablets I would pay R10,39. For the substitutes I would pay anything from R5,80 to R10,39 for the same quantities.

For my money I hope the drug company does not succeed in its quest to stop consumers spending less on drugs. For the same price, the quality of the generics could be better controlled and doctors and pharmacists could be required to offer the generic substitute as a matter of course — which is done is some countries.

Ostrich delights ... the healthy '90s dinner?

OKLAHOMA rancher Doug Stickler is sticking his neck out — for ostrich meat

Stickler, who with his older brother Mike has an ostrich spread in the middle of cattle country on the Oklahoma panhandle, predicts that meat from the bare-headed bird will be the health food of the 1990s

The Sticklers took four of their flightless flock this week to display at the Los Angeles County Fair

"It won't be long until you see people eating Kentucky fried ostrich," he said on Sunday "It's definitely the future "

He said the meat is low in cholesterol, high in protein and tastes like steak with the texture of veal

Doctors and nutrition experts who know what they are doing, he said, are investing in ostriches

The price is high because there are so few of the birds in the United States But he figures that in 20 years, ostrich will be giving beef a run for its money

"At first, we got a lot of teasing from the area ranchers," he said "They thought we were crazy "

Stickler got into the ostrich breeding business in 1986 He bought his first birds from ostrich-farming monks in Oklahoma City

Two years later, the Sticklers moved 10 000 head of cattle out and the birds in — about 175 of them now

The brothers have sold more than 300 chicks nationwide Prices range from $500 (about R1 250) to $3 000 (R7 500) per chick

"You just feed them, water them and leave them alone," he said "With cattle we worked from dark to dark

"It takes 30 minutes to do the ostrich chores " — Sapa-AP

Drug companies fight against sale of cheaper derivatives

(183)

W.E. Mail 21/9- 27/9/90

PAT SIDLEY

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CHEMICAL INDUSTRY FM 21/9/90 183

TARIFF PROTECTION BLUES

First it was the paper industry that went running to government to protest against threatened tariff cuts (*Business* July 20) And now, SA's R10bn-a-year chemical industry is also lobbying hard in Pretoria, to slow a phased withdrawal of protection

As UCT economics professor Brian Kantor argues, tariff protection should be a reward for exports, not something to keep


Van der Walt


Sander

otherwise unprofitable industries afloat That justifies tariffs for paper makers but maybe not for chemicals manufacturers, many of whom simply export when plants have to be kept fully occupied during periods of slack domestic demand

The Board of Trade & Industry is busy investigating a possible reduction in the level of existing import duties on chemicals which range from 3% to 25% of the landed price Trade & Industry Minister Kent Durr says government's intention is not to eliminate tariffs altogether but "to restructure them so the emphasis in the industrial sector as a whole moves from import replacement to exports "

But, says AECI's MD Mike Sander, SA's chemical industry has major disadvantages against certain competitors "In some Middle East and East Bloc countries the chemical industry is given surplus gas or oil for nothing It's therefore absurd to compare the cost structure of the local industry with such industries "

But while Sander hopes to retain tariff protection for his own company, he's probably less happy that protection in another form helps Sasol generate profits on synthetic petrol which are then ploughed into building plants which compete with AECI

So the background against which Sander expresses concern seems to be more complex than mere lobbying for continued protection "Industries which were set up for import replacement are now making a valuable contribution to the economy I'm not suggesting import replacement at all costs, but modest tariff barriers can help these industries to continue making a valuable contribution to the economy There's hardly a sector of the economy which does not use chemicals and there isn't a major economy anywhere in the world which doesn't have a significant chemical industry of its own, which acts as a spur for numerous downstream operations "

Sentrachem MD Johan van der Walt concurs "It's reasonable that tariffs should be phased out to accommodate a new long-term, export-focused strategy, but this must be done over time so that the industry can adapt to an outward orientation and job creation We're all for a free market but we would like to see one in which industry knows exactly the rules under which it's operating "

But, argues Kantor, what government gives, government can take away "Anybody who invests in an industry which is dependent on protection, rather than operating on its own merits, runs the risk that these benefits could be removed Unfortunately for the protected industries there's a much more sceptical approach to benefits from government these days "

Nevertheless, Durr is prepared to make the process as painless as possible "We are not going to spring surprises on an unsuspecting industry and, wherever appropriate, when changes need to occur we will undertake a phased approach, after consultation."

Sander says SA can be internationally competitive in a number of areas because of its access to raw materials These include certain monomers, minerals such as titanium ores used for pigment manufacture, chemicals such as cyanide and acetone and aerospace alloys. "Our strength will always lie in basic materials, but where SA is in a position to invest in value-added materials for exports this should be given high priority."

But to make these investments, industry claims it needs a more favourable financial climate Says Sander "We're penalised by high inflation and high taxes but also have to contend with the lifo system, in which we are taxed on profits which still have to be earned And we can now only write off capital equipment over five years, instead of three In an inflationary environment that's not much use "

He points out that, without special tax concessions, AECI would not have invested in the Sua Pan soda ash operation in Botswana Of course, Sua Pan is essentially an import-replacement venture rather than export-led Its protection guarantees will squeeze US soda ash producers out of SA

No matter what happens, tariffs must form part of the package for the industry, Sander believes "The Board of Trade is looking at reviewing tariff barriers and by that they clearly mean reducing them If this is done in isolation and does not form part of a more comprehensive industrial development policy, government could live to rue the day "

Admits Sander "The old system of export incentives wasn't cost-effective as it involved cash payments every year and did not address the fundamental issue of the unfavourable investment climate in SA It would be much better to support a new project financially at its inception, either directly, or indirectly through tax rebates for the first few years "

One project which could fit into government's export drive is a naphtha cracker, which is planned as a joint venture between AECI and Sentrachem The point that it would be based on imported naphtha feedstocks is glossed over in favour of the view that it would enable SA to make and export a range of speciality and other chemicals

Van der Walt says the question isn't whether a cracker should be built but when "It should be an RSA Inc venture, rather than any single company's parochial interest We must plan to export downstream products rather than the basic products thereby adding value along a chain which will also create new jobs We should export shoes or cables rather than PVC as a raw material "

That's easily said — but how can a cracker here compete with chemical producers elsewhere who have access to cheap feedstocks? Still, Durr is optimistic and believes that provided the cracker is large enough to be internationally competitive it would fit into the policy of outward orientation But then it would qualify for a measure of tariff protection *Stephen Cranston*

MOTOR INDUSTRY FM 21/7/90

A NEW DEAL?

Vehicle manufacturers and their franchise dealers have reached informal agreement on giving dealers greater investment protection

Following a meeting between representatives of the two groups on Friday, dealers plan to approach individual manufacturers to rewrite franchise contracts

As the contracts stand, manufacturers may give a dealer as little as 30 days' notice of their intention to withdraw a franchise. Dealers want the notice period stretched to 12 months, in line with the trend overseas

They don't deny manufacturers should retain the right to dismiss dealers in extreme circumstances but argue that, with more than R3bn invested in dealerships around SA, the notice period must be extended. Some dealers are particularly worried that, in the event of another merger between two manufacturers, hundreds of them could be left high-and-dry if the ensuing franchise

PDC Holdings to be listed on JSE today

B/Day 26/9/90.

MARCIA KLEIN

PDC Holdings, a wholesale distributor of about 16 000 pharmaceutical and allied products, will be listed on the pharmaceutical and medical sector of the JSE today.

The listing of 20,9-million ordinary shares of 1c each follows group restructuring and an agreement between Gresham and PDC's pharmacist shareholders.

In a pre-listing statement, PDC said the agreement would make PDC shares more tradeable and the company will have increased flexibility.

Frankel Kruger Vinderine analyst Teigue Payne said the expected initial trading price would be 60c and no new shares would be issued.

He said PDC, whose earnings declined 9% in the year to March 1990, expected earnings to decline a further 66% in 1991.

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Year-end

This should result in PDC trading initially at well below net asset value and on high earnings and dividend yields, said Payne.

PDC reported a net asset value of 274c a share at the March 1990 year-end

However Payne says PDC has been re-organised and is now part of the Premier group (via Gresham) He said the company would be listed with little debt and the long term outlook was good

PDC is 80,5% held by pharmaceutical-listed Gresham and operates from 10 warehouses in the Transvaal The balance of 19,5% of PDC is held by about 300 retail pharmacists PDC also holds 50% of the Plus retail pharmacy franchise

The board of directors is confident of an improvement in performance and profitability with a new management team and the introduction of improved computer technology

Sowetan 26/9/90

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Public's role in averting use of harmful chemicals

The public can play a vital role in determining the distribution and use of as well as the release of Chlorofluorocarbons CFCs, (allegedly harmful to the Ozone Layer) into the atmosphere

Many aerosol sprays use CFC's even though suitable alternatives are available, according to the Wildlife Society of South Africa

"Before purchasing an aerosol, look at the label to see whether chlorofluoro-carbons are present or look for the Wildlife Society's 'ozone friendly' label logo

"If it contains CFC's or if the propellant is not labelled, seek an alternative - either a different brand with the propellant labelled as any thing other than chlorofuorocarbons - hydrocarbons are quite acceptable

"Alternatively, lotions, roll-ons, creams or pump action sprays," the society says, "are also suitable "

In the case of refrigerators, freezers and airconditioners, one can reduce the quantity of CFCs being released into the atmosphere simply by following the correct procedures aimed at reducing the chances of leaks occuring in the pipework The CFCs are contained in these pipes

"Don't scrape the ice away from freezers using knives or other hard objects which may puncture the inside casing," the Society explains

Option

A more severe option with regard to car airconditioners is to not purchase cars with airconditioners. And in domestic cases, allow only authorised technicians to do work on refrigerators and airconditioners

Let the technicians, collect gas if possible and do regular leakage tests

Food is often served (as take-aways) or sold in stores in polystyrene foam The Wildlife Society suggests careful scrutiny of the disposable packaging.

Foam made without CFCs, such as those used in the case of the white seamless, disposable cups is "honeycombed" and made up of thousands of small cells, each about the size of a pin head

Foam made with CFCs as in the case of meat trays and which is more glossy - without the honeycombs - should be avoided and where possible, store owners should be notified.

Furniture cusions are often made with products made of CFC Denser, but not necessarily firmer foams are made using less or no CFCs Check on how long the product will retain its firmness

FM 28/9/90 (183) FOX

GRESHAM/PDC

GLOOMY LISTING

General doldrums in the pharmaceutical wholesale market — and a forecasted drop in EPS — have not deterred this week's listing of Gresham Industries' pharmaceutical subsidiary PDC

The pre-listing document forecasts a 68% fall in EPS to 12,8c to March 1991 compared with the March 1990 year Earnings have been affected mainly by the restructuring of the discount policy, which has reduced turnover The drop in turnover has caused forecasts for pre-tax income to show a 68%

Gresham's Utian *things could get worse*

fall to R5,3m

The discount restructuring was done mainly to stop the erosion of margins These

FM 28/9/90 (183) FOX

have been squeezed by increased competition from doctors and manufacturers by-passing chemists, and by small buying groups selling fast-moving lines (*Companies* August 31) PDC sells about 16 000 product lines including ethical products, patent medicines, toiletries, personal and healthcare products and photographic equipment to pharmacies

Gresham group chairman Gordon Utian does not expect any significant improvement in the pharmaceutical sector in the near future He warns that though the listing is coming at a bad time, things could get worse

When SA Pharmaceutical Development Corp (SAPDC) was merged with Pretoria Wholesale Druggists (PWD) in March 1988, part of the agreement was that the new company, PDC, would be listed in due course Luckily all shares are already taken up — Gresham has the majority stake of 80,6%, while the balance of the 20,9m issued shares are held by individual members of SAPDC

Utian says the listing will give shareholders a market as well as offering PDC "increased flexibility for its future development and growth " For example, PDC is no longer tied to servicing only chemists in line with the agreement with SAPDC's original shareholders Now PDC can expand its customer base to doctors, clinics and hospitals

Utian believes the core problems in the pharmaceutical industry can be solved only by government Legislation allowing lower priced generic products to substitute branded products, and the independent prescription and dispensing of drugs by pharmacists, could solve some of the problems

In a positive light, PDC has the backing of Premier Group and is the largest wholesale distributor Even so, large size cannot compensate for little profit Until profitability in the sector recovers there is unlikely to be much demand for the shares *Heather Formby*

The right medicine prescribed for PDC

Star 28/9/90

Diagonal Street

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ANN CROTTY

Given the current mood of the market and, a listing price that represents an 82 percent discount to net asset value and, a forecast for a massive drop in earnings, this week's listing of Gresham Industries' subsidiary, PDC didn't seemed designed to excite much investor interest

PDC, which is a wholesale distributor of pharmaceuticals, doesn't need a capital injection and management isn't interested in getting a higher profile for the company. So there were none of the usual reasons for a company going public

So, it appears to be an attempt by the controlling shareholder Gresham Industries to unleash itself from the present share ownership structure.

At present pharmacists hold 20 percent of PDC's shares (Gresham owns the other 80 percent) and have the right to appoint seven directors as long as their holding is in excess of 10 percent

There is an agreement between Gresham and the pharmacists (dating back to 1987) that to achieve tradeability PDC would get a listing.

According to that same agreement the pharmacists have an option to sell their shares to Gresham at a formula related to net asset value if they are closing their businesses, retiring or emigrating Under any other conditions, if they want to sell they must find buyers

This meant that pharmacists who may have been reluctant holders of PDC stock were board directors. This can hardly ensure that the board is functioning at maximum efficiency

By listing the shares, the pharmacists are given an opportunity to sell their shares and get out of PDC If enough sell, then board representation will be lost and a more cohesive and efficient board profile should result.

And the fact that they now have an opportunity to get out, means that any who stay with the listed PDC should be much more willing participants.

Either way, the board should in future function more efficiently

The other important part of the story is the dismal short-term prospects for the group — the pre-listing statement forecasts a 68 percent drop in earnings to 12,8c (39,7c) a share for financial '91 Financial '90 earnings were 5,5 percent down on '89. A dividend of 5c a share will be paid for '91.

Reasons for the weak performance include the decision to reduce the discounts to pharmacists (to protect margins) — the initial effect was to reduce turnover and earnings; there were also serious shrinkage problems.

Longer-term prospects look much brighter As Frankel Kruger analyst, Teigue Payne points out, the tough stance taken on discounts appears to be paying off and sales are coming back at higher margins And he notes that in future PDC will supply to dispensing doctors, and clinics instead of just pharmacists PDC is also planning to expand outside Transvaal.

In addition there may be plans to inject two other Gresham assets (ACA and Salters businesses) into PDC which would make it a sizeable operaton

All of which makes PDC a reasonable buy at 75c a share (well covered by the nav of 274c) for investors who won't be looking for fireworks in the next 12-18 months.

Omnia weathers poor winter

B1071 28/9/90

LIZ ROUSE

FERTILISER company Omnia Holdings fared reasonably in the six months to June, despite poor winter plantings and price discounting following imports

Net profit was up 20,8% to R3,15m from R2,61m on a 16,7% rise in turnover to R157,44m (R134,9m). The group was not liable for tax over the six months

Directors say in the interim report that physical volumes of fertilisers sold declined because of lower winter plantings It is expected that the decline will be recovered in summer

Market conditions were in disarray at one stage Small quantities of imported fertiliser over the past 12 months increased the pressure on domestic producers The entrance and demise of Agriland caused short-term disturbances in the market, which led to price discounting.

Although the explosives market is becoming more competitive, Omnia's subsidiary, Bulk Mining Explosives, has established itself firmly in certain market niches and is trading profitably, say directors

Assuming favourable planting conditions in summer it is expected Omnia's earnings will be in line with last year's results

An interim dividend will be considered as usual at the company's November meeting 183

Omnia paid an 8c interim dividend last year and an 18c final dividend It should be noted that the bulk of the company's income flows in the second half of the year

EXECUTIVE SUIT

0|0~7 2|10|90 (183)

Synthetic fuel has an important role to play

SASOL MD Paul du P Kruger says the synthetic fuel industry is not only desirable, but has an important role to play.

"Like any business decision, the timing of a plan to embark on a new synthetic fuel project is critical.

"For instance, Sasol 2 came into production when the oil price was, in 1990 rands, around R120 a barrel.

"It's quite evident the Sasol projects at Secunda were based on sound economic criteria."

When the oil price dropped to about $8 a barrel (R24 in today's terms) in the first half of 1986, the Sasol 2 loans were fully repaid and only a minimal portion of loans on the Sasol 3 project, that lagged behind the Sasol 2 project by three years, was repaid

When the Mossgas project was mooted, he says, the bulk of Sasol 3's loan was still outstanding

Relatively low oil prices prevailed, so Sasol wasn't in a position to participate in Mossgas.

"Although at the time we did not agree with the timing of the Mossgas project, this project has reached the stage where it will be wise to complete it

"With today's expectations of oil supply and pricing, it could be profitable at an early stage."

He says Sasol contributes more than R3,2bn a year (1,4%) directly to SA's GDP

The saving and earnings of forex by Sasol also amounts to around R3,3bn a year

Not all of this comes from synthetic fuel In fact, about 50% of Sasol's operating profit is derived from synfuel, and the rest from coal, crude oil refining, marketing of fuel, petrochemicals, other chemicals, fertilisers and mining explosives

"Apart from many divisions already operating, there are about 20 greenfields projects under consideration, which would need total investment of more than R3bn and which, at ruling prices, would turn over about R1,8bn a year.

"The contribution from these projects to the national economy will come from import replacement and exports, which will save and earn about R1,5bn in forex a year.

"The recently commissioned R500m polypropylene project, which was not included in the R3bn investment figure, will earn and save R250m in forex over the next year "

Projects underway are an annode coke plant, an N-butanol plant and a new ethylene plant.

Other projects relate to revamping Sasol 1 and a new strip colliery, which will produce 7m tons a year

Oil price hikes trigger a surge of interest in Sasol

BDay 3/10/90

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ZILLA EFRAT

ESCALATING world crude oil prices have intensified international interest in Sasol's synthetic fuel technology

Sasol GM Jan Fourie said the synfuel and chemical giant had received 16 inquiries about its technology from all over the world in the past few weeks

It was possible that some of these inquiries could lead to the sale of technology, co-operation agreements to further Sasol's international interests and even a stake in new synfuel plants in other countries, Fourie said.

With the world's gas reserves overtaking oil reserves, Sasol had done much research into converting gas into fuel and chemicals. It had also formed a specific division to sell the technology.

Provisional studies showed that at an oil price of $23 a barrel, a good return could be obtained from a world-scale plant costing about $2bn and using remote gas at low prices to produce fuel.

If the plant was extended to produce chemicals, increasing its cost to about $2,8bn, it could show a good return at a world oil price of between $18 and $19 a barrel, said Fourie.

However, oil-from-coal plants producing only fuels would not be viable at $23 a barrel if they were built now.

Unlike any other company in the world, Sasol is able to sell the technology, supervise the design and project execution, train the operating and maintenance personnel and commission the plant

Sasol's technology produces fuel which already conforms to reformulated gasoline standards to be fully implemented in Europe and the US in the mid-1990s.

Beecham's bid to stop program fails

(183)

BDay 4/10/90

SUSAN RUSSELL

THE Beecham Group has failed in an attempt to obtain a court order stopping the distribution of a computer program which enables dispensing pharmacies to compare its product prices with the generic equivalents produced by competitors.

Mr Justice Streicher dismissed Beecham's application with costs in a judgment given in the Rand Supreme Court yesterday.

Beecham brought its application last month for an order interdicting Southern Tvl Pharmaceutical Pricing Bureau (Pty) Ltd and Super Scripts (Pty) Ltd from using seven of its trademarks in any electronic storage media in a way which compared the prices of the products to those of generic substitutes

It claimed that the incorporation of its product names in the Superscript II program was an infringement of Beecham's trademark

Pharmacists approached with a prescription for one of Beecham's products punch the name of the product into the computer which then makes a comparison between the price of the Beecham's product and that of generic substitutes

Opposing the application last month, Super Scripts' counsel Rex Welsh QC submitted that the program furnished medical practitioners with information readily available elsewhere, and that nothing prevented the patient from insisting on the more expensive product

Dismissing Beecham's application yesterday, Mr Justice Streicher said Super Scripts did not trade in goods and therefore it could not be said that it was taking advantage of Beecham's trademark

If he found in favour of Beecham, the judge said, he would be going far beyond the object of the legislature

Mr Justice Streicher said all the Super Scripts program did was supply a quick, safe, accurate and cost effective means for pharmacists to dispense medicine

Court told of suicide attempts

No respite from soaring oil price

Cost crunch in chemical sector looms

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B/Day 4/10/90

ZILLA EFRAT

CHEMICAL producers are facing a crunch as raw material costs soar in the wake of oil prices Most fear they will not be able to fully recoup this rise from the consumer.

With local chemical markets already in decline and foreign markets oversupplied, manufacturers' operating margins are set to come under pressure, says Chemical Services' director Lex van Vught.

In addition, local producers are also likely to be squeezed if export difficulties prevent them from running their plants at maximum capacity.

A major proportion of the world's chemical products are based on inputs derived from crude oil And in the face of escalating world crude oil prices, an increase in raw material costs is inevitable

Van Vught says overseas suppliers have already indicated rises in the price of petrochemical derivatives of up to 20% for the fourth quarter of this year.

Sentrachem senior executive director Roy Pithey says some international petrochemical chemical intermediatries and commodity prices have already firmed

He adds that the industry can expect a price rise on products produced by the local crude oil refineries.

An AECI spokesman says while AECI is faced with some raw material increases as a result of the oil price, the impact on the chemicals giant as a whole is likely to be material but not unmanageable.

Higher oil prices will push up the cost of some of AECI's inputs, but not as radically as might be expected, he says.

International manufacturers of oil-based chemical raw materials are themselves experiencing a squeeze as demand for their products is weak.

This means they are unable to recover their increased costs in full through higher prices, says the spokesman.

While SA's imported chemical feedstocks are generally crude oil based, certain locally produced feedstocks are derived from coal and salt. Sasol produces two major feedstocks — ethylene and propylene.

Chemical Marketing and Consulting Services CE Henry Laing says Sasol's pricing policy in relation to that of international crude oil based equivalents will affect the local industry.

If Sasol's prices rise with international prices, local companies processing its feedstocks downstream will be hit. However, the industry could increase its international competitiveness if Sasol's price rises are based on local cost factors

Laing says if world oil prices remain high, it is likely that Sasol, or other local companies, could move further downstream in manufacturing value-added products from Sasol's synfuel process.

High prices could even result in Mossgas moving into chemical production.

Pithey says a higher crude price will immediately increase the price of plastics. As a result, substitute products like paper, alumium and steel could make inroads into plastics' market.

But as these alternatives are more energy intensive than plastic, higher oil costs will eventually catch up with them, restoring plastics' price competitiveness.

Earnings decline at Italtile

183 Star 5/10/90

Finance Staff

Italtile lifted turnover by 12,7 percent and operating profit by 4,6 percent in the six months to August.

The improvement came despite the deteriorating economy, stayaways and loss of production in South Africa and Bophuthatswana.

However, earnings per share were 40,2c — down 10 percent on the previous year.

This is seen as a short-term situation as increased production capacity will provide an excellent platform on which to build operating profit.

The group recently completed its R30 million tile factory at Babelegi, which should impact on earnings in the next financial year.

An unchanged interim dividend of 6c per share is being paid.

ANC intervenes in Capegas labour dispute

ANCW 8/10/90 183

By SHARON SOROUR, Labour Reporter

THE African National Congress has stepped into an industrial dispute at gas manufacturer Capegas, urging the management to end the lockout of more than 70 workers.

In a statement handed to the company at the weekend the Woodstock branch of the ANC called on Capegas to recognise the Chemical Workers' Industrial Union and to negotiate.

The ANC said the management's "provocative" action of locking out the workers and calling in the police "to harass and arrest workers" showed they were "determined to obstruct the struggle of the workers to achieve their basic human rights".

The ANC called on the community and workers in the area to join in a protest march this week to support the workers.

Capegas locked out 73 union members on September 17 — one hour before they were due to go on strike.

The organisation supported the workers' demand for R4 an hour and said higher wages were paid in comparable sectors.

'MISUNDERSTANDING'

But company spokesman Mr B Straughan disputed ANC claims, saying there were "several misunderstandings and errors" in the organisation's memorandum.

He said: "Shift workers at Capegas earn R4,29 an hour, more than the figure quoted by the ANC. The company tried to get the recognition agreement concluded, but the union broke off negotiations and insisted we go into wage negotiations before concluding the agreement."

Union regional organiser Mr Colin Rani said communication between the company and the union had broken down and a stalemate had developed.

Wage negotiations deadlocked with the company offering a 21 percent across-the-board increase, with the union demanding a 39 percent increase.

"The company's wage offer is final — the ball is in their court," Mr Straughan said.

Prochem in doldrums

By Ann Crotty Star 8/10/90 (183)

Prochem, Malbak's troubled chemical subsidiary, has reported a 61 percent slump in earnings to 8,9c (22,8c) a share for the 12 months to August 1990

A final dividend of 1,5c (4,5c) a share has been declared, making the total dividend payout for the year 3c a share — less than half the previous year's payout of 7,75c a share

Turnover was up three percent to R383,6 million (R372,9 million)

But, continuing a trend that has been evident since financial 1987, operating margins were down — this time from 6,88 percent to 4,66 percent

In 1987, operating margins were 8,3 percent

Although interest-bearing debt was down, finance costs were up 11 percent to R10,8 million (R9,7 million)

IMPACT

This reflected the impact of higher interest rates.

The tax rate was up to 38 percent from 33 percent helping to take the drop in taxed earnings to 61 percent — down from R10,6 million to R4,1 million.

Shareholders can take some comfort from the fact that second-half earnings exceeded those of the first half

And also that gearing is down from 80,8 percent to — a still hefty — 64,6 percent.

But things don't look too bright for financial '91.

Although cost-cutting measures that have already been implemented are expected to produce an improvement in full-year earnings, these measures will not be sufficient to offset the deterioration in trading conditions in the first half.

Prochem suffers a decline of 61%

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BDay 8\10\90

MARIETTE DU PLESSIS

DEPRESSED selling prices and reduced margins resulted in a disappointing performance by Malbak subsidiary Protea Chemicals (Prochem) for the year to end-August, with earnings falling 61% to 8,9c a share (22,8c)

This was despite marginal gains in the second half.

Sales of the chemicals manufacturing and trading group were slightly higher at R384m (R373m) but operating income reached a three-year low, declining 30% to R17,9m (R25,7m).

Attributable income fell 61% to R7,1m (R15,9m). A final dividend of 1,5c a share was declared, bringing the total for the year to 3c (7,75c) Dividend cover was slightly higher at three times (2,9).

Prochem's annual results were adversely affected by deteriorating market conditions in the first six months, but CE Mike Struwig said earnings for the second half, which exceeded those for the first, halted the decline.

"At the beginning of this year, stiff competition and lower world commodity prices were depressing selling prices and reducing margins At the same time, higher borrowings and interest rates were boosting our finance costs.

"As soon as these trends became apparent, management implemented the severe cost-cutting and working capital reduction programme which is now having an impact," Struwig said

Finance costs rose 11% to R10,8m (R9,7m), while operating margins fell from 6,9% to 4,7%

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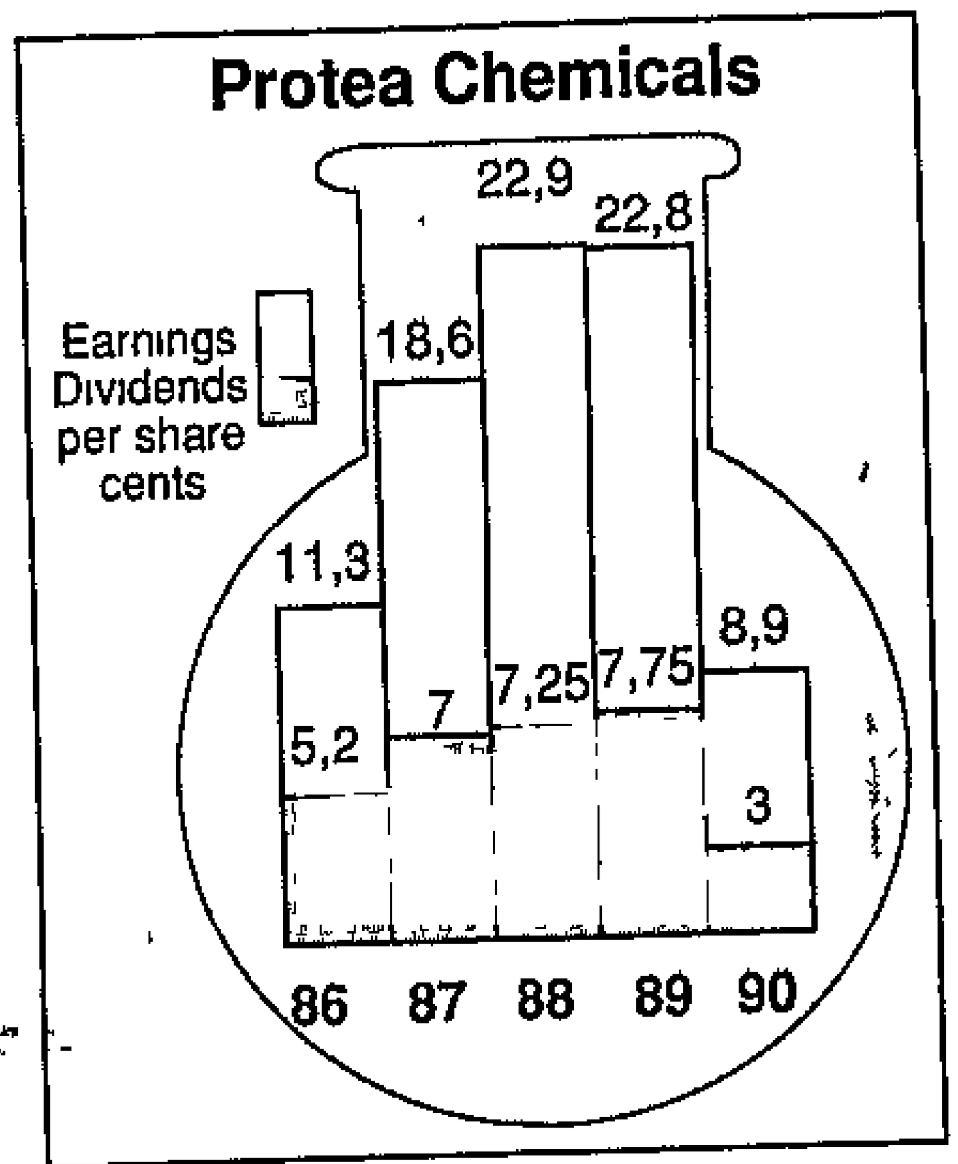

Graphic LEE EMERTON Source PROCHEM

Sentrachem

BDay 8\10\90

local demand and export.

Another is a R15m expansion at Safripol for compounded polypropylene to double capacity to 10 000 tons. Safripol is spending R27m on erecting a propylene purification plant at Sapref refinery in Durban.

Sentrachem MD Johan van der Walt says the group is also "looking beyond its immediate business to areas of future development in biotechnology, platinum-group metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides".

ZILLA EFRAT reports that Expandite

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☐ From Page 1

SA was a 50/50 joint venture between Sentrachem and Burmah Oil SA, a subsidiary of the UK-based Burmah Oil

Sentrachem specialities division MD Tony Roocroft says Sentrachem exercised its rights to acquire the other half in terms of the agreement reached two years ago when it bought its 50% stake in Expandite. He says the move is not part of a disinvestment by Burmah Oil

A statement from Expandite SA says that Burmah companies will continue to supply Sentrachem with technology

Sentrachem in R200m expansion

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Business Day Reporter

CHEMICAL giant Sentrachem has embarked on a R200m expansion programme which will significantly boost its export potential

Last week two expansions came on stream and the group also announced the acquisition of Burmah Oil SA's 50% stake in adhesive and sealant manufacturer Expandite SA for an undisclosed sum

The Sasolburg plant of Sentrachem's Safripol division, which supplies raw materials to the plastics division, has been expanded to double the production capacity of high density polyethylene (HDPE) to 140 000 tons a year. In addition, granulation capacity has been boosted by 60 000 tons to 210 000 tons a year

"This R68m project has been designed to meet all local demand for HDPE and will replace imports of about 20 000 tons a year. In addition, significant exports will now be possible," a statement said

Sentrachem's NCP division has brought the second phase of its chlor alkali plant at Chloorkop on line, in a R73m project which increases capacity from 50 000 to 75 000 tons a year BDay 8/10/90

Other projects to be commissioned in the next few months include a R43m maleic anhydride expansion project at Isipingo which will more than double NCP's annual production capacity of this product — used in the manufacture of polyester and other resins, paints and food acids — to 10 000 tons This level of output will cater for

□ To Page 2

Prochem

BDay 8/10/90

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□ From Page 1

Gearing was reduced from 80,8% to 64,6% by means of the cost reduction programmes implemented by management and by a 13,2% reduction in current assets This was made possible by a substantial R13,1m destocking effort.

On future prospects, Struwig said while the cost reduction campaign could not wholly compensate for the expected deterioration in market conditions in the first half of the new financial year, Prochem expected to improve its earnings.

All Prochem's activities had been reviewed and those which did not meet strict investment criteria were either being closed or sold

The share price closed unchanged at 90c on Friday At this price, the share is trading on a dividend yield of 3,3%, compared with a sector average of 4,8% and a price earnings ratio of 10,1 times

Future imperfect

183 Star 9/10/91

By Derek Tommey

Futures traders were unable to agree at a meeting yesterday whether to opt for floor or screen trading

It was reported last week that the futures trading floor in the JSE Annexe had been scrapped because of insufficient use, partly because of low volumes and partly because traders preferred screen trading.

But yesterday brokers' representatives were still unable to decide one way or the other

The meeting was inconclusive, said a dealer who attended it.

The only strong point to emerge was that the brokers were still keen to engage in futures trading

Another meeting will be held on October 18 at which proposals will be drawn up and submitted to the JSE.

The futures floor is part of a R3,3 million complex built specially for futures and bond trading.

Tedelex feels effects of curbs on spending

Star 10/10/90 (183)

By Ann Crotty

Once again, Tedelex's results for the 12 months to August show the effects of the Government's efforts to curb consumer spending, with HP restrictions holding turnover growth to a marginal six percent — up at R429,8 million (R405,7 million)

Tougher conditions and higher interest charges combined to knock earnings 38 percent — down from 50c a share to 31c

A final dividend of 5c a share is being declared, bringing the total for the year to 10c (17c) a share.

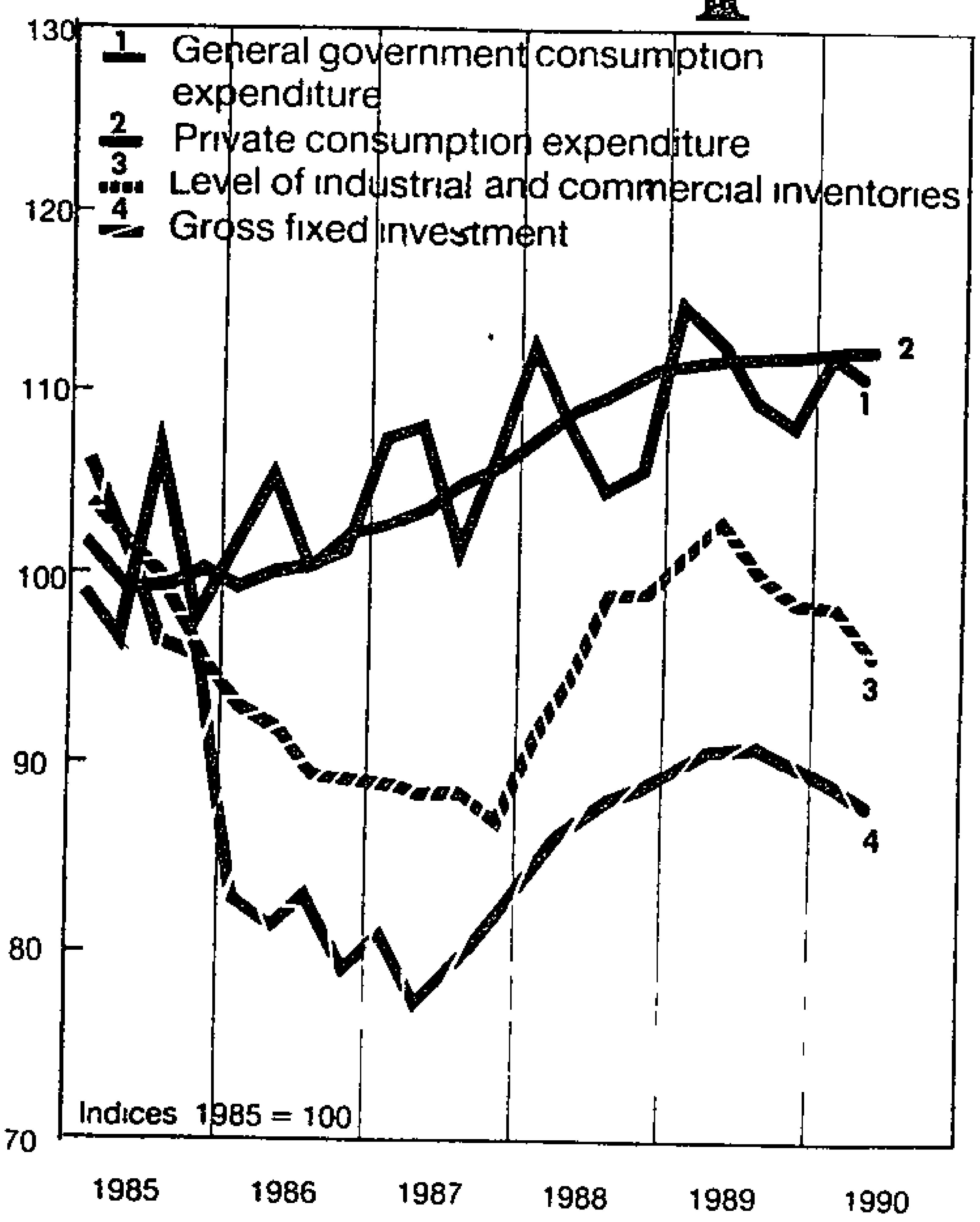
Despite the difficult conditions in the review year and unexciting prospects for the economy, chief executive Jack Cohen is looking to real profit growth in financial '91.

This is assuming no major adverse developments on the political or economic front

Real earnings growth will be welcomed by shareholders who had to suffer a fairly dismal earnings performance for most of the Eighties.

Just when profit performance recovered from the severe forex losses of the early Eighties, trading conditions were hit by the Government's attempts to control inflation by curbing consumer demand

The lifting of restrictions last March appears to have helped sales in the second half (At the interim stage, management reported a 3,6 percent drop in turnover) But even the six percent full-year hike does not represent any volume increase



Real GDP and its components

The tough conditions are reflected in the drop in operating margins from 10,4 percent in financial '89 to 7,3 percent

The drop meant operating income was down 25 percent to R31,5 million (R42,3 million)

Finance charges were up 20 percent because of higher interest rates and the increase in borrowings (R68,9 million from R61,7 million)

Pre-tax income was down 42 percent to R17,9 million (R30,9 million), with attributable profit down to R18,8 million (R30,5 million)

Although the figures look disappointing against the excellent performances reported by furniture groups, Mr Cohen says that given the conditions prevailing in his industry, Tedelex did fairly well

"The group has performed comparatively well in an industry and economy beset with problems and has retained a strong balance sheet with a relatively low level of debt, thus proving its resilience in the most testing circumstances"

He says that over the past three years, wage increases for lower-income groups have exceeded inflation "thus increasing the amount of their discretionary income and enhancing the potential demand for the group's products"

Because of the HP restrictions introduced in 1988, this potential demand appears to have been diverted to the furniture sector, so that Tedelex and other manufacturers in the consumer electronics sector did not see much benefit

(It should also be noted that earnings performance among the furniture retailers is considerably enhanced by the income that is earned on financing activities)

Tedelex's balance sheet appears to have weathered the storm reasonably well and it shows obvious signs of improved asset management

Current assets were up by only 1,4 percent for the full year Mr Cohen says there was a good reduction in stock levels in the second half

In addition, an R18 million reduction in borrowings was achieved in the final six months. But gearing was still marginally higher at 34 percent (32 percent) at year-end

Mr Cohen will not comment on market speculation about Malbak buying out the five percent minority shareholders and making Tedelex a wholly owned subsidiary

Pricefurn shareholders approve deal

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Star 11/5/90

Pricefurn ordinary shareholders unanimously voted on Tuesday in favour of the reverse takeover of Manro South Africa (Pty).

Manro is a supplier of organic and inorganic chemicals to a wide spread of industries.

The name of the company is to be Manro Chemical Holdings Limited.

The listing of Manro by way of the Pricefurn cash shell is scheduled for next Monday in the Industrial — Chemicals and Oils — sector of the JSE.

After the listing, the UK-based chemical group, Hickson International Plc, will have a 67,3 percent shareholding in Manro.

The latter has forecast a 23 percent increase in taxed income to R4 million for the year to December 1990. —Sapa.

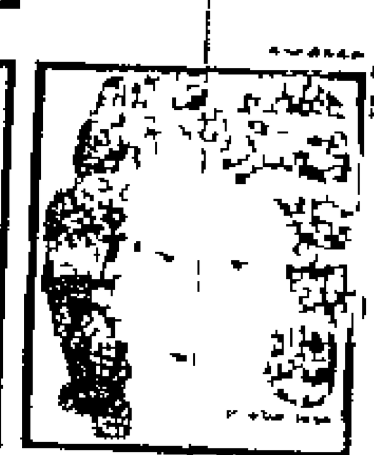
No lack of nerve on Sentrachem's part

Star 11/10/90

Diagonal Street

183

ANN CROTTY



It takes a reasonable amount of nerve to commit R150 to R200 million annually to expansion in an industry that is dogged by weak local and international economic conditions, that faces an uncertain impact from a hike in oil prices and that might have to contend with significant changes in government policy.

This week, chemicals giant Sentrachem announced the commissioning of two key components of a R200 million expansion plan designed to spearhead a new growth phase

According to Sentrachem CE Johan van der Walt, investment plans for financial '91 will involve spending about R140 million.

He says the uncertain and fairly weak conditions don't make management reluctant to invest: "Decisions still have to be made."

Most of the spending (which could include acquisitions) will go to developing activities in specialised (value-added) areas of the chemical industry.

For the year to end-March 1990 Sentrachem achieved a seven percent earnings increase.

The group has changed its year-end to August to bring it into line with other industrial companies in the Sankorp stable

Indications are that results for the 12 months to August '90 (due out in a few weeks) will show a drop in earnings of around 20 percent from the figures for the 12 months to August '89

The sharpness of the deterioration between end-March and end-August is attributable to a number of factors:

- Although things were slowing down in the period to end-March, in the five months since then there has been a sharp fall in demand, the effects of which are aggravated by customers using up stocks in their pipeline.
- The continued weakness of international commodity prices
- The contribution from agricultural interests is always relatively lower in the winter months. Because of the Sanachim deal with Farm-Ag (effective since February '90), the group's exposure to weak farming conditions is much greater.

Having achieved a sterling turnaround in the five years to financial '89, Mr van der Walt is understandably disappointed by the sharp knock in earnings that will be suffered in financial '90 and the grim prospects for financial '91.

But he remains bullish about Sentrachem's medium-to-long-term prospects These should be significantly enhanced by management's commitment to switch from reliance on commodities to niche markets (with export capability) at the lighter end of the chemical industry

In this instance, niche marketing involves adding greater value to sales, which means better margins. It also means that the barriers to entry are higher — which should also improve margins in the longer-term.

Financial '91 will be tough for Sentrachem — weak international and local economic conditions, high interest rates (on debt of around R500 million) and the mixed blessings of a high oil price (it should increase commodity prices, but general weaken economic conditions).

Mr van der Walt is concerned that any changes in government policy vis-a-vis this industry be effected in a gradual and structured manner.

He believes that a gradual approach will be necessary to create the desired new climate for investment.

Workers and ANC march to gas plant

Staff Reporter

ABOUT 200 workers and African National Congress supporters marched to the Capegas plant in Woodstock yesterday to hand over a memorandum demanding recognition of their union and a wage increase

Seventy-three members of the Chemical Workers' Industrial Union were locked out of the premises by Capegas on September 17, in a pre-emptive move when the company learnt that the workers planned to strike because of deadlocked wage negotiations.

The Woodstock branch of the ANC took up the workers' cause and called on the community to join the protest march

Several Cosatu-affiliated unions sent messages of support.

POLICE CORDON . . . Locked-out Capegas workers and Woodstock ANC supporters sing and toyi-toyi in front of a police cordon outside the plant yesterday. Picture. OBED ZILWA

The workers, who are demanding a minimum wage of R4 an hour, said they regarded the march as the "beginning of a major war against Capegas".

A meeting will be held today between worker representatives and management, who claim that Capegas shift workers already earn R4,29 an hour former diplomat's best known book is probably The Labyrinth of Solitude Paz was visiting New York when the award was announced Picture REUTER

wyk counsel for the JSE ... application on a number of ... Argument continues toda...

Pretoria's townships given power reprieve pending loan

B1D4 12/10/90.

WILSON ZWANE

THE Pretoria City Council would not cut power to neighbouring townships today pending the Pretoria Regional Services Council's decision to step in with loans to help the townships

The council had threatened to discontinue power to Atteridgeville and Mamelodi today unless about R6m in electricity arrears was paid.

At a Press conference yesterday Pretoria City Council's management committee chairman James Leach said the Pretoria Regional Services' executive committee would make recommendations at a special meeting next Thursday that loans be granted to the town councils of Atteridgeville, Mamelodi and Zithobeni to enable them to pay their accounts

Until then the Pretoria City Council management committe would not take action to cut the main electricity supply to Atteridgeville and Mamelodi, Leach said

The city council cut electricity supply to Atteridgeville and Mamelodi last month and restored it hours later on the condition that the townships made payments on their arrears today

In another development, negotiations among the TPA, Eskom, Katlehong Town Council and the Katlehong Civic Associations began last night

Katlehong mayor Gideon Molotsi had said the talks would centre on the interim flat rates residents would have to pay to keep essential services going

"If residents accept our proposed monthly flat rates then they will pay R50 for houses with electricity and R30 for houses without electricty The businessmen will pay R130," Molotsi said

Intravenous drips withdrawn for testing

SABAX, manufacturer of intravenous drips supplied to clinics in Johannesburg where a number of babies had died, said in a statement yesterday it had brought a microbiological specialist from the UK to help evaluate its procedures

B1D4 12/10/90

The Department of National Health and Population Development said tests of drips supplied to the department by Sabax had "shown contamination of the prepared medicines"

Sabax spokesman F F Erasmus said it had "suspended all of the admixed products which may, or may not, have been implicated pending the outcome of intensive investigations" (183)

The clinics had withdrawn use of the drips after an unspecified number of neonatal babies had died Park Lane Clinic said yesterday that laboratories had found the medical products in question contained the same bacteria as found in infected babies at the clinic — Sapa

Downtrend hits chemical group

BDay 12/10/90 (183)

ZILLA EFRAT

EARNINGS of chemical group Sentrachem for the 17 months to August would show a drop against the previous 17 months, Sentrachem MD Johan van der Walt said yesterday.

He attributed this to the economic downtrend, which had resulted in a general slowdown in demand for the group's products, to industrial unrest affecting customers and to the seasonal slump in the agricultural market.

While he would not quantify the fall in earnings, he said it involved "double figures". Sentrachem has changed its year-end to August to fit in with the Sankorp Group

Van der Walt said Safripol did not have enough capacity to meet local demand for high density polyethylene (HDPE) and, as a result, had to resort to imports However, its HDPE plant came on stream two weeks ago and Safripol was expected to return to profitability in the current year.

Sentrachem subsidiary Agrihold recently formed a joint agricultural chemical venture called Sanachem with Farm-Ag While this was an excellent investment, he said, agricultural companies normally ran at a loss in winter

Mega Plastics had been affected by industrial unrest and the strike at Mercedes-Benz In addition, unrest in the eastern Cape had a negative impact on Karbochem, which supplied the tyre industry

Van der Walt said Sentrachem was also expected to buy out West German company Hoechst's 50% stake in plastic converter Mega Plastics. While Hoechst had approved the move, Sentrachem's board would decide on it later this month

Sentrachem was investigating how to convert its Newcastle polyisoprene plant, snowballed earlier this year, to the production of metallurgical products.

Chemical giants investigate joint plans for R4,5bn plant

ZILLA EFRAT

CHEMICAL groups Sentrachem and AECI and energy giant Engen are investigating building a R4,5bn chemical plant to use the infrastructure of Mossgas or Engen's Genres Refinery in Durban, Sentracham MD Johan van der Walt said yesterday

A naphtha cracker next to the Genres Refinery would cost R2,5bn to build and another R2bn would be needed to produce further downstream chemicals However, if built on the Mossgas site the cost of the cracker would fall to R1,8bn.

Naphtha is one of the fractions obtained in crude oil, the distillation of which produces "dirty petrol", or naphtha. Cracking naphta means breaking down this oil into its components using steam and heat

AECI and Sentrachem were earlier considering building a naphtha cracker in Richards Bay but Van der Walt said this would have been more expensive at R5bn.

The aim is to use the gas from Mossgas or crude oil refined at Genres as a base to produce feedstocks for the SA chemical industry. The plant would increase the competitiveness of the SA chemical industry, said Van der Walt.

He said great synergies existed between Engen, which held Mobil and had the right to a stake in Mossgas, and Sentrachem, and both fell within the Sankorp stable

In addition Van der Walt said AECI's and Sentrachem's demands for chemical feedstocks were complementary

He expected the investigation to be completed by the end of the year and a decision to be made two years after that.

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Derived

BDay 12/10/90

Cracking naphta produces six of the major building blocks of the organic chemical industry Over 80% of all organic chemicals are derived from these building blocks.

The six chemicals are ethylene and propylene, which are both used in manufacturing plastic products, butadiene, which is the primary feedstock in the manufacture of synthetic rubber; benzene, which is used for certain foams such as styrene and polyurethanes; toluene, a solvent used in making certain organic chemicals; and xylene, which is used as an agent for materials that make PVC plastics soft

Engen results outstanding

B Day 12/10/90

NEIL YORKE SMITH

183

ENGEN, Gencor's giant energy operation, yesterday announced outstanding maiden results with earnings and dividends comfortably outstripping forecasts for the year ended August.

Formed in February, Engen consists of Trek Beleggings, the former Mobil Oil's southern African businesses, Gencor's Mossgas investment and Gencor's exploration rights in the Bredasdorp Basin

In an interview yesterday MD Rob Angel said· "We are delighted to have

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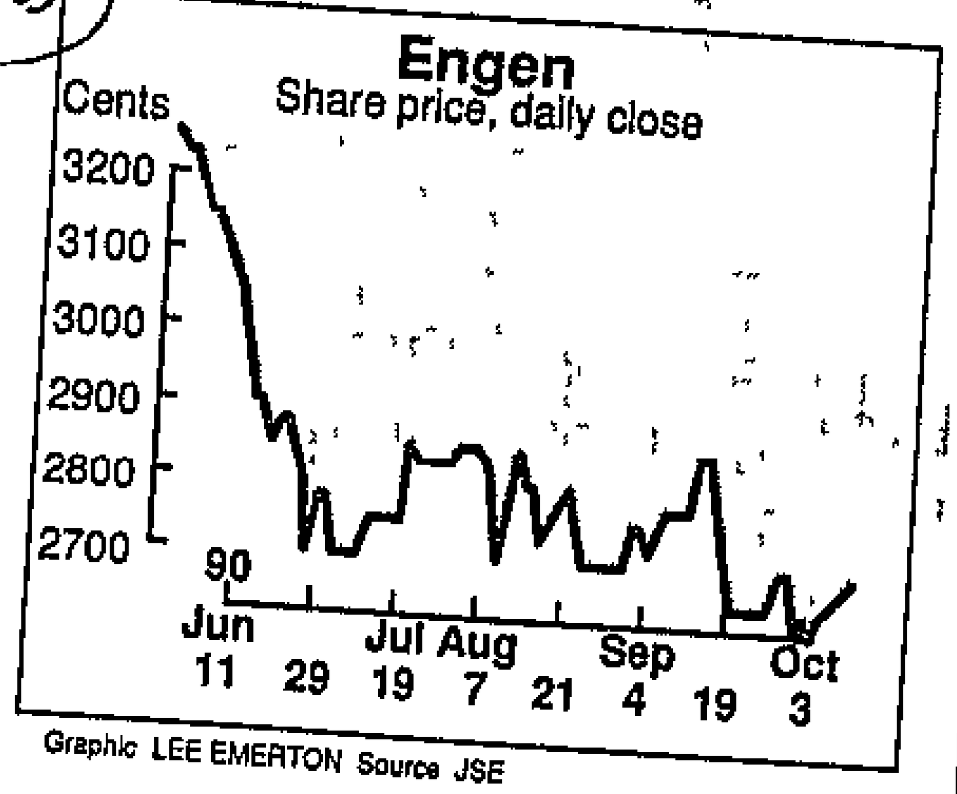

Graphic LEE EMERTON Source JSE

Engen results

B Day 12/10/90

183

☐ From Page 1

achieved, and even exceeded, initial forecasts"

Turnover dipped to R5,084bn (forecast R5,282bn) but income before interest and tax exceeded forecasts at R323m (R280m)

Attributable earnings of R213m exceeded forecasts of R200m for the full year Earnings were 194c a share (182c), enabling the company to declare a final dividend of 62c (55c)

Engen's bottom-line performance was assisted by the low effective tax rate of 27% and its success in reducing net borrowings to R139m from R173m

The tax rate was likely to remain low for the next few years, especially with the expansion Engen would undertake

"Rather than borrow excessively we are likely to go for a rights issue in the next two or three years," Angel said

Inventory values had risen dramatically on oil prices At the end of August, the replacement cost of Engen's inventories was R170m above book value

This could have a negative impact on cash flows and tax payments, Angel said Should inventory prices remain at these levels until next August, it would mean a sizable, taxable and accounting profit

● See Page 3

W/E Mail 12/10-18/10/90 183

Chemicals could make your home a chamber of horrors

YOU have probably never thought of your home as a chamber of horrors but there is a good chance that it is.

The valium or lithium is probably out of range of the children but is the bleach, or the insecticides, or the wood glue?

Perhaps you have asthma, a headache or feelings of unreality — it could be caused by an air freshener

The types of chemicals most likely to be dangerous in your house are gardening, vehicle, cleaning, general household and do-it-yourself chemicals and medicines.

The most dangerous rooms in which they are found are sheds and greenhouses, utility rooms, garages, kitchens and bathrooms.

And the most dangerous storage places are under the kitchen sink and other low places where they can be easily reached by children, on open shelves or cupboards without secure locks or child-resistant catches, near heat sources or sunlight — they may explode — or in an open and untidy shed or garage.

Don't imagine that you do not fit into any of these categories. A major survey carried out by a consumer organisation in Britain showed that every house they investigated had dangerous chemicals.

About 20 percent of the chemicals found were major hazards, about 40 percent were slightly less dangerous and nearly two thirds were not stored in a safe place

One family, with a toddler, kept a petroleum solvent in an unmarked plastic flask under the sink.

Another household kept the wood glue in a coffee jar in the garage while the insecticide was stored in a kitchen cupboard at floor level — the container was not child resistant.

In Britain and the United States medicine bottles are sold with special child-resistant lids.

In South Africa very few containers have child-resistant lids. And few have labels warning of the dangers of the chemicals.

PAT SIDLEY

Chemists here rejected a move in this direction some years ago saying their customers did not know how to open the containers.

Recent studies locally show that most emergency admissions of children involve poisoning. About 40 000 people in the UK were poisoned last year Of these, 35 000 were children under the age of five.

The Consumers' Association says that not only were the substances in its survey easy to reach but the containers were often open. Additionally, the hazardous chemicals were in containers that had originally held food or drink — the weedkiller in the colddrink bottle can tempt a youngster

Some oven cleaners contain caustic soda which can damage skin and eyes as well as other organs.

Other houses had the toilet cleaner in easy reach of small hands. Toilet cleaners, which can often be poisonous on their own, can cause the release of chlorine gas if acid-based and bleach-based ones are mixed. Such a gas will attack the throat and lungs

Flammable liquids should be stored in cool dark places as thousands of casualties are caused annually by burns from explosions and fires.

Among the other hazardous chemicals to be found in homes are the dioxins, a group of 210 chemicals of which 17 may be dangerous. They are by-products from chlorine bleaches and are also present in some pesticides. But the main source is food — in chlorine-bleached milk cartons, tea bags, toilet paper, tampons, disposable nappies and sanitary towels and coffee filter paper. This does not mean tea bags are a necessarily a health hazard but in at least one country, Sweden, the government has recommended that personal hygiene products, like tampons or toilet paper, should not be bleached.

Sweden has also banned Lindane, which is used to treat wood, because it may cause epileptic-like fits, headaches and nausea.

Chemicals should always be locked away and should not accumulate; throw them away if you are not going to use them. They should always remain in their original containers — preferably ones with warnings on, clear directions and child-proof lids

Handle chemicals with care — if they can kill pests, they may harm you or your children.

R1bn Mossgas bonanza for SA

W/C-ARGUS 13/10/90 (183)

From JOHN SPIRA

JOHANNESBURG — With oil at more than $40 a barrel, Mossgas will save South Africa upwards of R1 billion a year in foreign exchange — equivalent to a 20 percent rise in the gold price — when it reaches full production in April 1992.

The soaring oil price has sparked off renewed debate over the viability of the R8 billion oil-from-gas project Its previously white elephant status is now improving rapidly

Indeed, with gold showing an alarming disinclination to follow oil higher, Mossgas could well come to the rescue of the nation's dwindling foreign currency reserves and simultaneously give the economy a welcome shot in the arm

The positive Mossgas scenario must, however, be tempered by two prospective negatives

- If oil reverts back to the $20 mark, Mossgas will be in the red
- Although the latest cost estimate for the project is R8 billion, some believe that it could balloon further A figure as high as R15 billion is being mooted

Present Mossgas viability calculations look like this

On the basis of the widely-held belief that South Africa's daily oil consumption is in the region of 330 000 barrels, and on the assumption that Sasol's daily production is 120 000 barrels, the country's daily import needs are 210 000 barrels

Before Iraq invaded Kuwait, South Africa was probably paying around $20 a barrel, for an import bill of $4,2 million a day — a figure which translates into an annualised $1,5 billion, or R3,9 billion

At the current oil price, the annualised import bill must be close to R8 billion — a 100 percent increase over the past two months

Mossgas is scheduled to start producing oil in July 1991 and is expected to reach full production some nine months thereafter

By that time, the project should be producing roughly 27 000 barrels of oil a day, thereby advancing domestic production to 150 000 barrels — 45 percent of the country's total oil needs

Analysts reckon that Mossgas's break-even point is $20 a barrel, with full viability being reached at $25, or perhaps a little higher.

Until now, these parameters have led many observers to conclude that the large sums involved in bringing Mossgas to production would have been better spent on black education, housing and health care

New life

They're now beginning to look on the project in a different light, conceding that the Gulf crisis could linger for some years, in which event the oil price would remain well above the $25 a barrel at which Mossgas is viable

Adding to Mossgas's potential to save foreign exchange is the possible profitability of Soekor's additional oil and gas discoveries of the past three years, which, some geologists estimate, could raise production to considerably more than

See page 3

Mossgas bonanza

W/C-ARGUS 13/10/90 (183)

From page 1

the output expected of Mossgas

Even in the absence of speculation over new discoveries, Mossgas will inject new life into the country's economy from 1992 onward

At $40 a barrel for oil, the expected output of 27 000 barrels a day will be equivalent to $394 million a year — in excess of R1 billion

If oil holds above $40, this sum will not drain out of the country but will instead be retained in the domestic economy, thereby enhancing liquidity and boosting economic activity

It is a potential benefit which adds credence to projections that the economy could embark on a new upswing by late 1991 or early 1992 — an upswing which would derive additional muscle if (as is distinctly possible) the oil price is higher in 1992 than it is at present

Former Mossgas critics point out that based on the relevant current figures (oil at $40 and a total capital cost of R8 billion), Mossgas will pay for itself in eight years If the eventual cost rises to R15 billion, the pay-back period extends to 15 years

When the go-ahead for Mossgas was first given, the estimated life of the project was 30 years Subsequent analysis suggests that another 10 years could be added to this figure

Manro's reverse route (183)

Business Times Reporter

MANRO SA, the specialist chemical group, will be reverse listed into the Pricefurn cash shell tomorrow.

Group managing director Bruce Murray says it's more of a private placing About 350 minorities still have stakes in the cash shell and not much trade in the share is expected. The Cape Investment Bank, which purchased the shell from Pricefurn, still has a block of shares Earlier this year, all Pricefurn shareholders were given the option to sell to CIB

The company will be known as Manro Chemical Holdings Limited after its listing in the industrial sector under chemicals and oils

A rights offer will be made next year to prepare the way for expansion. Mr Murray says the rest of this year will see consolidation of the company after several acquisitions

S/Times 14/10/90

Listing

He says it is still too early to comment on the exact time and terms of the rights' issue

Hickson International will hold 67,3% in Manro after the listing, while management will hold 8,5%.

Manro has forecast growth in attributable profit of 23% to R4-million for the year to December A three times covered dividend of 3,3c is expected.

Manro was established in SA in 1981 and in 1987 it bought chemical supplier Bevaloid SA The multinational chemical group Hickson International aquired Manro Holdings UK in 1988 and Manro SA then bought the local Hickson subsidiary.

yesterday with her comment | daily since he joined Alco

Virus may have killed babies all around the country

ST Times 14/10/90

(183)

By MARK STANSFIELD

FEARS grew yesterday that the number of baby deaths allegedly caused by contaminated drips may be higher than reported

It was disclosed by the drip manufacturers that the product had been distributed to clinics throughout South Africa

So far at least five babies' deaths — all in Johannesburg private hospitals — have been linked to the allegedly contaminated drips

The drips were withdrawn by manufacturers Sabax Ltd immediately after being identified as a possible source of the killer infection believed to be responsible for the deaths

But fears are mounting that far more children could have been infected by the virus klepsiella from the same source — and their deaths attributed to other infant ailments

As the high-level investigation into the source of the infection continued this weekend, Sabax — a subsidiary of Adcock Ingram — made it clear the company would not accept liability unless it was proved the product was faulty

A spokesman said there were a number of possible sources of the deadly infection — including the clinics themselves

"The treatment of seriously-ill babies involves different procedures such as surgery, wound treatment, storage and infusion — all of which are potential sources of contamination," said marketing and public affairs director Frans Erasmus

Battle

The dispensed product has a 24-hour shelf life — but clinics and hospitals could have been using expired stock, experts said

"These admixtures have a short shelf life," said Vicky Baker of Sabax "Accordingly, expiry dates and storage temperatures are very clearly labelled

"It is particularly important that the product remain refrigerated from the point of mixing through transportation and storage up to the point of use"

Nevertheless, pin-pointing responsibility for the spread of the infection in Johannesburg's neo-natal clinics could become one of the longest and costliest medical legal battles in South African history

Already battlelines have been drawn between the manufacturers, the clinics and the parents whose children died

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have confidence in current management," said Mr Beck

What's Nicholas de Klerk doing that interests Pieter Dirk Uys? See Man with Designs: Page 3

Picture SUE KRAMER

Dazzling Engen looks at export market

St Times 14/10/90

By IAN SMITH

GENCOR's 84%-held energy group Engen, which produced scintillating maiden results this week, has ambitious plans to break into export markets

Managing director Rob Angel is confident the group's R1,2-billion upgrading programme, which will significantly increase efficiency and refining capacity, will prove that its forecast-beating results to August 31 were no flash-in-the-pan

There's a bright outlook all around the horizon for SA's first fully integrated energy group, he says

The soaring crude oil price is not a major factor in his confidence Mr Angel says the Gulf crisis has "temporarily" increased worldwide refinery margins and the price hike means that the replacement cost of Engen's inventories was about R170-million above book value at the end of the financial year

"While this would appear to provide substantial benefits to shareholders, it has, in fact, a marked negative impact on cash flow and taxation payments"

If inventory prices remain at current levels until August next year, there will be a once-off "sizeable" taxable and accounting profit for the group "However, any fall in prices will undo this notional gain"

The formation of Engen last February brought together the operations of Trek Beleggings, the former Mobil Oil Southern Africa operations bought from the US-parent for R650-million, and Gencor's 30% stake in Mossgas and 20% option in Soekor exploration in the Bredasdorp Basin

Although the group's turnover was slightly below forecast at just over R5-billion, income before interest and tax was 15,4% ahead at R323-million

183

Delighted

Attributable income, after provision for higher tax, was R213-million, compared with the forecast R200-million A final dividend of 62c a share — 7c ahead of forecast — brought Engen's total payout to 97c, a 17% increase on the 83c paid by Trek last year

Mr Angel says he is delighted with this performance, but there are more dazzling prospects down the road "We are optimistic that we can improve"

Much of the confidence comes from the R500-R600-million to be spent in each of the next two years upgrading the "debottlenecking" plant A rights issue to help finance the project could look to raise about R1-billion

The 50% increase in refining capacity due in December 1992 will come on stream at a time when refineries around the world will be stretched But Engen hopes to have "quite significant" exports by the end of next year

Greater efficiency will also produce more petrol and diesel from every barrel of crude — and Engen is looking at other chemical derivatives

At the same time, the soaring crude oil price has improved the prospects for the Mossgas oil-from-gas project and Soekor's promising oil and gas strikes in the Bredasdorp basin

He says there is considerable uncertainty about prices in the oil industry but when the price comes off the top it is unlikely to fall to previous low levels It could settle around the $20 or $21 a barrel level

Engen benefited last year from higher refinery throughput — but this was limited to a 4% increase

☐ Coincidentally, the 14 600-ton jacket for Mossgas' offshore operations left Saldanha Bay on a special barge on Friday The jacket, completed by Genrec Offshore ahead of time and below budget, will be sunk over the production hole 85km south of Mossel Bay today or tomorrow

Three-point plan for sick industry

(183)

S|Times 14|10|90.

DIAGONAL STREET

By Julie Walker

THERE's an irony somewhere for PDC, the newly listed pharmaceutical wholesaler 80% held by Gresham.

There are more than 300 shareholders, which spread easily qualifies for a listing on the JSE The shareholders came aboard on the merger of Gresham's PWD (formerly Pretoria Wholesale Druggists) and the SAPDC, a company previously owned by pharmacists

Its members were issued shares in the merged company as well as receiving a substantial cash payment By agreement, the only way pharmacists could sell their shares was that if they left the industry, the shares had to be offered to Gresham, which is part of the Premier Group

Premier's deputy chief executive, Gordon Utian, says it led to an absurd situation where pharmacists even went so far as to try to sell their businesses so they could cash in their shares

So a listing on the JSE overrides the previous rules — the irony is that there has been almost no trade — only 45 000 changed hands at 75c out of the 21-million shares in the first week of issue This week the price came down to 70c

GORDON UTIAN

Smooth

Mr Utian points out that there is rarely a right time to list The marrying of two different cultures has not been without its difficulties, but differences are being smoothed He says that results should not be expected overnight when there are so many negatives at play in the pharmaceutical industry

Dispensing and trading doctors are just one of the problems facing retail pharmacists Pressure from medical aid societies to grant ever-increasing discounts is another Mr Utian says pharmacists have embarked on a self-destructive discounting path which threatens their viability

Margins have been affected from intense competition among existing wholesalers and the emergence of a number of buying groups selling only a limited number of items — the boutiques

He refers to a third batch of major shareholders who have not paid for any equity, yet see fit to help themselves to profits — thieves Shrinkage is one of the most serious problems facing the industry

When pilferers are caught they usually have shopping lists of high price-tag drugs which are probably resold by the boutiques

Mr Utian paints a sad picture of the inequities in the industry On one side there are multinationals, including conglomerates, to which accrue advantages such as tax, foreign exchange and pricing He euphemistically describes the prices charged by such companies as "exceptionally high", while conceding that research is costly

In brief, doctors are blinded by the advertising light on these heavyweight products and prescribe them when equally effective products are available at a fraction of the price Few consumers are ever likely to challenge the opinion of their doctor, and anyway, "the medical aid pays"

Only a fifth of the population belongs to medical aid

The flip side is of pharmacists trained in professional health care, yet whose role is blurred by increasing competition

Mr Utian questions the role of the medical aid system, whose administrators pursue profit at the exacerbation of the difficulties already prevailing Last week's announcement by medical aid schemes that tariffs could rise 25% next year as doctors are granted increases of 18% reflects the cost spiral position exactly

Service

He says in polite words what most medical aid members know to be true — they are not cost-effective

Between manufacturers and pharmacists lie the wholesalers, expected to maintain service in the face of increasing costs Wholesalers have to finance and warehouse every product and deliver several times a day

Expensive computerisation is the only way to handle the business efficiently

Mr Utian says "The inequitable conditions which are steadily entrenching themselves in the pharmaceutical industry can only be cured by Government, which has the power to create the framework to do so"

Even the average person can no longer afford health care What about the underprivileged?

He says the solution does not lie in cutting prices to medical aids, nor does it lie in squeezing retail pharmacists

One proposal is that a form of medical insurance should be introduced in substitution for the present system, which would eliminate the high volume of small claims which require large administrative infrastructures

Ailments

Mr Utian's second suggestion is probably more important legislation should be introduced to permit generic substitution for products as effective as branded ones to bring about price reductions

Thirdly, Mr Utian believes pharmacists should be allowed to prescribe and dispense medicines for less-serious ailments Increased self-medication would enable pharmacists to practise the professional skills they spent so long acquiring

● A Rand Supreme Court judge ruled last week that pharmaceutical giant the Beecham Group could not obtain a court order to stop the distribution of a computer program that helps pharmacists

The program compares brand names against generic substitutes with respect to pricing

Adcock-Ingram probing products

3

PHARMACEUTICAL group Adcock-Ingram believes there is little chance that it is responsible for the allegedly contaminated product being blamed for the death of new-born babies in the greater Johannesburg area.

At least five babies have died in the last two months, two at the Park Lane Clinic in Johannesburg.

Adcock-Ingram fully-owned subsidiary SABAX manufactures and distributes therapeutic medical care products, including those used in operating theatres, dialysis units, hospital wards and in blood transfusion centres.

Specialist from UK will check procedures

183

S/Times 14/10/90

By CHARMAIN NAIDOO

SABAX, in providing a service for hospitals, prepares special medicines for specific patients.

Don Bodley, managing director of the Barlows subsidiary, says "All allegedly contaminated products were withdrawn from circulation this week as a precautionary measure.

"Our investigation is continuing. The admixed products are mixed to meet requirements for specific patients in accordance with a doctor's prescription.

Designed

"Various ingredients from different sources go into these mixtures, which are prepared in an aseptic facility, specially designed to meet the most stringent pharmaceutical standards.

"SABAX acts rather like a pharmacist, mixing the various medical components in accordance with doctors' specifications."

Mr Bodley says that it is extremely unlikely that SABAX is liable for the contamination in the sterilised product designed for intravenous use in new-born babies.

"We've brought out a microbiological specialist from the UK to help us in our evaluation and in the validation of the procedure used because of the complex nature and the many factors involved in mixing, storage and actual infusion of these products.

DON BODLEY

"In this particular case, only one product is involved," he says.

Products of this nature represent less than 1% of the total units sold by SABAX.

"This admixture unit is separate from the main sterile manufacturing unit where the remainder of the SABAX products are produced.

"These products are all subject to the most stringent quality assurance procedures and there is absolutely no need for concern by any user of the SABAX range of products," says Mr Bodley.

In view of these points, he adds that he is confident that SABAX products are safe to use and that the medical profession will have confidence in them — as they have done for the past 40 years.

"As the medical profession is aware, SABAX continually reviews and updates their procedures and standards and is ever conscious of its responsibility to public safety.

Insurance

"Accordingly, we do not believe the financial results of SABAX or the group will be impacted."

It has been reported that the parents of at least two of the dead babies are planning jointly to sue the manufacturer if culpability is shown.

Mr Bodley says "In the unlikely event that we are found liable, the group is fully covered with product liability insurance.

"It is extremely difficult to estimate what the extent of the damages could be if such a case were made.

"In the case of neo-natal babies the amount would be much lower than for an adult because they are not breadwinners."

Engen exploring in West Africa

B/Day 15/10/90 ZILLA EFRAT (183)

ENERGY giant Engen is investigating oil exploration ventures beyond southern Africa, with West Africa set to be its most likely target area, says MD Rob Angel.

Engen's strategy is to increase exploration, and hopefully production, outside SA, he says. In addition the group's current expansion programmes will enable it to break into export markets.

The Gencor-held group, consisting of Trek Beleggings, Mobil Southern Africa, an investment in Mossgas and exploration rights in the Bredasdorp Basin, came to the JSE in May through the Trek listing.

Last week it announced attributable earnings of R213m for the year to August, well ahead of the forecast of R200m made in February. Angel says prospects for continued growth are good.

Engen is spending R1,2bn expanding its Genref Refinery in Durban. The first phase, which will come on stream in September 1992, will increase Genref's capacity by 50%, allowing it to take over Trek's

☐ To Page 2

Engen

BDay 15/10/90

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☐ From Page 1

refining and to export to Africa and the Indian Ocean Islands

Two years later, Engen will add another 50% to Genref's capacity. In addition, an expansion of Genref's lube oil refinery will be completed by the end of the year.

Engen is also spending R110m rebuilding the Island View lube oil blending plant to cater for local demands and exports.

Together with chemical groups Sentrachem and AECI, Engen is investigating building a world-scale chemical plant to make use of either Mossgas's or Genref's infrastructure to produce feedstocks for the local chemical industry.

Angel says it is likely Engen will take up its rights in Mossgas. Funding this and the expansion programmes could require a rights issue to raise not less than R1bn within the next two years.

The benefits of Mobil's takeover of Trek's distribution earlier this year have not fully filtered through. The savings of this rationalistion could be between R10m and R15m for a full year, says Angel.

Engen is building new service stations and rebuilding existing ones. It is strengthening the identities of Mobil, Trek and Sonap and studying the effects of changing Mobil's name by 1994.

Gencor has share in North Sea project

(183)

610 cq 15/10/90

ZILLA EFRAT

GENCOR is to take part in a project costing more than £1bn to exploit the Alba field, a major oil reserve in the North Sea

The chairman of Gencor's energy subsidiary, Engen, Bernard Smith, says Gencor has an 8% stake in the venture, which involves several large oil companies from around the world with US group Chevron as the managing partner.

Gencor is considering whether to go into the venture on its own or to bring in Engen.

In addition, Gencor also has an 8% interest, along with the same partners, in the Kilda field, a significant gas/condensate field in the North Sea.

The project to exploit the Alba field, which is east of Aberdeen off the coast of Scotland, is subject to Annexe B approval from the UK Energy Department This is expected by the end of the year

The first phase of the project, expected to produce oil by 1994, will cost about £600m, and the second phase, which will come into production around 1998, is expected to cost slightly less

Smith says a technical feasibility study has been completed and the venture looks viable. A full announcement will be made once the Energy Department approval has been obtained

A decision on whether to exploit the Kilda field will be made in about two years time when the exploration of this field has been completed, he says

JOHN CAVILL reports from London that the Alba field is in block 16/26 of the North Sea The reservoir, which is 1 800m beneath the sea bed, contains about one-billion barrels of oil, of which more than 250-million is estimated to be recoverable

Production start-up will be in 1993/94 and peak output will be about 80 000 barrels a day

A spokesman for Chevron said "Alba is going ahead and we are finalising financing requirements with the partners The main decision which remains to be made is the rate of off-take Development costs have not been finalised"

Apart from Chevron (33,17%), other partners in Alba include Oryx UK Energy (15,5%), Sante Fe Exploration (11,75%), Fina Petroleum (10%) and Unilon Oil Explorations and Baytrust (8%)

Kilda, said to be a mega-sized gas field, lies under Alba and will be developed later The Kilda field extends over three North Sea blocks

Petrol set to rise by 15c

CT Times 16/10/90

By PIETER COETZEE
Financial Editor

THE expected increase in the petrol price early next month will be about 15c a litre, according to reliable sources It will be kept down to this level by the government's cutting of the tax component of the petrol price

Fears were that the petrol price could be increased by as much as 35c a litre early next month — the estimated present under-recovery

According to Mr Lourens van den Bergh of the National Energy Council, the tax component of the present petrol price is 32c a litre

The landed cost used to calculate the previous increase was 58c, while the actual landed cost then was 81c This left an under-recovery of 23c which up to now has been carried by the Equalisation Fund

With the increase last month the petrol price was calculated on a cost of $22 a barrel Since then the oil price has risen to $40 a barrel

Since the equalisation fund is nearly depleted it would mean that the full under-recovery of 35c a litre would have to be added on to the existing petrol price Should the government decide to cut the tax component of the petrol price, however, the eventual increase will be much smaller

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Suspension Kemtrade's second in a year

MARIETTE DU PLESSIS

TWO consecutive years of bad results could have prompted Kemtrade Holdings' request yesterday to have its listing on the JSE suspended for the second time in 12 months

The pharmaceutical and cosmetics group's chairman Ronald Lowenthal last night declined to comment on the latest development, but said negotiations were in progress for a "refinancing package to stabilise the company".

In October last year its listing was suspended for one day when a consortium headed by stockbroker Lowenthal took control of the ailing group

New management was confident that the discontinuation of unprofitable product lines and subsequent restructuring would enable Kemtrade to move into profit by this year's halfway stage, despite a net loss of more than R2m for the 14 months to end-February

These results pushed the troubled company further into the red after a 23% drop to R793 00 in attributable profit in the preceding year

A reduction in its 1988 dividend from 37c to 2c, followed by the non-payment of a dividend in 1990, has fuelled market speculation that Kemtrade could be in serious financial trouble

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An analyst said the share price which in 1988 traded at a low of 25c, even then had shareholders wondering "how firmly the wheels are attached"

With the share closing at 26c, after reaching a high of 47c in November last year, its future did not look promising, he said

Durban attack: 4 more arrests

Own Correspondent

DURBAN — Four more suspects have been arrested in connection with last week's stabbing on Durban's beachfront

Nine people were injured in the attack and John Kemp, 85, died in Addington Hospital on Monday

So far 11 people have been arrested in connection with the stabbings They are being held under the emergency regulations

Statement on baby deaths today

ALL seven babies who had died at the Morningside Clinic's neonatal intensive care unit since January had been treated with special intravenous solutions manufactured by Sabax Ltd, the clinic confirmed on Tuesday

(183)

The clinic said four of the infants had suffered a bacterial infection called klebsiella septicaemia This could have been caused by contaminated intravenous solutions

BDay 17/10/90

Sabax is expected to release the findings of its in-depth investigation into the cause of the infections today

Morningside Clinic GM Johan van Reenen said in a statement four of the infants had been treated for klebsiella septicaemia, while the other three babies did not show signs of bacterial infection after their blood samples were examined

Sabax earlier said the Morningside Clinic had not reported any deaths to Sabax

The company had been informed only of two deaths at the Park Lane Clinic

A Sabax spokesman said a meeting would be held today to assess findings of an investigation into the possible source of infections A Press statement would be issued later — Sapa

BDay 17/10/90

Your health is at stake

South 18/10 – 24/10/90 (183)

DEMAND THE BANNING OF CHEMICAL PESTICIDES AND HERBICIDES DEMAND ORGANICALLY GROWN, CHEAP ALTERNATIVES

WHAT ALL THAT JUNK FOOD IS DOING

WALK into any supermarket and the chances are you'll be greeted by long aisles of neatly-packaged ready-to-go food — each product the result of many hours of research and advertising by food companies

The brand names often bear little resemblance to the nature of the product — like "Mutant Ninja Turtle Chips" and "Rambo Pizza", obscure names chosen for their mass appeal

If food manufacturers were not obliged by law to label some of the main ingredients used, they probably would not Besides, the listings found in small type on most packaged food give no indication of the presence of trace chemical elements, many of which enter the food cycle at its source, the factory farm

Since World War II, farmers have increasingly been using chemical pesticides and hormone herbicides

The toxic chemical DDT was once seen as a "miracle" chemical which would solve all farming problems Almost 30 years ago, Rachel Carson exposed the disastrous effects of DDT in her book, "Silent Spring"

Breast milk

DDT travels up the food chain until it eventually concentrates in the fatty tissues in the human body A recent survey of the breast milk of American mothers found traces of DDT in almost every sample taken

DDT is known to cause cancer in humans The Department of Health still uses DDT in Zululand to spray huts for malaria control

Pesticides are used to control unwanted insects, yet increasingly more insects develop natural resistance to the chemicals, making it necessary to create even more toxic replacements

High pesticide residues find their way into our food in various ways Carelessness or ignorance on the part of the grower is often a factor Too much chemical is applied or the wrong kind of chemical, or crops are sprayed too near to harvest

Some pesticides are extremely persistent in the soil, and can be picked up by crops planted in succeeding years A few persistent chemicals, such as DDT, have been banned in many countries, but others remain on the market

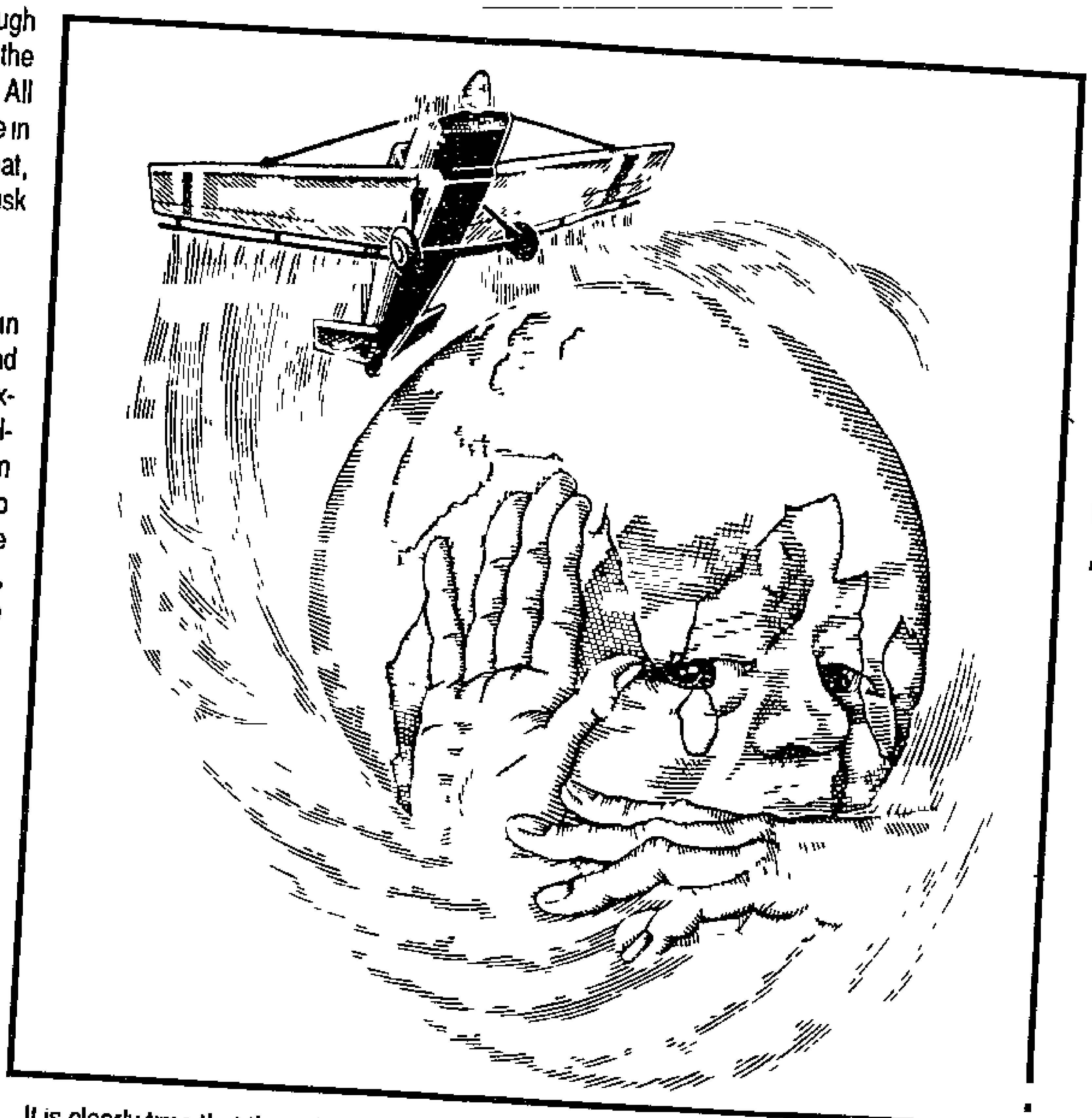
We expect our food to have a perfect appearance, the right size, shape, colouring and the absence of blemishes This forces the farmer to use pesticides to prevent those unsightly holes in lettuce or the odd worm in our apple

Supermarkets also demand that products have a long shelf life, causing the farmer to use fungicides to prevent the spread of fungus — although this is a natural process in the life of any vegetable or fruit All these chemicals concentrate in our food which we then eat, blissfully unaware as to the risk we are taking

Cause cancer

Other pesticides found in mothers' milk are Dieldrin and PCBs Both are still used extensively in South Africa Although Dieldrin has been banned, the CSIR continues to find relatively high levels in the environment Both chemicals, as can be expected, cause cancer

A group of Natal vegetable farmers failed to win a supreme court application earlier this year to prohibit the manufacture and sale of hormone herbicides They alleged that the herbicides — the same chemicals used during the Vietnam War as defolients — were causing extensive damage to the environment



The chemicals are used by the sugar industry to kill weeds but also affect nearby agricultural land where they enter our food chain. Hormone Herbicides have been linked to spontaneous abortion in pregnant mothers and foetal abnormalities

It is not only those who consume chemically contaminated products who are at risk It is quite normal for workers in the fields to be exposed to vapour drift from aerial crop spraying

Doctors in Groote Schuur Hospital have described the death of vineyard workers from skin absorption of Paraquat, a herbicide used by many Western Cape wine farmers as a weedkiller

It is clearly time that the public demands food free from chemicals and other toxic residues Our health and the health of those on the "frontline" in the fields and orchards is at stake

We need to lower our expectations of "fresh forever" fruit and "photogenic" cauliflowers Organically-grown produce is an alternative that has remained the exclusive choice of the wealthy But there is no reason why this should be the case

The manufacture of pesticides consumes an enormous amount of time and energy and ultimately compromises the health of our children

— *Dave Lewis*

WHAT YOU CAN DO

- **demand adequate testing of food products for chemical residues**
- **campaign for the banning of chemical pesticides and herbicides**
- **demand organically-grown, cheap alternatives**
- **demand adequate health protection for farm workers**
- **read up about the effects of pesticides on our health and educate your friends**

Gresham battling in the recession

(183)

Diagonal Street
LYNNE PEACH

The past year was a difficult one for wholesaler Gresham due to the ailing economy, high interest rates and problems in the pharmaceutical division, the major contributor to group results.

In the latest annual report, chairman Gordon Utian says that although internal problems are being addressed and rectified, there are numerous negative conditions currently prevailing in the pharmaceutical industry.

He says it is doubtful that the industry will stabilise in the short term and consequently the problems facing the group will take time to be resolved.

Gresham is an investment holding company whose subsidiaries are primarily engaged in the wholesale distribution of pharmaceutical and hardware products. Other activities include the wholesale distribution of babywear, haberdashery and sewing accessories, and ladies' and gents' belts.

Acquisitions during the year include the Salters businesses and 74 percent of Amalgamated Chemists Association The latter gives the group a significant presence in the Cape Province and also strengthens the group's influence in Plus Promotions

Mr Utian expects the acquisitions to make a meaningful contribution to group performance in due course

In financial 1990, the pharmaceutical division accounted for a major 83 percent of group turnover The tool and hardware division contributed 14 percent and other divisions accounted for the remaining 3 percent

In the year to March, group turnover declined 6 percent from R645,0 million to R625,8 million. Operating profit fell a more notable 20 percent from R23,3 million to R18,5 million.

Mr Utian comments that margins in the pharmaceutical division have been affected by intensified competition amongst existing wholesalers and by the emergence of operations and buying groups which sell only a limited number of fast-moving lines.

After providing for taxation at a higher rate than the previous year and after payments to minority and preference shareholders, profit attributable to ordinary shareholders fell by 33 percent to R7,6 million

Earnings per share amounted to 14,4c and the dividend for the year to 6c a share.

The balance sheet shows a reduction in cash resources from R8,6 million to R1,3 million. In addition, total borrowings increased 40 percent from R32,5 million a year ago to R45,5 million.

Gresham, priced at 52c, is trading on a price-earnings ratio of 3,6 and provides a dividend yield of 11,5 percent. The low ratings reflect poor market sentiment brought about by uncertainty about the ability of the group to perform satisfactorily in the short/medium term

COMMENT: Gresham's share price has been falling steeply since the last quarter of 1989 The share price remains in a bear trend and will have to rise above 56c before the short term outlook turns favourable.

ENGEN FM 19/10/90 (183)

PEGASUS WANTS TO RIDE HIGH

Energy group Engen has set its sights on international exploration. Given board approval, the Gencor subsidiary will probably soon be involved in oil exploration in West Africa It may spend some R30m on a joint venture that also entails the eventual selling of refined products to African countries

The group, formed in February and bringing into a single entity Trek Beleggings, the former Mobil Oil SA operations, and Gencor's investment in Mossgas and exploration rights in the Bredasdorp Basin, announced its maiden results last Friday The earnings forecast was bettered by 6,6% and a final dividend of 62c compares to 55c forecast

MD Rob Angel reckons that in spite of the slower economy, the Engen companies performed well Refinery throughput was higher than expected due to operating problems at competitor Sasol earlier in the year Though refining margins fluctuated, reflecting the volatile oil price, continued tightening of worldwide refining capacity and, particularly, upgrading capacity, are encouraging for continuing strong margins.

Angel says recent events in the Middle East have temporarily increased worldwide refinery margins, with beneficial effects Similarly, absolute product and crude prices have risen sharply at August 31 the replacement cost of Engen's inventories was some R170m above book value

However, there is also a downside to higher oil prices Angel says demand for petrol is very price-sensitive — "for instance, a 30c/*l* rise next week would cause demand to take a dip"

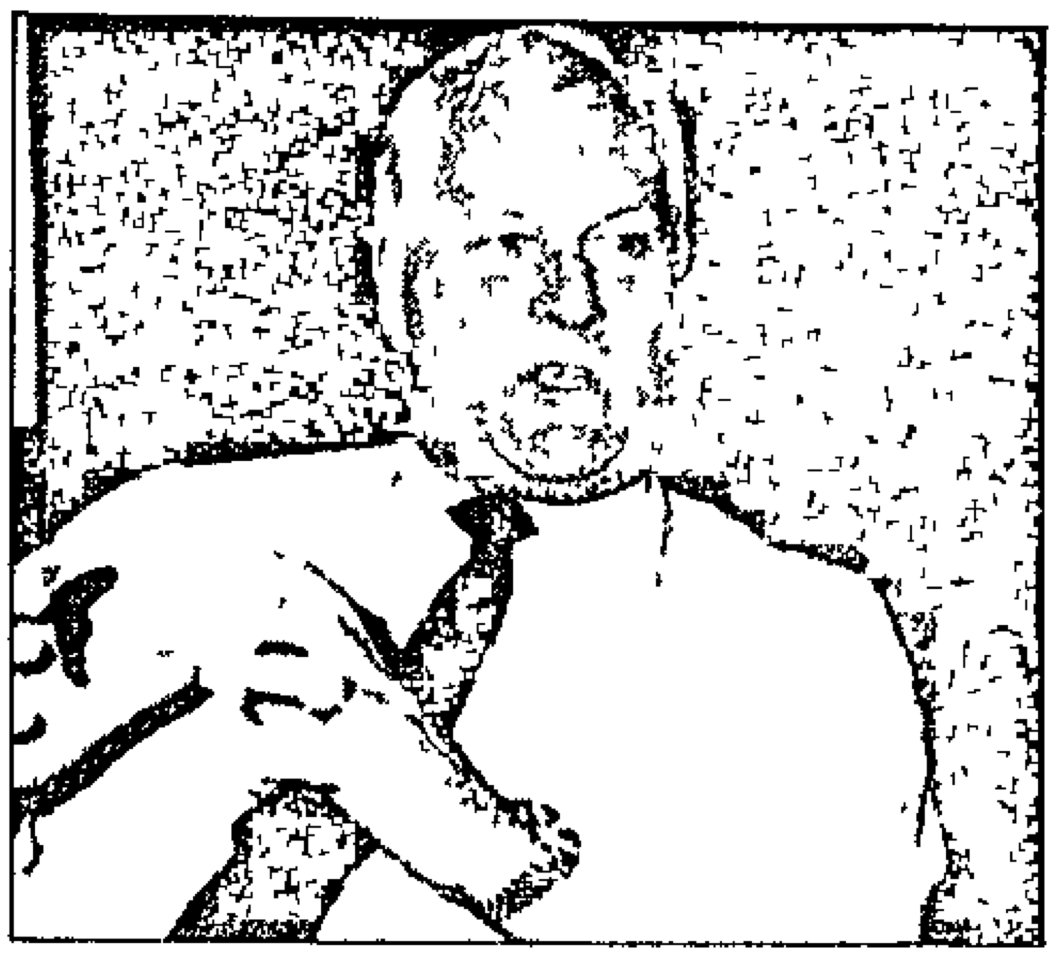
The market does not recover quickly from such a price reaction — "it takes years rather than months" He notes that after the 1979 oil crisis, world demand has only now reached the levels of more than a decade ago Angel does not expect the current crisis to continue in the long run, because market forces reacting to the vast reserves of crude oil in the Middle East will stabilise the price.

Engen will spend R1,2bn expanding its Genref Refinery in Durban over the next four years Angel considers the refinery one of the finest in the world, with all the "bells and whistles" The refinery is now shut down for regular maintenance, which Angel expects to be done within 21 days

PROFITS FUELLED

Year to August 31	1989*	1990
Turnover (Rbn)	1,0	3,2
Operating income (Rm)	37	200
Attributable (Rm)	37	164
Earnings (c)	182	201
Dividend (c)	83	97

* Figures not comparable because of reconstruction



Engen's Angel *all the bells and whistles*

The first phase of the expansion is expected to come on stream in two years' time and will increase capacity by 50% The second phase will add another 50% two years later Engen is also gearing up to produce lead-free petrol and low-sulphur diesel He expects SA to follow Europe, where lead-free petrol already constitutes 30%-40% of sales

Angel says funding the expansion will require a rights issue within the next two years Though the JSE is not favourable for rights issues, he's confident that if a project has real potential it should not be a problem to raise capital

Angel says Engen is budgeting for real earnings growth this year The share trades at 2 800c A 14,4 earnings multiple looks over-priced compared to Sasol's 11,2, but longer-term prospects should be sound

Gerhard Slabber

GANTS FM 19/10/90

THE UNKINDEST CUT

Tollgate Holdings (TGH) has taken drastic, but apparently necessary, steps to restore food processing subsidiary Gants to profitability The company will be delisted by year-end and its factory at the Strand, near Cape Town, will wind down towards closure in the first half of 1991.

Shareholders have been offered 20 TGH or R60 cash per 100 Gants shares, valuing the company at only R36m — way below nominal NAV of 140c a share.

If minorities accept, it'll mark the end of

FM 19/10/90

an unhappy career as a quoted company, that started when the founding Gant family listed through the Davgra shell in a R52m transaction in late 1985 The Gants then bought the complementary Delport group for R28m and the local interests of disinvesting US tractor and agricultural equipment distributor J L Case for R27m — just as tractor sales started to collapse

The Gant family sold out to TGH in May 1989 in a share-swap deal at an effective value of 140c — already well down on the 1988 peak of 190c, to say nothing of the earlier post-listing peak of 345c

The agricultural machinery division was sold to associate Drivetech a few months later for a mere R8m (a small premium on tangible asset value), but then the basic food business went into decline The six months to June 1990 were very poor Compared to the corresponding period last year, turnover was down from R129m to R67m and a loss of 5,7c a share compared to earnings of 9,2c

The directors blame the situation on unfavourable local trading conditions exacerbated by aggressive competition, dumping of excess stocks by competitors and industrial action at major retail customers

Some operations and equipment from the Strand will be moved to the Transvaal and Swaziland plants, but Gants is withdrawing completely from processing deciduous fruit

Mervyn Key, joint chairman of TGH parent company Duros, says the action should make Gants profitable again towards the end of next year Rationalisation will result in a drop of about 40% in Gants' SA turnover, but an increase of at least 20% in the turnover of the Swaziland operation

The changes are a further step towards the restructuring of TGH (*Fox* September 28), but not the final move Key says he's not yet in a position to disclose what that will be

While the move may be good for Gants, it's extremely bad for the Strand and nearby Somerset West Employing 2 000-plus people (many of them seasonal workers), the factory has been an important support to the local economy According to Key about 75% of the workers will lose their jobs (On the other hand, new jobs will be created by the relocations to the Transvaal and Swaziland)

The decision to stop processing deciduous fruit is not expected to have a significant effect on Western Cape farmers Gants is a relatively small player and its share of crops will be easily absorbed by others

Relocation of the tinned meat operation to the Transvaal makes sense Gants is brand leader, says Key, and 80% of the market is in the Transvaal It was only viable to keep the operation in the Cape while fruit and vegetables were also processed at the factory

CRITICAL CONSUMER

W/E Mail 19/10-25/10/90

Don't blemish your beauty with bugs and bacteria

(183)

HAVE you ever wondered exactly what you have smeared on your face in the name of beauty?

Well, there is a good chance it has bacteria in it — and a better chance that the claims of the manufacturer won't stand up to a rigorous test It was also probably tested on animals

Cosmetics can collect bugs, depending on how long you have kept the product, what the ingredients are, how it was packaged and who else has used it. You could pass on herpes simply from your lipstick, for instance.

PAT SIDLEY

Most creams and lotions are based on an emulsion of water and oil. Cold Cream, says a health and beauty book called *Which? Way to Health*, dates back to the second century and was traditionally an emulsion of water, beeswax and olive oil As it is applied to the skin the water in it evaporates and thus cools the skin — hence the name.

You may want to know how your skin is cared for by cosmetics when they are not harming it. Moisturisers work by covering the skin with an oily film, stopping the evaporation of water. Although this may help you look younger by keeping water in and smoothing lines caused by dryness, the effects are unlikely to be long term.

It's impossible to name all the ingredients contained in cosmetics — there are 6 000 to 8 000 of them And often a manufacturer will regard a product's contents as a closely guarded trade secret. This does not help if you are allergic to an ingredient not listed on the package.

Worse still, some ingredients are toxic. Lead and mercury, now banned in many parts of the Western world, were used in cosmetics from the 16th century And good old hydroquinone, the now-banned ingredient used in skin-lighteners, can still end up illegally on shop shelves

Besides allergies, some ingredients in cosmetics cause a skin reaction. When cosmetics are contaminated with bacteria (or the herpes virus) they can cause skin or eye infections Says *Which? Way to Health* "Each time a cosmetic product is opened it may collect bacteria from the air."

Most cosmetics have preservatives — but these are not always adequate. The type of packaging can also influence what manages to "live" in your cosmetics Bacteria are likely to be found in pots of cosmetics with openings into which you put your fingers Mascara sticks can also carry infections

In order to prevent nasty reactions — or to prove some claim about the product — many cosmetics are tested on animals Public opinion is now forcing cosmetologists not to do this If you are opposed to animal testing, stick to products which state that they advocate beauty without cruelty. Even so, many products — or certain components — will have been tested on animals at some point.

Unfortunately, manufacturers are not about to label their products any more fully than at present. In the meantime, in order to minimise problems with your cosmetics.

- Don't share or swap cosmetics
- Don't leave them to gather bacteria
- Don't keep them for a long time
- Ask for more information from manufacturers

Petrol's big push

Cape Times 20/10/80

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More prices set to soar after the 32c shock

Staff Reporters

TODAY'S 32c-a-litre petrol price rise is expected to send waves of distress through the economy, pushing up the cost of transport, food and consumer goods and raising the inflation rate by up to 1,5%

Both 97 and 93-octane petrol have gone up by 32c a litre rising 26% and 27% to R1 55 and R1 51 a litre respectively

The increases are the largest ever in terms of cents per litre, although increases during the petrol crises of 1979 and 1985 (of 42% and 46%) were even stiffer than today s in percentage terms

City Tramways announced yesterday that its fares would increase from next Sunday October 28 as the price of diesel has increased by 27c/l. The bus company's general manager, Mr F E Mavoss said the amount of the increase would be announced later

Road fund

A car with a 50-litre tank will cost R16 more to fill up from today Cars with large tanks of 65 litres or more capacity wil' now cost over R [illegible] to fill.

Those who commute to the city centre by car from outlying areas such as Mitchells Plain or the False Bay suburbs can expect to spend an extra R40 a month on petrol

Mr Lourens van den Berg of the National Energy Council said yesterday that the amount that went to the government in tax on every litre of petrol that a motorist bought had remained constant.

The road fund levy and general sales tax on petrol had been combined into a single fuel tax three or four years ago This tax was now 31,9c a litre and another 4c/l was charged for customs and excise duties, he said

A further 7c/l goes to the equalisation fund 3,4c to third party insurance and 0,2c to the National Road Safety Council

The rest of the price is made up by the actual cost of the processed fuel, the cost of transporting it and the retail margin which increased by 2c/l last night

The National Energy Council (NEC) said yesterday that the price increase was based on a price of $37,50 a barrel of crude as opposed to the $22 a barrel upon which the 9,8% increase of September 4 had been based

Today's fuel prices are expected to hold firm until at least the end of the year provided no drastic increase in crude oil price occurs, the NEC said

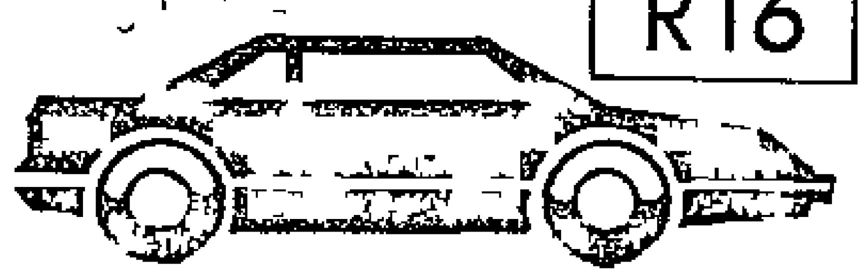
Mr Kobus Meiring the Administrator of the Cape said yesterday that he had instructed his provincial traffic force to introduce 'extensive speed control measures" to motivate drivers to keep to the speed limits and save fuel

He warned that unless this worked lower speed limits might be imposed along with other 'compulsory economising measures

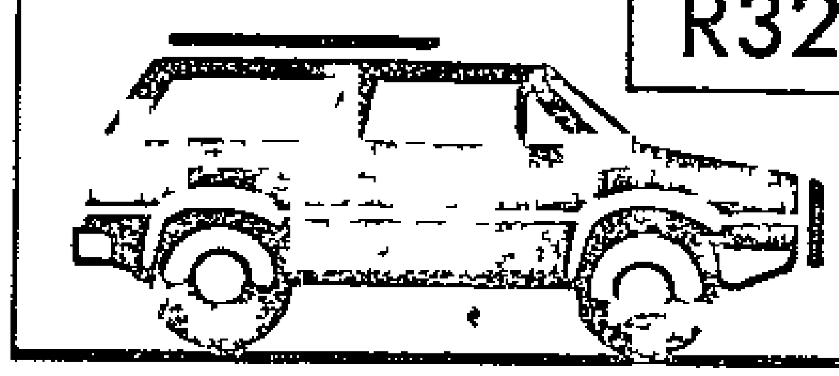
From noon yesterday city garages were engaged in brisk trade One garage reported selling up to 1 000 litres of petrol every 10 minutes

	93	97
	R1,51	R1,55

50 ℓ TANK			
COST	YESTERDAY	R61 50	UP
COST	TODAY	R77,50	R16



100 ℓ TANK			
COST	YESTERDAY	R123	UP
COST	TODAY	R155	R32



ROCKETING UPWARDS The price of 97 octane petrol shoots up another 26% today, the second rise in as many months.

Many garage owners said their stocks would not last the night and they would have to shut down early

The oil crisis and fuel price increases had come at an unfortunate time for the anti-inflation drive, the Minister of Administration and Economic Co-ordination, Dr Wim de Villiers, said in Pretoria yesterday

Dr De Villiers said that if business "applied discipline" on wage and price increases inflation could be forced down

About 70% of inflation was attributable to people who expected and budgeted for inflationary increases he said

The Minister of Finance Mr Barend du Plessis, said the increase would increase inflation 1% "or slightly more

Asked what effect the price hike would have on the government's economic retructuring programme, Mr Du Plessis said "It s very sad It s a rude interruption to our restructuring programme "

Stockpile

The increase was bigger than expected said Southern Life economist Mr Mike Daly He expected the inflation rate to increase sharply and thought it could touch 15% in November and December

Economist Mr Andre Roux of Old Mutual said the immediate impact would be an increase of 1,3% in the inflation rate Interest rates would have to remain high for longer This meant the economy was in for a harder landing than initially expected and the recession would last to at least the end of next year

Sanlam economist Mr Piet Calitz said "We can now forget about bringing the inflation rate down to single figures "

The Democratic Party's energy spokesman, Mr Roger Hulley, said his party would support a partial "drawing down" of SA's reputed stockpile of fuel to help ease the present high crude oil prices in the short-term

The Automobile Association also said the government should consider releasing part of the strategic crude oil stocks until the crude oil prices return to previous levels

The acting managing director of Checkers, Mr Francois Rossouw said food prices would go up Checkers would negotiate to keep prices as low as possible

PETROL BLUES The pressure of queing to fill up before the midnight petrol price increase almost proved too much for Mr Rida Jaffer, pictured at a Grassy Park service station He said he almost pulled the trigger — but didn t want to waste any of the liquid gold

Picture BENNY GOOL

Cheaper to drive than fly

Staff Reporter

FROM the beginning of next month it will be R30 cheaper for one person to travel by car from Cape Town to Durban than it will be to travel by plane a Cape Times survey shows

The equivalent comparison for the Cape Town-Johannesburg trip is R122 cheaper by car for a single passenger

This obviously alters dramatically if the car s petrol costs are shared

The costs were worked out after yesterday s latest SAA domestic fare increase of [illegible] from November 1) and today's petrol price hike [illegible] 32c a litre (26%)

crack of dawn

Good grief! The price o ammo has gone up aga -

Spotlight falls on drug quality rules

By DIRK TIEMANN

THE contaminated drip controversy has focused attention on quality controls for South African pharmaceutical products

But the chairman of the Medicine Control Council, Professor Peter Folb, is adamant that the public should not be overly concerned

The Medicine Control Council, an independent statutory body, is responsible for the safety, quality and efficacy of all medicines It tests the quality of all local and imported medicines and its decisions are final

Said Professor Folb "Every single medicine that is produced in SA or brought into the country must be registered with us and is checked for its quality and safety"

He said the control standards in South Africa were "extremely high" and measured up to those in the rest of the world

Professor Folb said there were between 300 and 400 registered medicine manufacturers in South Africa, while a considerable quantity of medicine was imported

"We inspect all manufacturing facilities in South Africa," he added

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S1 Times

21/10/90

Controls

Professor Folb would not comment on the Sabax affair

Pharmaceutical Society executive director Boet van der Merwe said controls in South Africa were "excellent"

Mr Van der Merwe said "The standards set by the manufacturing companies are usually higher than required by the Medicine Control Council"

Death toll may be 50 as April alert over contaminated drips is uncovered

BABIES: THE FATAL DELAY

S/Times 21/10/90

By MARK STANSFIELD

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MEDICAL supply company Sabax was alerted as long ago as April to the possibility that a special intravenous drip implicated in an epidemic of infant deaths might have been lethally contaminated.

Sabax insists it investigated in response to the warnings, but it continued to distribute the drips. No general alert to hospitals was issued.

The warnings came from Ga-Rankuwa hospital and Garden City clinic, a private hospital in Mayfair, Johannesburg.

Tests were carried out in May to establish whether the so-called admixture drips might be the source of the epidemic of klebsiella that has since caused the death of as many as 50 babies. These included 23 babies who died at Ga-Rankuwa hospital during a strike of nursing and administrative staff in April, now the subject of a judicial commission of inquiry.

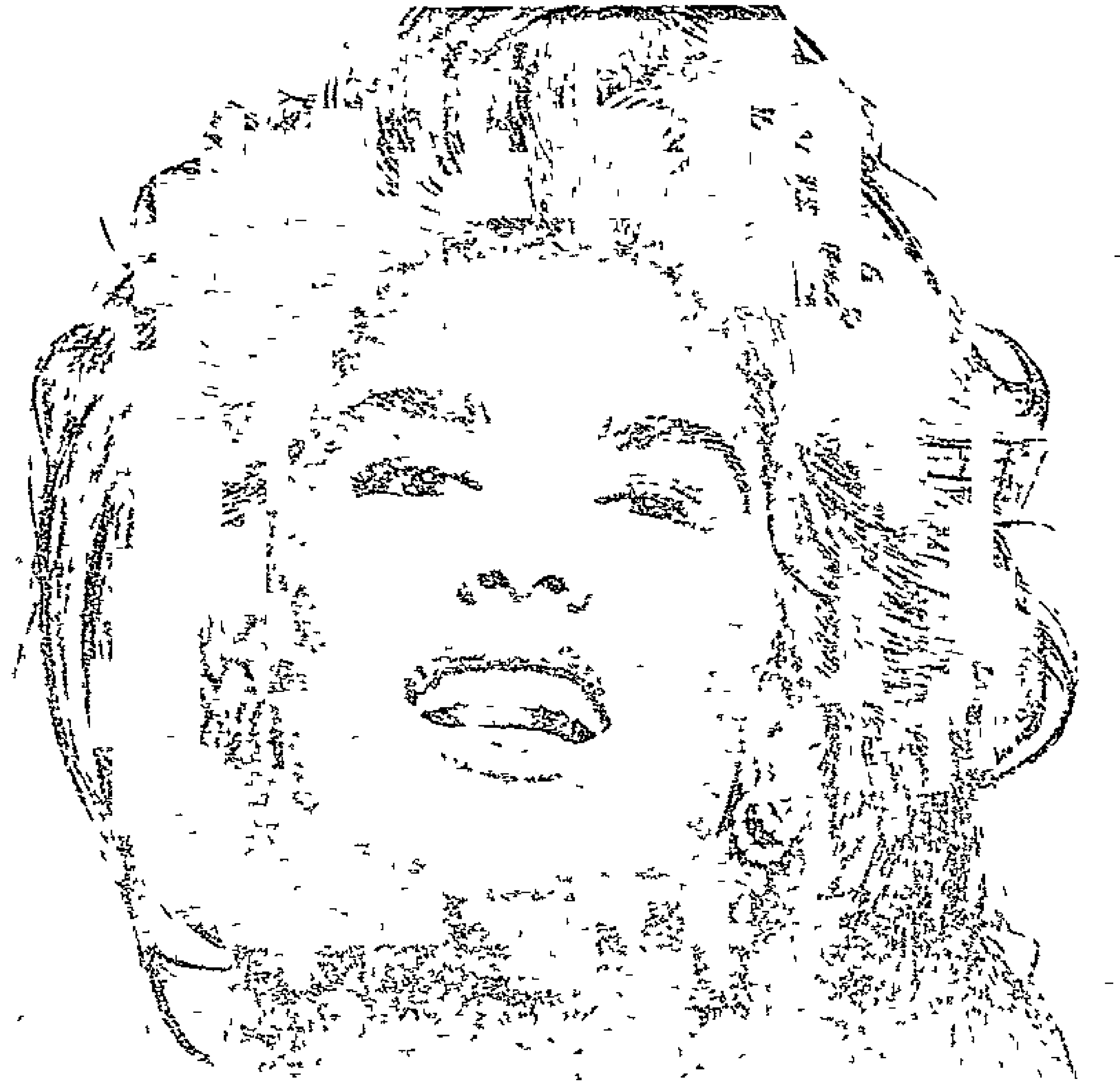
The commission chief, Mr Justice P M Cillie, confirmed this weekend that klebsiella septicaemia — believed to have been caused by contaminated drips — was "the most important element of his probe into these deaths.

Don Bodley, chief executive of Adcock-Ingram, the Sabax holding company, confirmed yesterday that admixed products from Ga-Rankuwa hospital had been found to contain glycerol, a potentially lethal component of hand cream.

Neither he nor the Ga-Rankuwa authorities could shed any light on the source, but the possibility of sabotage has not been ruled out.

Drips from the pr[illegible]ate Gar[illegible]en City clinic [illegible]ere also tested in April after one baby died fro[illegible] klebsiella and several more were in-f[illegible]

Sol's four million rand doll



Search for plane hit by storms

By ROGER MAKINGS and MANDY JEAN WOODS

A DESPERATE search against time to find five men after their light aircraft vanished in the Drakensberg was called off due to bad weather late yesterday afternoon.

The search was hampered by rain, mist, high winds and snow on Friday but the stormy weather cleared sufficiently early yesterday to allow aircraft to resume the hunt for the five who left Richards Bay for Johannesburg on Thursday.

Freezing

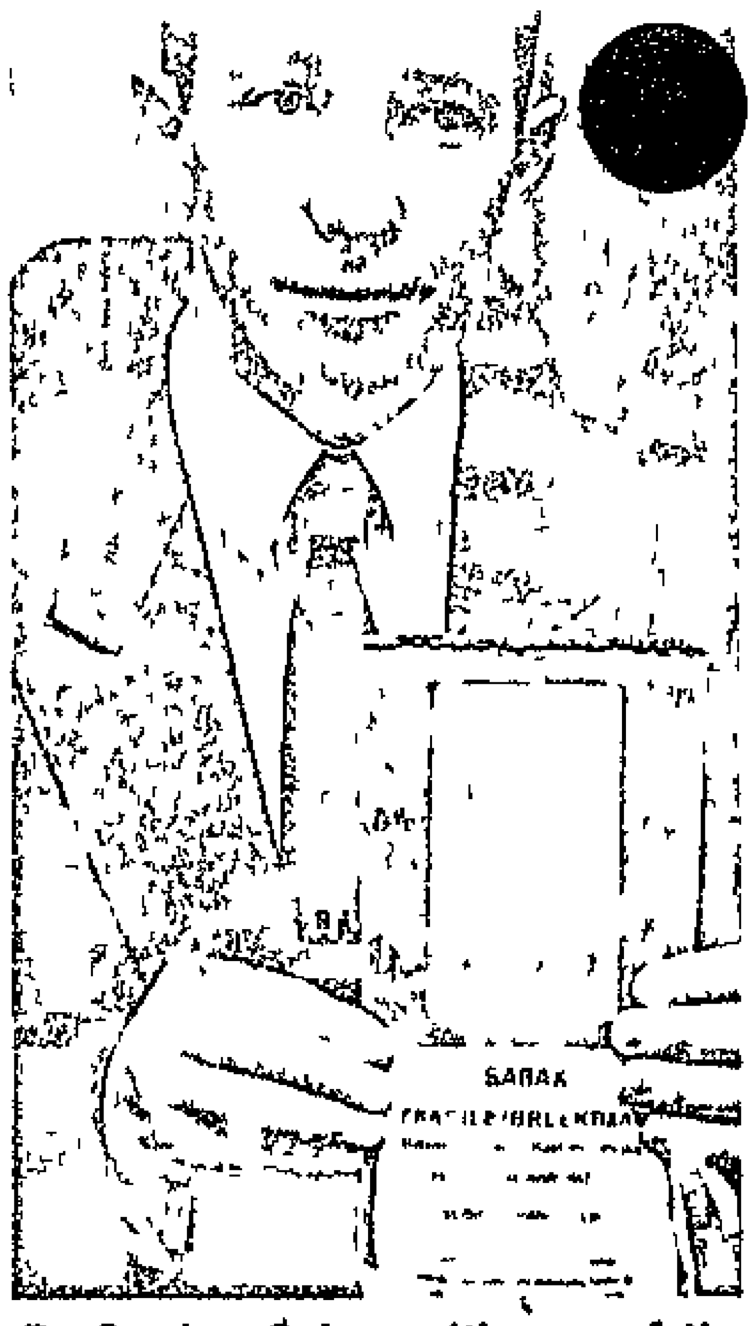
Search [illegible] ordinator Arthur B[illegible] [illegible] of the D[illegible] [illegible] from Jan Smuts airport yes-[illegible] craft in an attempt to loc[illegible] the missing Inter Air Pi[illegible] Seneca before nightfall.

Snow and high win[illegible] caused temperatures plummet to below freezing [illegible] the Drakensberg during [illegible] last two nights.

"Although we have had [illegible] call off the air search [illegible] have expanded the grou[illegible] search by the SAP," said Bradshaw.

The Seneca, piloted by f[illegible]mer SAAF Mirage pi[illegible] Keith Page, was chartered [illegible] four businessmen to fly th[illegible] from Richards Bay to Gra[illegible] Central airport near Joh[illegible]nesburg.

The twin-engined aircr[illegible] with the five men on bo[illegible] left Richards Bay in [illegible] weather [illegible] at 3.45pm Thu[illegible] At 4.40pm



Dr Gordon Cohen with one of the suspect drips Picture: Tom Edley

Hospital's desperate search for lethal bug

Sunday Times Reporter

THE manager of Johannesburg's Park Lane clinic, Dr Gordon Cohen, has a stock of suspect drips to be used as evidence which he believes will clear his hospital of any blame in the baby deaths

Supplies of intravenous drips linked to the deadly klebsiella infection were withdrawn by medical suppliers Sabax last month

But Dr Cohen kept several in reserve They are stashed in a refrigerated vault, with the manufacturer's seals intact.

"And that's where they'll stay, in case they are needed as evidence to clear my hospital of liability in these tragic deaths," said Dr Cohen this week,

He described the intensive investigation clinic staff had undertaken in their hunt for the source of the killer bug which has claimed the lives of seven babies at Park Lane

"We knew the name of the infection, but the source baffled us," he said

S Times 21/10/90

Contact

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"We had babies dying in a neo-natal ward that has been described as one of the top three in the country

"In August, when our infection control officer informed me that babies were dying in the neo-natal ICU, we launched a comprehensive investigation

"We combed from top to bottom for the source of the bugs

"Two independent microbiologists assisted us because we were afraid of being accused of self-interest

"Eventually we closed down the neonatal ICU from August 18 to September 10 After we re-openend, two babies receiving intravenous therapy died I was at my wit's end"

Dr Cohen said the breakthrough came when they tested all products that were used And blood specimens — taken after intravenous therapy — showed the infection

"We immediately stopped using the products and informed the Department of Health and Sabax of our findings," said Dr Cohen "We have nothing to hide I hope it is over now"

who died at Ga Rankuwa hospital during a strike of nursing and administrative staff in April, now the subject of a judicial commission of inquiry

The commission chief, Mr Justice P M Cillie, confirmed this weekend that klebsiella septicaemia — believed to have been caused by contaminated drips — was "the most important" element of his probe into these deaths

Don Bodley, chief executive of Adcock-Ingram, the Sabax holding company, confirmed yesterday that admixed products from Ga-Rankuwa hospital had been found to contain glycerol, a potentially lethal component of hand cream

Neither he nor the Ga-Rankuwa authorities could shed any light on the source, but the possibility of sabotage has not been ruled out

Drips from the private Garden City clinic were also tested in April after one baby died from klebsiella and several more were infected

Other startling information that has come to light this week includes the possibility that the first klebsiella-related baby death may have occurred 12 months ago at the Morningside clinic in Sandton

Records

Johan van Reenen, manager of the clinic — owned by Medi-Clinic, a subsidiary of the Rembrandt group — confirmed that the Mancha baby, transferred from Johannesburg's Park Lane clinic to Morningside's cardiac unit, died in the neo natal unit last October

He could not confirm that the baby died of klebsiella "until I have checked the records"

However, a lawyer representing families of klebsiella victims said the Manchas had approached him this week after learning that contaminated drips could have caused the deaths of other babies and said they believed their son had suffered the same fate

The Sunday Times has also been reliably informed that 11 babies died at Ga-Rankuwa in January under similar circumstances

Superintendent Dr J J Crous confirmed the deaths, but declined to give details of the cause

"This forms part of the Cillie inquiry," he said.

As doctors and heads of clinics supported a call for a judicial probe into the baby deaths this week, Health Minister Dr Rina Venter said she was awaiting the findings of the Medicine Control Board on klebsiella infection tests it had ordered

These findings would determine what action would be taken, she said yesterday

For the present, the Cillie Commission's terms of reference would remain an investigation into whether negligence caused the death of infants during the Ga-Rankuwa strike

Suspected

Dr Venter said she was aware that Judge Cillie was also looking at klebsiella as the possible cause of death

But the question now being asked is why Sabax — informed by at least two hospitals in April that their drips were suspected of contamination — continued to manufacture the product until September

Asked whether the company had informed other clients that certain drip batches manufactured between April and August were the subject of an internal probe into the presence of potentially lethal contaminants, Mr Bodley said yesterday

"This is the subject of the current investigation, the contents of which will be submitted to the health authorities"

Mr Bodley — who is the only company official now dealing with media inquiries — declined to be interviewed, but responded to some of the questions put to him by fax

"It is standard practice for Sabax to respond to any adverse reports with the utmost care and precision, in line with our concern and responsibility for patient safety," he said

"In each case where a clinic or hospital sent suspect samples, contact was made Admixed products, techniques and methodology were routinely tested and validated No contamination was found in intact and unused bags submitted for testing"

Private hospitals at which babies have

□ To Page 3

R25 100 bill for baby who never came home P3

Babies: fatal delay

S|Times 21|10|'90

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□ From Page 1

died of klebsiella have placed several sealed drips in refrigerated safekeeping as evidence

In a statement issued last weekend, Sabax said the product had a shelf life of 24 hours and implied that hospitals where deaths occurred could have been using expired products

However, a drip shown to the Sunday Times this week — and already in storage for a month — had a December 1990 expiry date

Causes

Doctors have slammed the veil of secrecy in which the klebsiella outbreaks have been shrouded for most of the year

They believe that the death toll could be "in the hundreds" once all information on the subject has been gathered

"If every hospital using these drips had been told when the first products were tested, they would have been alerted to the problem

"As it is, there may be no way of knowing how many deaths from klebsiella have been attributed to other causes over the months," said a senior paediatrician

Said another

"I suspect that if medical institutions go through their records, they will find that the problem is far more widespread than anyone is aware

"They should be checking every neo-natal death for the past year "

As more details emerge about what is already being called South Africa's biggest medical scandal, there is growing conviction that only a full-scale judicial inquiry will expose the full extent of the tragedy

At Johannesburg's Park Lane Clinic — which gained international recognition as the birthplace of the surrogate Anthony triplets three years ago — doctors said they had been through "five months of hell"

"Some patients are grilling staff about how safe they are in our clinic," said the clinic's manager, Dr Gordon Cohen

"Believe me, we would like nothing more than to be publicly cleared of liability We have done everything humanly possible in the interests of our patients since becoming aware of the problem and have nothing to hide

Inspections

"But the publicity is not doing us any good "

Health Services Minister Dr Sam de Beer said various investigations into the baby deaths were under way

"The relevant ministers will decide on further action, depending on the findings

"Several inspections were done at the clinics in question and tests on certain prescription medicine are in progress in order to accumulate more information," he said

PG's offshore losses continue

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Star 22\10\90

Bottom Line

MICHAEL MENOF

Last year I queried Plate Glass's costly offshore investments and once again its overseas investments in the US and Australia made losses

The international wood division made a huge loss of 208,8 cents a PG share for 1990

During July 1989 Famglas Controlling NV, in which the joint executive chairman Ronnie and Bertie Lubner along with two other PG directors are the major shareholders, exercised its option raising its stake to 25,7 percent in PG's offshore glass interests.

This leaves PG South Africa with only 74,3 percent.

Losses abroad are hurting PG's bottom line and for the second year running, it paid more in dividends than it earned after deducting non-trading items.

The loss of R11,24 million in 1990 was even before hefty dividends of R36,6 million were paid.

For both years the group had to dip into old retained earnings to cover dividend payments

Debt has spiralled from R314 million to R444 million and while the subsequent year end sale of the UK building glass division to French Saint Gobain will bring some relief, I question the viability of the offshore activities making massive losses

Resignations

Not only did the international timber trading division have to contend with bans and other restrictive measures causing overstocking, high interest rates and discounting, but key members of management resigned after disagreeing with the strategy relating to these changing trading circumstances.

On the home front, despite political pressures, the glass and wood division is keeping PG's hopes high. But shareholders are disenchanted as the JSE price has plummeted from a high of R67 a share to a current R34 and net asset value is down from R23 in 1989 to R20,37 a share now.

Sales rose to an impressive R3,13 billion (1989 R2,76 billion) with operating profits R291 million (1989 R275,2 million)

Net interest expense jumped 33 percent to R57,3 million (1989 R42,7 million) After tax of R122,5 million (1989 R108,7 million) post tax profits declined to R111,2 million (1989 R123,8 million)

After crediting associated company income R6,7 million (1989 R14 million), deducting outside shareholders' profit share and pref dividends totalling R59,5 million (1989 R58,3 million) the net income slid to R58,4 million (1989 R79,5 million)

Then hefty non-trading items — losses on discontinued operations, goodwill written off and legal costs totalling R69,6 million (1989 R49,9 million) resulted in a net loss of R11,2 million (1989 profit R29,6 million) — a swing of 400 percent.

Before non-trading items, earnings per share were 354,8 cents (1989. 482,7 cents) But a change in the basis of accounting for the minority interests in the offshore glass division subsidiary had boosted 1990's earnings by 24 cents a share and reduced 1989's by the same amount.

Strangely, unchanged dividends of 222 cents per share were paid which left 1990 with a retained deficit of R47,8 million (1989 R7 million deficit)

Joint chairmen Ronnie and Bertie Lubner only woke up after the interim stage with the serious deterioration which left remedial costs extremely high, they say!

The glass division produced earnings of 434 cents but the wood division an overall loss of 79,2 cents — its first loss to date

In the wood division the Australian project is proving over-ambitious, suffering from falling demand. Necessary rationalisation reduced the 28 branches to 16 with a third of the staff laid off. This operation alone lost 94 cents a share for PG and the losses will continue in 1991

Brazil's political changes needed substantial provisions to cover advances made to suppliers to secure timber orders. Significant market downturn was felt in the UK and USA and management is reviewing the viability of its offshore operations These negatives have terminated the proposed merger between Wood International and Whitestone Investments.

PG Bison, now holding 45 percent in Penny Pinchers and 65 percent in Insulations Unlimited, performed well.

In the glass division, the Australian operating profits declined 23 percent with the outlook uncertain.

In the US, acquisitions budgeted for did not materialise and the 101 stores contributed a 74 cents loss per PG share What's more losses will continue in 1991

Since year end the UK building glass operation and "Solagas" name were sold to a French group for £100 million.

Purchases

At the same time PG purchased its 145 automotive glass replacement outlets in France and Germany for £16 million Only £8,4 million will be remitted to SA with the balance reducing debt. PG now has a base of 365 outlets in the UK and Europe.

Ordinary shareholders interest declined to R336 million (1989 R379 million) at end March 1990 It was only the R31 million pref share and premium net issue during the year and outside shareholders' interest that helped the total capital barely improve to R568 million (1989 R563 million).

Debt to shareholders funds has increased to 78 percent (1989 55 percent). Some significant foreign debt of R158 million is secured by foreign assets of R563 million — almost four times cover! Working capital declined from R259 million to R200 million.

Management expects trading in 1991 to be dull and difficult to achieve growth. It is banking on the SA operations to hold the fort. I believe the global recession will make it tough for the group to realise its offshore hopes.

Management, and the Lubner brothers in particular, is quickly discovering that in SA they are big fish in a small pond, but offshore they are small fish in a big pond. Hopefully, they can overcome their offshore problems and protect their private interests in the glass division.

Sabax 'unlikely to knock Adcock'

BI Day 22/10/90

MARIETTE DU PLESSIS

PHARMACEUTICAL group Adcock Ingram says it is unlikely to be financially affected by negative publicity following its subsidiary Sabax's involvement in allegedly contaminated products linked to recent infant deaths.

Adcock CE Don Bodley said Sabax, which manufactures and distributes therapeutic medical care products, contributed 20% to Adcock's annual turnover (1989 R471m)

Leader

The products in question represented less than 1% of total units sold by Sabax, and neither company's financial results would be affected, he believed

Barlow Rand subsidiary Adcock Ingram has, over the past seven years, proved to be a leader in the pharmaceutical industry. With earnings a share growing at a compound annual rate of 19% over this period, analysts expected Adcock to produce at least a 25% increase in earnings to 180c (143c) a share for the year to end-September.

Sabax became the first pharmaceutical company in SA to receive the prestigious SABS 0157 award for having implemented a system that would ensure consistent quality throughout the production process.

Adcock could now come under government or Medicine Control Board scrutiny over the Sabax issue

Bodley remained confident that Sabax products were safe to use, adding that the medical profession was aware that "Sabax continually reviews and updates (its) procedures and standards, ever conscious of its responsibility to public safety".

Preliminary investigations have shown that the admixture supplied by Sabax was linked to the outbreak of infection at the Park Lane and Morningside clinics in August

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Insurance

Bodley said it was extremely unlikely Sabax would be liable for the contamination in the sterilised product.

However, the group was fully covered with product liability insurance in the unlikely event that it should be found liable.

He did not wish to comment on possible actions against Sabax in the event of being implicated

He said results of its investigation were expected towards the end of the week

Cit Times 24/10/90 183

Company threatens Sapa

JOHANNESBURG — For the second time in as many weeks, the SA Press Association (Sapa) has been threatened with litigation if it disseminates union allegations about a dispute between the Cosatu-affiliated Chemical Workers' Industrial Union and the multinational Liquid Air company.

The union yesterday accused Liquid Air of "union-bashing" by retrenching its president, Mr Calvin Makgaleng, after 13 years of service, whilst retaining other employees with less job tenure.

In addition, the union claimed that management had replaced black drivers with whites and had also retrenched temporary black staff.

Approached for comment, the company requested a copy of the union's allegations An hour later Liquid Air's legal advisers faxed a warning letter to Sapa. — Sapa

Now Tvl hospitals face drip probe

STAR 25/10/90

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By Carina le Grange and Marguerite Moody

The Transvaal Provincial Administration has launched an investigation into allegations of klebsiella infection in certain provincial hospitals, chief liaison officer Piet Wilken told The Star yesterday.

The announcement follows reports that some of the babies who recently died of klebsiella septicaemia, allegedly linked to Sabax drips, died at provincial hospitals

Hospitals already named include Garankuwa, Far East Rand, Coronationville, Tembisa, Boksburg/Benoni and Kalafong.

Johannesburg attorney Peter Soller said at least 25 babies had died from septicaemia

The privately run Park Lane, Morningside and Garden City clinics have confirmed klebsiella-related deaths

Sandton Clinic's Dr Antoinette van der Merwe yesterday strongly denied that a baby had died there in September as a result of drip contamination

She also said the clinic did not use the specific product which had been linked to the deaths.

Adcock Ingram Limited, holding company of Sabax, has welcomed the TPA inquiry

The company expects the results of its internal and external investigations, by independent outside specialists, to be tabled with the Department of Health by the end of the week.

Don Bodley, group chief executive of the company, said the company's prime concern was for patient safety.

"We are also extremely concerned regarding the anguish of the parents," he said.

Mr Bodley said the contamination could have come from several sources has present to post (even overseas), it is filled with humour, cartoons, pictures and offbeat material from The Star

Pharmacists seek pay rise

Star 25/10/90 (183)

By Carina le Grange
Medical Reporter

Public sector pharmacists yesterday pressed Minister of National Health and Population Development Rina Venter for an increase in salaries, according to Tienie Britz, the president of the South African Association of Hospital and Institutional Pharmacists.

Reported

Mr Britz last night delivered his annual presidential address to the Transvaal branches of the association in Pretoria He also reported on the meeting the association held with Dr Venter yesterday, during which the association, asked for a change in the employment structure

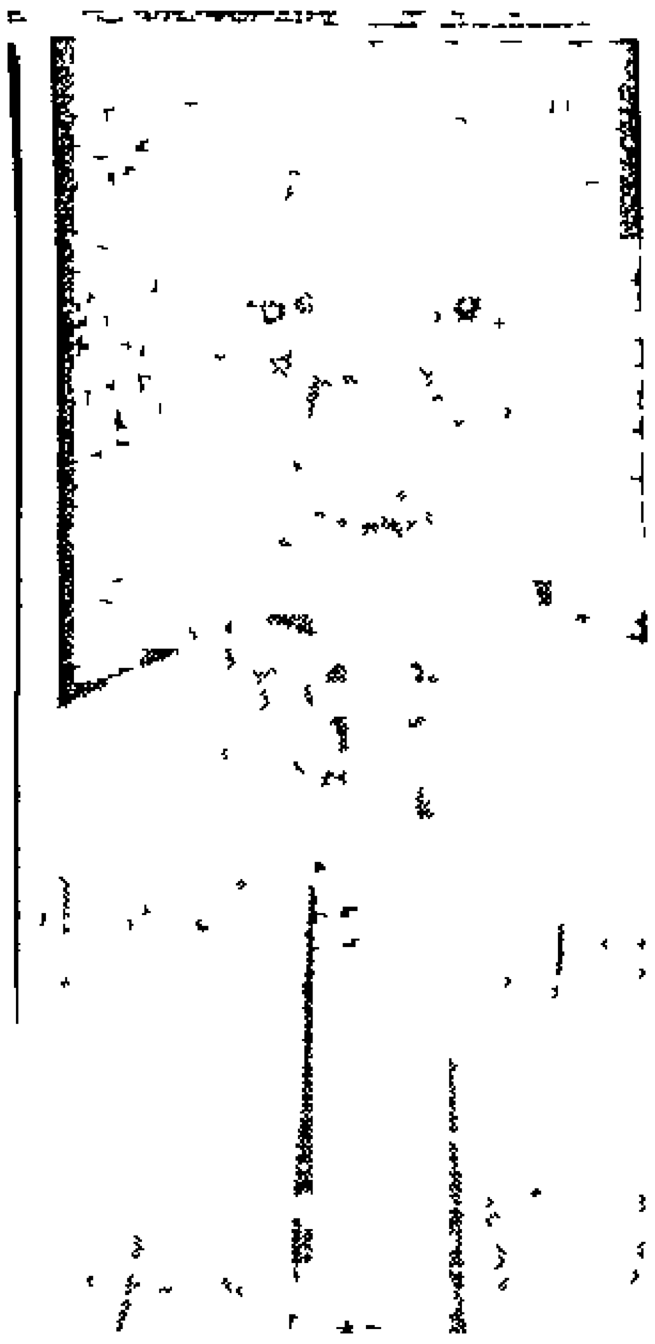
Mr Britz said pharmacists in public service earned salaries which were not market-related

He said in view of the important developments and changes in the provision of health care, it was important that hospital pharmacists reassessed their own services.

"Pharmacists employed in the public sector are, however, hampered by an inadequate post structure, outdated personnel administration standards and non market-related salaries in making a significant contribution to the curtailment of medicine expenditure for the State

"Many of these pharmacists are still being utilised purely logistically, while the training of the present-day pharmacist makes it possible for him to fill a very important role and to render a very comprehensive health service"

He said it was "in the hands of the decision-makers" to use the pharmacist more effectively.



XOLANI QHUBEKA

Ahbasa to seek legal advice on products

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Sowetan 25/10/90

By JOSHUA RABOROKO

THE Afro-Hairdressing and Beauty Association of Southern Africa has decided to seek legal advice with regard to the availability to the public of "highly chemicalised" products in order to bring an end to their supply.

Ahbasa's executive chairman Mr Xolani Qhubeka said that decision was taken in an attempt to halt the "fraudulent" supply of skin lighteners which had destroyed the beauty of many black women

Support

The decision is in support of the Government's ban early this year on all skin lighteners that contain hydroquinone following representations made to it by concerned people

Products containing the chemical could, however, be given to certain people on condition that there is a prescription from medical practioners or any authorised person.

However, it is understood that there are companies that still manufacturer skin lighteners containing the substance

Qhubeka said that many black business people involved in the hairdressing and beauty industry should be protected from buying such products

Pride

Such products destroyed the faces of many women who wanted to "brighten their skins to look like whites "

He said "Black must be proud of their colour and forget skin lighteners if they want to be beautiful "

Other decisions include training and educating blacks in the industry, seeking joint ventures with hair and beauty products manufacturers, negotiating deals with companies manufacturing cosmetics.

Anglo-Alpha group manager Johan Pretorius

Picture ROBYN RYAN

industry in which the group operated

Pressure forces 146 councillors to quit TPA

THEO RAWANA

B Day 25/10/90

A TOTAL of 235 seats were vacant in Transvaal black local councils, and 146 councillors were known to have resigned because of pressure from civic associations, TPA spokesman Piet Wilken said yesterday.

Wilken, who said this was the situation before the weekend resignation of Daveyton mayor Tom Boya, said the calls for councillors to resign could not be accommodated until new models had been worked out.

"Until new models have been negotiated, we must go on with the existing structures," Wilken said

He said the 235 vacancies — out of a total of 692 seats — could not all be taken as resignations, "but 146 councillors are known to have resigned through pressure from civic associations"

A TPA source said administrators had been appointed in 22 councils and 24 townships were without councils Of the 82 local authorities in the Transvaal, 58 still had councils, she said

Civic Associations of Southern Transvaal (Cast), which was campaigning for the dissolution of black local authorities, yesterday welcomed Boya's resignation.

The mayor of the Middelburg township of Mhluzi, Phillip Nhlapo, and his council were expected to resign tomorrow after pressure from the local civic association

Nhlapo, who is also president of the Urban Councils Association of SA (Ucasa), confirmed yesterday that his council had been given an ultimatum to resign tomorrow, and said "If others go, I can't remain"

Mhluzi town clerk Lucky Mokae said yesterday a meeting at which a local stainless steel company decided to pay Mhluzi's R370 000 electricity debt to Middelburg had decided that the council should resign by October 26

Adcock welcomes govt probe

(183)

B Day 25/10/90

ADCOCK Ingram Limited, whose pharmaceutical company Sabax manufactures drips allegedly linked to the deaths of 24 babies and four adults in the Transvaal, yesterday welcomed the investigation by the Department of Health into the spate of deaths

Group CE Don Bodley also conirmed the company expected the results of its own internal and external investigations by the end of the week.

TANIA LEVY reports that Health and Population Development Minister Rina Venter and House of Assemblies Health Services and Welfare Minister Sam de Beer will now not ask President F W de Klerk for a judicial commission of inquiry — requested by the parents — until they have results of the investigations now under way.

TPA Health Services spokesman Piet Wilken said yesterday "rumours" of more deaths at black hospitals were being investigated but declined to give details — Sapa

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

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Vol. 304 PRETORIA, 26 OCTOBER OKTOBER 1990 No. 12803

GOVERNMENT NOTICES

OFFICE OF THE COMMISSION FOR ADMINISTRATION

No. 2498 26 October 1990

PROHIBITION OF A RESTRICTIVE PRACTICE IN TERMS OF SECTION 14 OF THE MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979 (ACT No 96 OF 1979)

I, Willem Johannes de Villiers, Minister for Administration and Economic Co-ordination, issue this notice by virtue of the powers vested in me by section 14 of the Maintenance and Promotion of Competition Act, 1979 (Act No 96 of 1979), and determine that it will come into operation on 10 December 1990

Having afforded due consideration to—

(1) the Competition Board's Report No 28· Investigation into a Restrictive Practice Contained in an Agreement between Shell South Africa (Pty) Ltd and the City Council of the Municipality of Kroonstad, which was published under Government Notice No 2459 in *Government Gazette* No. 12791 of 19 October 1990, and

(2) the respective responses of Shell South Africa (Pty) Ltd, Mr K. C. Wessels of Tewie Beleggings (Pty) Ltd, Mr D den Hartog, and the National Energy Council, to the aforementioned report of the Competition Board, following my invitation to them to comment on it;

I am of the opinion that clause 25 of the notarial agreement of lease relating to the farm Dorp Gronden van Kroonstadt (No 460, District of Kroonstad), concluded between Shell South Africa (Pty) Ltd and the City Council of the Municipality of Kroonstad, and registered on 12 October 1987, constitutes a "restrictive practice" as defined in section 1 of the Act

I am, furthermore, not satisfied that the said restrictive practice is justified in the public interest

I, therefore—

(a) declare that particular restrictive practice to be unlawful; and

GOEWERMENTSKENNISGEWINGS

KANTOOR VAN DIE KOMMISSIE VIR ADMINISTRASIE

No. 2498 26 Oktober 1990

VERBOD OP 'N BEPERKENDE PRAKTYK INGEVOLGE ARTIKEL 14 VAN DIE WET OP DIE HANDHAWING EN BEVORDERING VAN MEDEDINGING, 1979 (WET No 96 VAN 1979)

Ek, Willem Johannes de Villiers, Minister vir Administrasie en Ekonomiese Koordinering, reik hierdie kennisgewing uit kragtens die bevoegdhede aan my verleen deur artikel 14 van die Wet op die Handhawing en Bevordering van Mededinging, 1979 (Wet No 96 van 1979), en bepaal dat dit op 10 Desember 1990 in werking sal tree

Na behoorlike oorweging van—

(1) Verslag No 28 van die Raad op Mededinging· Ondersoek na 'n Beperkende Praktyk vervat in 'n Ooreenkoms tussen Shell Suid-Afrika (Edms) Bpk en die Stadsraad van die Munisipaliteit van Kroonstad, wat gepubliseer is in Goewermentskennisgewing No 2459 in *Staatskoerant* No 12791 van 19 Oktober 1990, en

(2) die onderskeie reaksies van Shell Suid-Afrika (Edms) Bpk , mnr K C Wessels van Tewie Beleggings (Edms) Bpk , mnr D den Hartog, en die Nasionale Energieraad, na aanleiding van my uitnodiging aan hulle om daarop kommentaar te lewer,

is ek van mening dat klousule 25 van die notariele huurkontrak betreffende die plaas Dorp Gronden van Kroonstadt (No 460, distrik Kroonstad), gesluit tussen Shell Suid-Afrika (Edms) Bpk , en die Stadsraad van die Munisipaliteit van Kroonstad, en geregistreer op 12 Oktober 1987, 'n "beperkende praktyk" soos omskryf in artikel 1 van die Wet daarstel

Ek is voorts nie oortuig dat vermelde beperkende praktyk in die openbare belang geregverdig is nie

Gevolglik—

(a) verklaar ek die besondere beperkende praktyk onwettig, en

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(b) determine that Shell South Africa (Pty) Ltd may not in terms of any other agreement, arrangement or understanding reserve for itself the right to decide whether anyone may establish or operate a business similar to its "Ultra City" complexes within the municipal area of Kroonstad

The facts giving rise to the above declaration are set out in Report No. 28 of the Competition Board.

The kernel of the matter is that the business environment in which Shell South Africa (Pty) Ltd and the other oil companies operate is comprehensively regulated In the circumstances it is imperative that any conduct that is not covered by the regulatory network should be carefully measured against the rules governing competition. These rules are, *inter alia,* aimed at preventing a participant in the South African economy from summarily entrenching his or its position against actual or potential competitors in a manner that is at variance with them. In evaluating the risks involved in a particular venture, businessmen who pay no heed to the rules governing competition do so at their peril

(b) bepaal dat Shell Suid-Afrika (Edms) Bpk nie ingevolge enige ander ooreenkoms, reeling of verstandhouding, vir homself die reg mag voorbehou nie om te besluit of enigiemand 'n onderneming, soortgelyk aan die "Ultra City"-komplekse van Shell, binne die munisipale gebied van Kroonstad mag oprig of bedryf

Die feite wat aanleiding gegee het tot bogenoemde verklarings word in Verslag No 28 van die Raad op Mededinging uiteengesit

Die kern van die aangeleentheid is dat die bedryfsomgewing waarin Shell Suid-Afrika (Edms) Bpk en die ander oliemaatskappye aktief is, omvattend gereguleer word In sodanige omstandighede is dit noodsaaklik dat enige gedrag wat nie binne die regulatoriese netwerk val nie, noukeurig beoordeel moet word ingevolge die reels wat mededinging beheers Hierdie reels beoog, onder andere, om te verhoed dat 'n deelnemer aan die Suid-Afrikaanse ekonomie homself summier verskans teen werklike of potensiele mededingers op 'n wyse wat strydig is daarmee In die evaluering van die risiko's verbonde aan 'n bepaalde onderneming sou sakemanne die reels wat mededinging beheers tot eie gevaar ignoreer.

DEPARTMENT OF HOME AFFAIRS

No. 2466 **26 October 1990**

ALIENS ACT, 1937

CHANGE OF SURNAME.—MEYER TO ROSSI

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Ferdie Meyer, residing at 5 Sud Court, 471 Walker Street, Sunnyside, Pretoria, to assume the surname of **Rossi**

No. 2467 **26 October 1990**

ALIENS ACT, 1937

CHANGE OF SURNAME.—VAN DER MERWE TO DELESCÉ

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Jarn Petré de Lescé van der Merwe, his wife Hendrina Aletta and minor children Nico Jarn and Odette-Michelin, residing at 10 Hermo Street, Birchleigh North Extension 3, Kempton Park, to assume the surname of **Delescé**

No. 2468 **26 October 1990**

ALIENS ACT, 1937

CHANGE OF SURNAME —JACOBS TO MONAT

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Gillian Jacobs, residing at 507 Pleasant Ways, Beach Road, Sea Point, to assume the surname of **Monat**

DEPARTEMENT VAN BINNELANDSE SAKE

No. 2466 **26 Oktober 1990**

WET OP VREEMDELINGE, 1937

VANSVERANDERING —MEYER IN ROSSI

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Ferdie Meyer, woonagtig te Sudhof 5, Walkerstraat 471, Sunnyside, Pretoria, te magtig om die van **Rossi** aan te neem.

No. 2467 **26 Oktober 1990**

WET OP VREEMDELINGE, 1937

VANSVERANDERING —VAN DER MERWE IN DELESCÉ

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Jarn Petré de Lescé van der Merwe, sy vrou Hendrina Aletta en minderjarige kinders Nico Jarn en Odette-Michelin, woonagtig te Hermostraat 10, Birchleigh-Noord-uitbreiding 3, Kempton Park, te magtig om die van **Delescé** aan te neem

No. 2468 **26 Oktober 1990**

WET OP VREEMDELINGE, 1937

VANSVERANDERING —JACOBS IN MONAT

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Gillian Jacobs, woonagtig te Pleasant Ways 507, Beachweg, Seepunt, te magtig om die van **Monat** aan te neem

(o) by the substitution in subregulation (1) (h) (i) for the expression "R100" of the expression "R200";

(p) by the substitution in subregulation (1) (h) (ii) for the expression "R500" of the expression "R750"

3. Regulation 3 of the Regulations is hereby amended by the substitution in subregulation (1) (f) (ii) for the expression "R130" of the expression "R150"

No. R. 2486 183 **26 October 1990**

FOODSTUFFS, COSMETICS AND DISINFECTANTS ACT, 1972 (ACT No. 54 OF 1972)

REGULATIONS RELATING TO BAKING POWDER AND CHEMICAL LEAVENING SUBSTANCES

The Minister of National Health and Population Development has, in terms of section 15 (1) of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act No 54 of 1972), made the regulations contained in th Schedule hereto.

SCHEDULE

1. In these regulations "the Act" means the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act No 54 of 1972), and any expression to which a meaning has been assigned in the Act bears such meaning, and, unless the context otherwise indicates—

"baking powder" means a leavening agent prepared from an acid-reacting material and sodium of potassium bicarbonate with or without the addition of other ingredients as specified in these regulations for the purpose of producing a leavening effect during the baking process of a foodstuff,

"chemical leavening substance" means a chemical, except baking powder, with the without the addition of other ingredients as specied in these regulations, which is capable of producing a leavening effect during the baking process of a foodstuff.

2 For the purposes of section 2 (1) (a) (iii) of the Act, to the extent that it is applied and is applicable to foodstuffs, a foodstuff referred to in these regulations shall comply with the standards of composition, strength, purity and quality as prescribed in these regulations

3 Subject to the provisions of these regulations, no ingredients shall be used in or in connection with the manufacture of baking powder or a chemical leavening substance except the following ingredients or a mixture of two or more thereof in quantities as required by good manufacturing practice

Calcium lactate

Calcium, magnesium, potassium or ammonium carbonate.

Calcium, potassium or sodium orthophosphate or pryophosphates.

(o) deur in subregulasie (1) (h) (i) die uitdrukking "R100" deur die uitdrukking "R200" te vervang;

(p) deur in subregulasie (1) (h) (ii) die uitdrukking "R500" deur die uitdrukking "R750" te vervang.

3 Regulasie 3 van die Regulasies word hierby gewysig deur in subregulasie (1) (f) (ii) die uitdrukking "R130" deur die uitdrukking "R150" te vervang

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No. R. 2486 **26 Oktober 1990**

WET OP VOEDINGSMIDDELS, SKOONHEIDSMIDDELS EN ONTSMETTINGSMIDDELS, 1972 (WET No. 54 VAN 1972)

REGULASIES BETREFFENDE BAKPOEIER EN CHEMIESE RYSMIDDELS

Die Minister van Nasionale Gesondheid en Bevolkingsontwikkeling het kragtens artikel 15 (1) van die Wet op Voedingsmiddels, Skoonheidsmiddels en Ontsmettingsmiddels, 1972 (Wet No 54 van 1972), die regulasies vervat in die Bylae hiervan, uitgevaardig.

BYLAE

1 In hierdie regulasies beteken "die Wet" die Wet op Voedingsmiddels, Skoonheidsmiddels en Ontsmettingsmiddels, 1972 (Wet No 54 van 1972), en het 'n uitdrukking waaraan 'n betekenis in die Wet toegeken is, daardie betekenis, en, tensy uit die samehang anders blyk, beteken—

"bakpoeier" 'n rysmiddel berei van 'n suurreagerende stof en natrium- of kaliumbikarbonaat met of sonder die byvoeging van ander bestanddele soos in hierdie regulasies gespesifiseer, met die doel om 'n uitrysende effek gedurende die bakproses van 'n voedingsmiddel teweeg te bring;

"chemiese rysmiddel" 'n chemikalie, behalwe bakpoeier, met of sonder die byvoeging van ander bestandele soos in hierdie regulasies gespesifiseer, wat in staat is om 'n uitrysende effek gedurende die bakproses van 'n voedingsmiddel te weeg te bring.

2 Vir die doeleindes van artikel 2 (1) (a) (iii) van die Wet, in soverre dit toegepas word en van toepassing is op voedingsmiddels, moet 'n voedingsmiddel bedoel in hierdie regulasies voldoen aan die standaarde van samestelling, sterkte, suiwerheid en gehalte soos in hierdie regulasies voorgeskryf

3 Behoudens die bepalings van hierdie regulasies, mag geen bestanddele by of in verband met die vervaardiging van bakpoeier of 'n chemiese rysmiddel gebruik word nie, behalwe die volgende bestanddele of 'n mengsel van twee of meer daarvan in hoeveelhede soos deur goeie vervaardigingspraktyk vereis.

Fumaarsuur.

Glukonodeltalaktoon

Kalium-, ammonium- of natriumbikarbonaat

Kalsium-, kalium- of natriumortofosfaat of -pirofosfaat.

Calcium silicate.

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Calcium stearate

Calcium sulphate.

Fumaric acid.

Glucono delta lactone

Potassium, ammonium or sodium bicarbonate

Silicon dioxide, amorphous.

Sodium aluminium phosphate, acidic

Sodium aluminium sulphate

Sodium chloride

Sodium silica aluminate

Starch, other cereal products or carbohydrate materials.

L(+)- tartaric acid or its potassium or sodium salts

4. (1) The minimum percentage of available carbon dioxide in baking powder determined by the method as described in the publication *Official Methods of Analysis of the Association of Official Analytical Chemists* compiled by the Association of Official Analytical Chemists in the United States of America shall be 8% (m/m).

(2) Baking powder and chemical leavening substances and the ingredients thereof shall comply with the standards of purity as set out in the latest issue of the publication *Food Chemicals Codex* compiled by the Committee on Codex Specifications in the United States of America.

5. The analysis and examination of baking powder and chemical leavening substances to determine the presence of substances therein or properties thereof shall take place in accordance with the methods set out in the latest issue of the publication referred to in regulation 4 (1).

6. Regulation 13 of the regulations made under the repealed Food, Drugs and Disinfectants Act, 1929 (Act No 13 of 1929), as published under Government Notice No. 575 of 28 March 1930, is hereby withdrawn

7. These regulations shall come into effect on a date six months from the date of publication hereof

No. R. 2488 **26 October 1990**

THE SOUTH AFRICAN NURSING COUNCIL

REGULATIONS RELATING TO THE CONDITIONS UNDER WHICH REGISTERED MIDWIVES AND ENROLLED MIDWIVES MAY CARRY ON THEIR PROFESSION

The Minister of National Health and Population Development has, on the recommendation of the South African Nursing Council, in terms of section 45 (1) (q) of the Nursing Act, 1978 (Act No 50 of 1978), made the regulations set out in the Schedule hereto.

Kalsiumlaktaat

Kalsium-, magnesium-, kalium- of ammoniumkarbonaat.

Kalsiumsilikaat

Kalsiumstearaat.

Natriumaluminiumfosfaat, suur

Natriumaluminiumsulfaat

Natriumchloried

Natriumsilika-aluminaat

Silikondioksied, amorfies

Stysel, ander graan produkte of koolhidraatstowwe

L(+)- wynsteensuur of die kalium- of natriumsoute daarvan.

4. (1) Die minimum persentasie beskikbare koolstofdioksied in bakpoeir bepaal volgens die metode soos beskryf in die publikasie *Official Methods of Analysis of the Association of Official Analytical Chemist* saamgestel deur die Association of Official Analytical Chemists in die Verenigde State van Amerika, moet 8% (m/m) wees

(2) Bakpoeier en chemiese rysmiddels en die bestanddele daarvan moet voldoen aan die standaarde van suiwerheid soos uiteengesit in die jongste uitgawe van die publikasie *Food Chemicals Codex* saamgestel deur die Committee on Codex Specifications in die Verenigde State van Amerika

5. Die ontleding en ondersoek van bakpoeier en chemiese rysmiddels ten einde die aanwesigheid van stowwe daarin of eienskappe daarvan te bepaal, moet geskied ooreenkomstig die metodes uiteengesit in die jongste uitgawe van die publikasie bedoel in regulasie 4 (1)

6 Regulasie 13 van die regulasies uitgevaardig kragtens die herroepe Wet op Voedingsmiddels, Medisyne en Ontsmettingsmiddels, 1929 (Wet No 13 van 1929), soos gepubliseer by Goewermentskennisgewing No 575 van 28 Maart 1930, word hierby herroep.

7 Hierdie regulasies tree op 'n datum ses maande vanaf die datum van publikasie hiervan in werking

No. R. 2488 **26 Oktober 1990**

DIE SUID-AFRIKAANSE RAAD OP VERPLEGING

REGULASIES BETREFFENDE DIE VOORWAARDES WAARONDER GEREGISTREERDE VROEDVROUE EN INGESKREWE VROEDVROUE HUL BEROEP MAG UITOEFEN

Die Minister van Nasionale Gesondheid en Bevolkingsontwikkeling het kragtens artikel 45 (1) (q) van die Wet op Verpleging, 1978 (Wet No 50 van 1978), op aanbeveling van die Suid-Afrikaanse Raad op Verpleging, die regulasies in die Bylae hiervan uiteengesit, uitgevaardig

Medical watchdog not watching drips scandal

By PAT SIDLEY

(183)

W Mail 26/10 – 1/11/90

THE Medicine Control Council, the state's watchdog on drugs and pharmaceutical products, is not investigating Sabax, the company which manufactures intravenous drips allegedly linked to the deaths of babies in the Transvaal

This was confirmed by the MCC's head, Professor Peter Folb

At least two dozen newborn babies have died in Witwatersrand clinics and hospitals after being infected by the Klebsiella bacteria which, the Park Lane Clinic alleges, was carried in the intravenous drip bags fed into the children in the clinic's neo-natal intensive care ward

Several doctors said the factory should have been closed and the products recalled However, millions of rands are at stake, Sabax is the major producer of the bags and it is the only producer of certain products

The Transvaal Provincial Administration said it is to investigate the recent deaths, but it now seems that a judicial commission of inquiry will be appointed by the government

The MCC sees to it that drugs, drips and other pharmaceutical products do the job they claim to do, safely and efficaciously If there is any doubt, thorough investigations are carried out by the MCC inspectorate, said Folb. And no license is granted before the facility is inspected, without warning

It is not clear whether the drip bags contained the same fluid, or even whether the original component was a fluid or had been mixed from a powder It is also unclear where the mixing took place — if there was any mixing

It appears that some products are manufactured by Sabax and the seal is not broken until the drip is placed in the patient. However, at many facilities, including the Johannesburg and Coronation hospitals, the contents of the drips are often mixed at the hospital's dispensary or in the ward

According to one doctor, a procedure to prevent infections is followed This includes taking a swab and culturing it every time a drip is inserted in a baby and changed or mixed. The drip site is changed every 48 hours, as this is the primary cause of infections If this procedure was followed, then any trace of Klebsiella ought to have been picked up

According to the Park Lane Clinic, the bags are mixed at Sabax according to doctor's prescriptions and sent intact to the clinic Sabax has been reported as agreeing with this version

Senior department of health sources drew a distinction between the dispensing of the product and its manufacture, saying they believed it to be a dispensing problem in this case Dispensing implies that a mixture has been created according to a doctor's prescription

● The lawyer representing the babies' families, doctors and some government health officials are calling for an independent inquiry

Probe into deaths is welcomed

Sowetan 26/10/90

ADCOCK Ingram Limited, whose pharmaceutical company Sabax manufactures drips allegedly linked to the deaths of 25 babies and four adults in the Transvaal, has welcomed the investigation by the Department of Health into the spate of deaths

Mr Don Bodley, group chief executive of the company, said their prime concern was for patient safety

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"We are also extremely concerned regarding the anguish of the parents concerned

"We have already assured the Department of our co-operation and have maintained constant contact during our investigations."

Bodley said the source of contamination could, however, have come from several sources

The company expected the results of their own internal and external investigations, carried out by independent outside specialists, to be tabled with the Department of Health and the end of the week, he said - *Sapa*

Sentrachem hit by tough conditions

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BDay 26/10/90

ZILLA EFRAT

CHEMICAL group Sentrachem, feeling the effects of the sluggish economy, high interest rates and strikes at customers' businesses, posted a 12,4% drop in attributable earnings for the 17 months to end-August

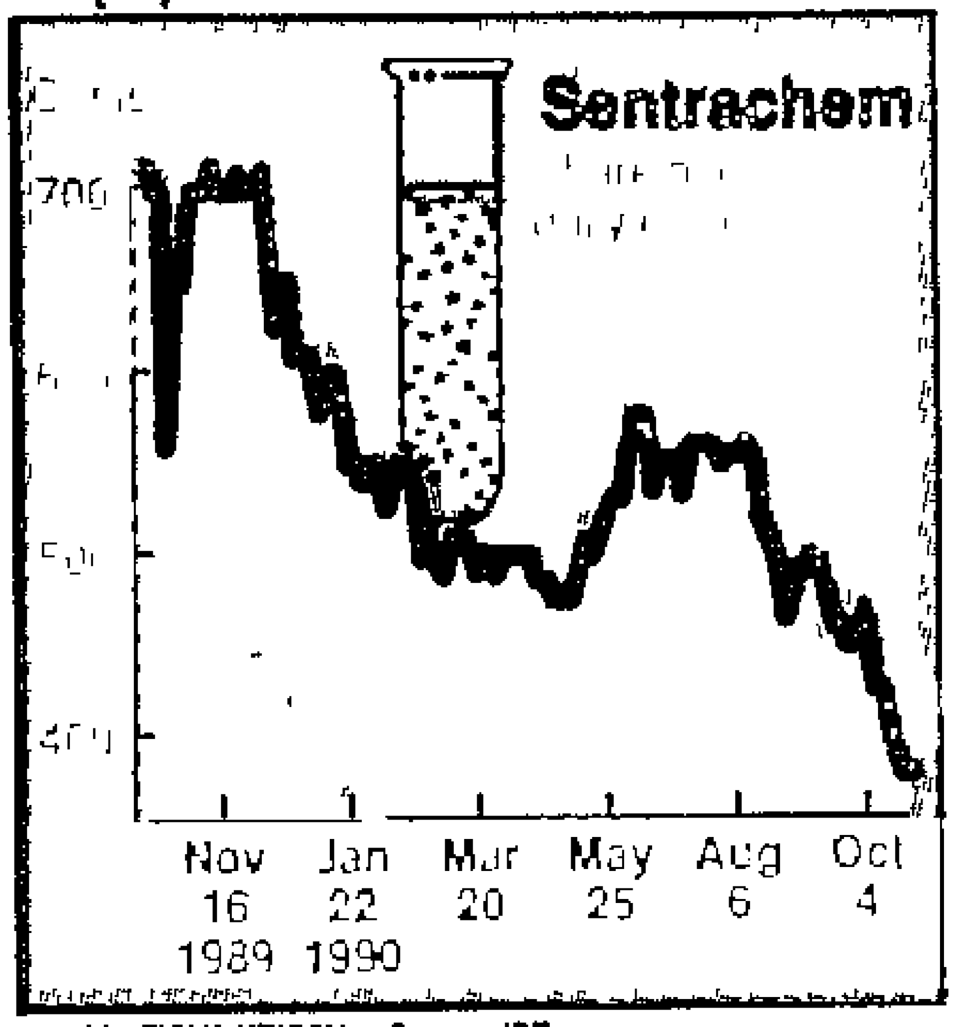
The group, which changed its year-end to match that of the Sankorp group, produced profits of R111,7m (R127,4m) or earnings of 96,7c (110,3c) a share

The third and final dividend of 9c a share brings the total for the period to 36,5c a share, up 46% and covered 2,6 times.

Facing tough market conditions in the year to March, Sentrachem showed a 7% rise in attributable earnings, but CE Johan van der Walt says the past five months have seen an accelerated decline in earnings.

And as long as depressed conditions continue, trading conditions will stay difficult and Sentrahem's activities remain under strong pressure, he says.

In the period under review, Sentrachem was affected by subsidiary Safripol's lack of high density polyethylene (HDPE) capacity which resulted in HDPE imports at low margins. However, this situation was rectified when the new HDPE plant came on stream earlier this month.



Graphic FIONA KRISCH Source JSE

Sentrachem's results also reflect seasonal and poor conditions in the agricultural market. Van der Walt says winter is usually a loss-making period for all agricultural activities And drought in parts of the country caused farmers to delay making

☐ To Page 2

Sentrachem

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☐ From Page 1

purchases

Because of the merger earlier this year of subsidiary Agrihold's manufacturing facilities with Farm-Ag's agricultural interests into Sanachem, the effects of these were doubled

In addition, Mega Plastics' sales of automotive components were affected by industrial unrest in the motor industry and the shutdown at Mercedes-Benz Its sales of plastic pipes to the mining industry also suffered in the aftermath of the Kinross Mine fire

However, Karbochem, which produces synthetic rubber and rubber chemicals, came close to achieving its budget, despite industrial unrest at some tyre manufacturers, after the mothballing of its loss-making poly-isoprene rubber facility at Newcastle

The closure of this plant also left its mark on turnover, which rose 3,9% to R3bn, compared to the preceding 17 months' R2,9bn Operating income was fractionally up to R306,9m (R305,6m)

However, with the group's net financing charges more than doubling to R110,7m and its tax rate rising marginally, taxed profits were down 21,8% to R117m

Extraordinary items of R109,9m include the R115m write-off of the poly-isoprene rubber and R5,5m profit on the sale of assets

The rise in gearing from 50% at end-March to 67% at end-August results from seasonal influences on stock levels, capital expenditure of over R250m and the reduction in retained income caused by the write-off of the poly-isoprene facility

Workers invade laywers' office

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Cape Times 26/10/90

Staff Reporter

OFFICE BLUES ... Receptionist Miss Liz Justice found work impossible at a city law firm yesterday afternoon when more than 30 dismissed Kohler Xactics workers invaded the company's Long Street offices.

Picture ALAN TAYLOR

WORK came to a halt in the offices of a leading city law firm yesterday when more than 30 workers dismissed from an Epping factory invaded the premises for two hours

The workers sang freedom songs and toyi-toyied and danced in the fourth-floor reception offices in the Liberty Life building while a delegation of Chemical Workers' Industrial Union (CWIU) representatives negotiated with company attorneys in an adjacent office

The workers were all dismissed after a strike at the Epping-based Kohler Xactics factory in June this year

They claimed that the law firm, which represents their former employers, had successfully prevented them taking their case to the Industrial Council

Initially the firm wanted to get a Supreme Court interdict to evict the workers and they were told they had until 3 45pm to leave the building

Just after 4pm, union representatives emerged from negotiations with the company and told the workers the law firm had agreed to convey their demands to the company provided they left the building

The workers left after CWIU organiser Mr Martin Jansen spoke to them

CRITICAL CONSUMER

Don't rely on primrose oil to relieve your eczema

W/E Mail 26/10 - 1/11/90 (183)

A HELPFUL friend suggested that the only cure for eczema was evening primrose oil — an extract from the seed of the evening primrose plant

It is a commonly held belief and has some truth in it

But, says the *Drugs and Therapeutics Bulletin* published by the British Consumers' Association, the claims are probably exaggerated

Eczema, which goes under the guise of many other names, causes redness, itchiness and scaling of the skin

It is not clear whether it can be cured, and certainly treatment is difficult

In this country, it seems doctors will use the most drastic form of treatment first — corticosteriods (cortisone)

So it is worth looking at any other claim, and this is a view endorsed by the *Bulletin*

But before their results, it's worth a look at what exactly eczema is

As well as the itchiness and scaliness, small blisters may form and if they burst they can become infected.

The skin may become thick with layers flaking off.

There are several different types of dermatitis, as some doctors like to call it.

Some are caused by skin irritants, perhaps detergents or acids or alkalis, and some are caused by allergies triggered perhaps by nickel, preservatives, lanolin or even plants (and countless other substances)

But the type of dermatitis or eczema that drives people nuts, can't be easily cured and upsets mothers whose young children are scratching themselves into insensibility, is from "internal" causes and mostly has a genetic component In other words, it is hereditary.

Some treatments can keep it under control, and often it simply clears up

It is often related to hay fever and asthma and may also be linked with allergies to milk, eggs, fish or other foods

The *Drugs and Therapeutics Bulletin* decided to look at the therapeutic claims of one particular manufacturer of evening primrose oil The company marketed the substance to doctors for prescription and it was consequently licensed by the relevant British authorities. It is licensed to relieve symptoms and claims to act at a "fundamental metabolic level in this disease" More specifically, they claimed the drug produced a "substantial and highly significant clinical improvement".

Other evening primrose oil products in Britain are not marketed to doctors and, accordingly, not licensed either

But all of them are rather expensive — as they are here.

The *Bulletin* analysed several tests conducted on evening primrose oil Some compared their results with liquid paraffin or olive oil as placebos (a replacement that the patient believes is the drug).

The skin became smoother after a month of treatment, which was maintained for three months In another study, the itch improved but the overall severity did not

In other studies, criticism was levelled at aspects of the testing

But in the largest and most thorough study the itch was helped significantly Eventually, and in some highly scientific language — as the publication is aimed at doctors, although produced by an independent consumer group — the *Bulletin* concludes that evening primrose oil may "have a modest therapeutic effect, but only the effect on the roughness of the skin has been reliably demonstrated".

The *Bulletin* says the manufacturers' claim that it produces a substantial and highly significant clinical improvement "seems exaggerated" and they suggest that it is best "regarded as an optional addition to existing treatment and as a dietary supplement rather than a medication for eczema".

And, they warn, it is expensive

So, back to the drawing board, and the following may be of use to those having to live with the skin disease·

- Use soap substitutes such as emulsifying ointment
- Wear cotton rather than wool (in winter)
- Avoid extremes of temperature or humidity
- Minimise dust and dust mites by airing bedding regularly and washing bedclothes at high temperatures
- Tar preparations return thickened skin to normal, and have an antiseptic and soothing effect
- Emollients can reduce the need for corticosteroids.

Why, if it helps, you may ask, should you avoid steroids?

Well, although they help give relief quickly, they can cause a recurrance or increased severity when you stop them, and if the dose is too high it can cause some pretty awful side effects

These can include thin, fragile or transparent skin, stretch marks, thread veins, easy bruising and greater susceptibility to infection

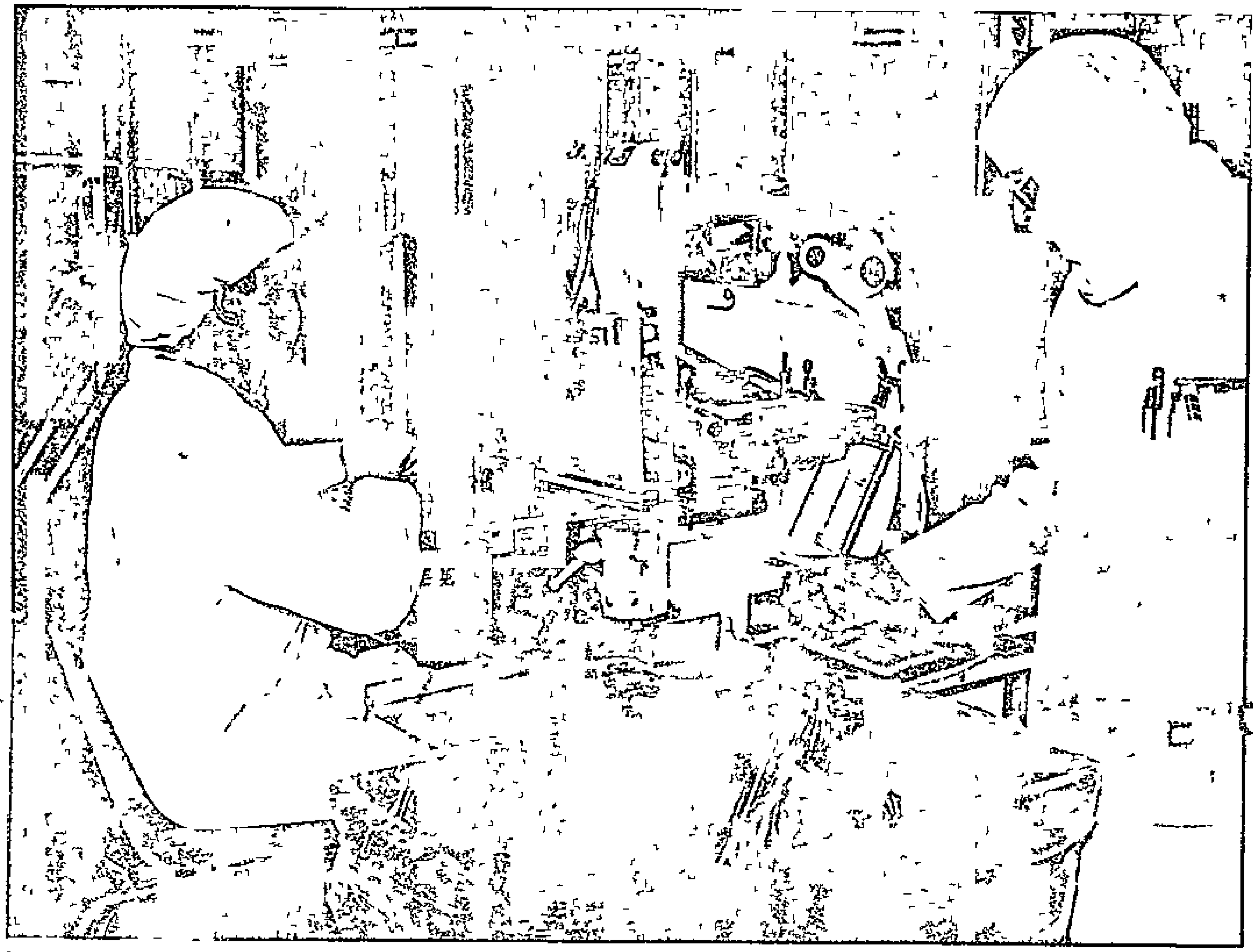
And, *Which? Way to Health* warns that overuse of strong steroids can slow a child's growth It also warns that they should not be used on broken or infected skin — something that appears to elude many local doctors

It is also very dangerous, once they have been prescribed, to use them for anything other than the condition for which they were prescribed

So, before you hit the steroids, question your doctor thoroughly about the need for them and try some of the other remedies, including evening primrose oil — it may just help

Baby-deaths bombshell

Star 27/10/90 (183)



STERILE PRODUCTION Journalists were yesterday taken through sections of the Sabax factory. The cause of the contamination found in products made by the factory's admixed pharmacy have not yet been established. Pictures STEPHEN DAVIMES

Suspect bacteria in clinic batches, says Adcock boss

SUE OLSWANG

THE Adcock Ingram company yesterday admitted that two batches of a paediatric potassium admixture supplied to Johannesburg's Park Lane and Morningside clinics were contaminated.

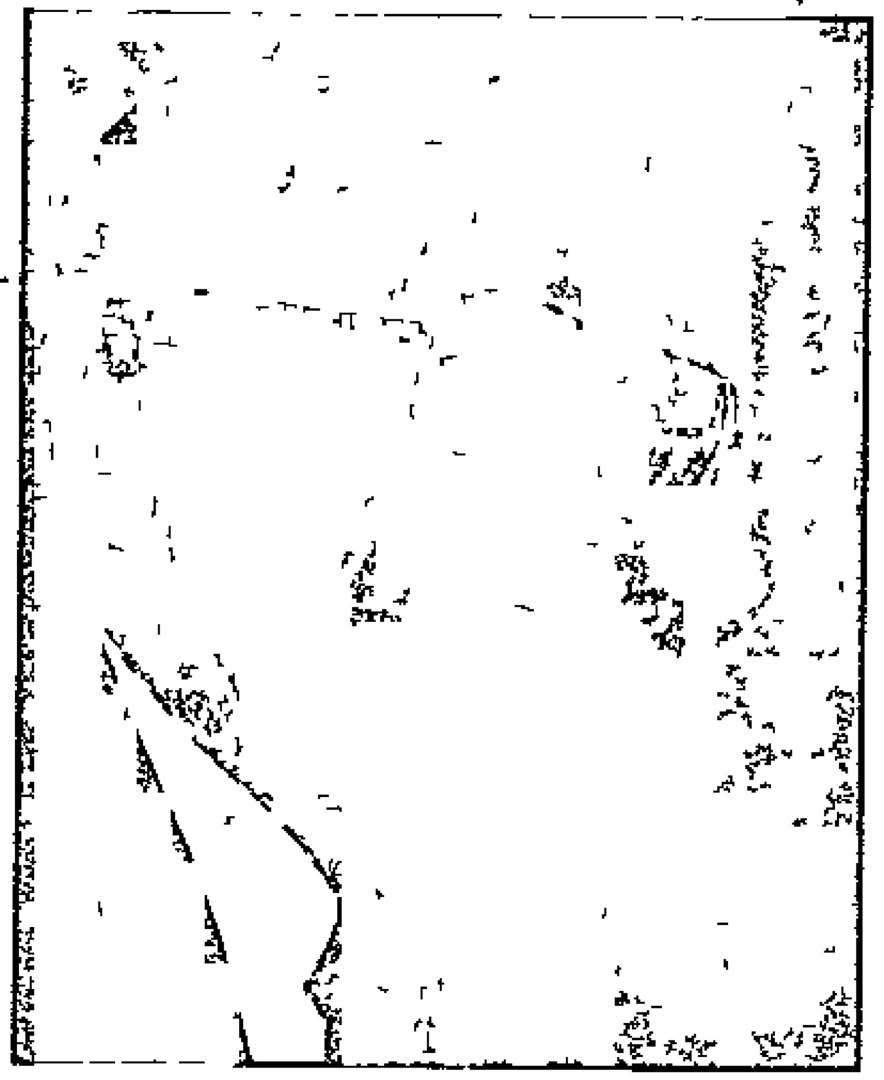
In a carefully worded statement the company said contamination was found in an undisclosed number of units in two batches of the potassium admixture supplied by Sabax but the source of contamination had not yet been established.

The release of Adcock Ingram's interim scientific report — which was yesterday submitted to the Department of Health Services, Welfare and Housing — was followed by the announcement that Health Minister Sam de Beer would submit "all the relevant documentation" to Johannesburg's Attorney-General with a request that urgent inquests be held into the recent deaths of infants "in certain clinics and institutions"

Judge

The Minister also said he would ask that Justice Minister Kobie Coetsee appoint a judge to head the inquiries in terms of the recently ammended Inquests Act.

"I consider it to be in the p... ... ...



CONCERNED Don Bodley, group chief executive of Adcock Ingram

tober and all traceable medicines originating from the pharmacy had been withdrawn

The department said the admixture pharmacy was a totally independent unit and "the large volume sterile solutions which are normally manufactured by Sabax are not implicated at all in the investigation

The Adcock Ingram statement did not reveal the type of contamination found in the units supplied to the Park Lane and Morningside clinics.

But the Saturday Star learnt ... ...

Explanation unacceptable, say lawyers

SUE OLSWANG

THE attorney acting for the parents and families of babies and adults who recently died of "unnatural causes" has slammed the "unacceptable" interim report released yesterday by Adcock Ingram.

"As lawyers, we will advise our clients that the statement does not constitute an acceptable explanation for the unnatural deaths of what is believed to be in excess now of 55 known cases of unexplained deaths.

"And Mr Bodley's statement itself enhances the urgent need for an immediate judicial inquiry or mass inquest to investigate the rather broad and undetailed and inadequate explanations given by Sabax," Mr Peter Soller said in statement.

Mr Soller said the Adcock Ingram statement did not address:

- The almost 10-month spate of "unnatural deaths of an inordinate number" of babies and adults.
- The fact that those deaths only became of public importance to the manufacturers and clinics after the South African press had been alerted to the facts in September this year
- An explanation about the source of the contamination, the type of contamination and the extent.

Mr Soller said the Adcock Ingram statement also

TO PAGE 2.

Petrol increase 'almost didn't happen'

Star 27/10/90

CHRIS MOERDYK

IF THE Government had delayed its decision to increase the petrol price last week end by just 48 hours, South Africa's biggest yet fuel price increase would not have been implemented

According to the National Energy Council the dramatic drop in world oil prices soon after the petrol price was increased last Friday night would almost certainly have caused the Government to think twice about raising the price

And earlier this week a spokesman for the Energy Council said that if the down ward tr... in world oil prices cont... the petr... ... South African... would ... f... ...

Dawie De Villiers gave the assurance that a drop in the crude oil price would be passed on to motorists

Earlier this week the price per barrel of North Sea Brent oil had dropped to $27 60 from a high of $40 90 two weeks ago Two days ago increased tension in the Middle East had forced the price of Brent back up to $32 50 a barrel South Africa's petrol price hike last week was based on an average ... crude oil price of $ ... 50 ...

litre, as this amount represented an under-recovery of approximately 22c a litre.

"It is also highly unlikely that the Government will consider holding the present price to create a fund, as has been suggested to finance Mossgas for example, because of the impact this will have on inflation"

He added that apart from the international oil embargo still being firmly in force, the problem that faced South Africa's energy authorities at present was that they were having to second-guess Saddam Hussein. It was virtually impossible to make ... ... in what was an ... oil market is bombshell

Star 27/10/90 (183)

Suspect bacteria in clinic batches, says Adcock boss

SUE OLSWANG

THE Adcock Ingram company yesterday admitted that two batches of a paediatric potassium admixture supplied to Johannesburg's Park Lane and Morningside clinics were contaminated.

In a carefully worded statement the company said contamination was found in an undisclosed number of units in two batches of the potassium admixture supplied by Sabax but the source of contamination had not yet been established

The release of Adcock Ingram's interim scientific report — which was yesterday submitted to the Department of Health Services, Welfare and Housing — was followed by the announcement that Health Minister Sam de Beer would submit "all the relevant documentation" to Johannesburg's Attorney-General with a request that urgent inquests be held into the recent deaths of infants "in certain clinics and institutions"

Judge

The Minister also said he would ask that Justice Minister Kobie Coetsee appoint a judge to head the inquiries in terms of the recently ammended Inquests Act

"I consider it to be in the public interest to determine as soon as possible what caused these deaths and whether anyone is to blame," Mr de Beer said

The Department of National Health and Population Development said the Sabax interim report submitted to the department reflected the findings of the company's internal investigation regarding the possible causes of the deaths of babies "at certain hospitals"

In a statement the department said "In light of the inquest which was requested, no further comment can be made on the report"

The department emphasised, however, that "no danger exists to patients" because Sabax's special admixture pharmacy had been closed since the beginning of October and all traceable medicines originating from the pharmacy had been withdrawn

The department said the admixture pharmacy was a totally independent unit and "the large volume sterile solutions which are normally manufactured by Sabax are not implicated at all in the investigation"

The Adcock Ingram statement did not reveal the type of contamination found in the units supplied to the Park Lane and Morningside clinics

But the Saturday Star learnt that the Klebsiella bacteria — believed to have caused the deaths of an alleged total of 55 babies and adults — was identified

Bacteria

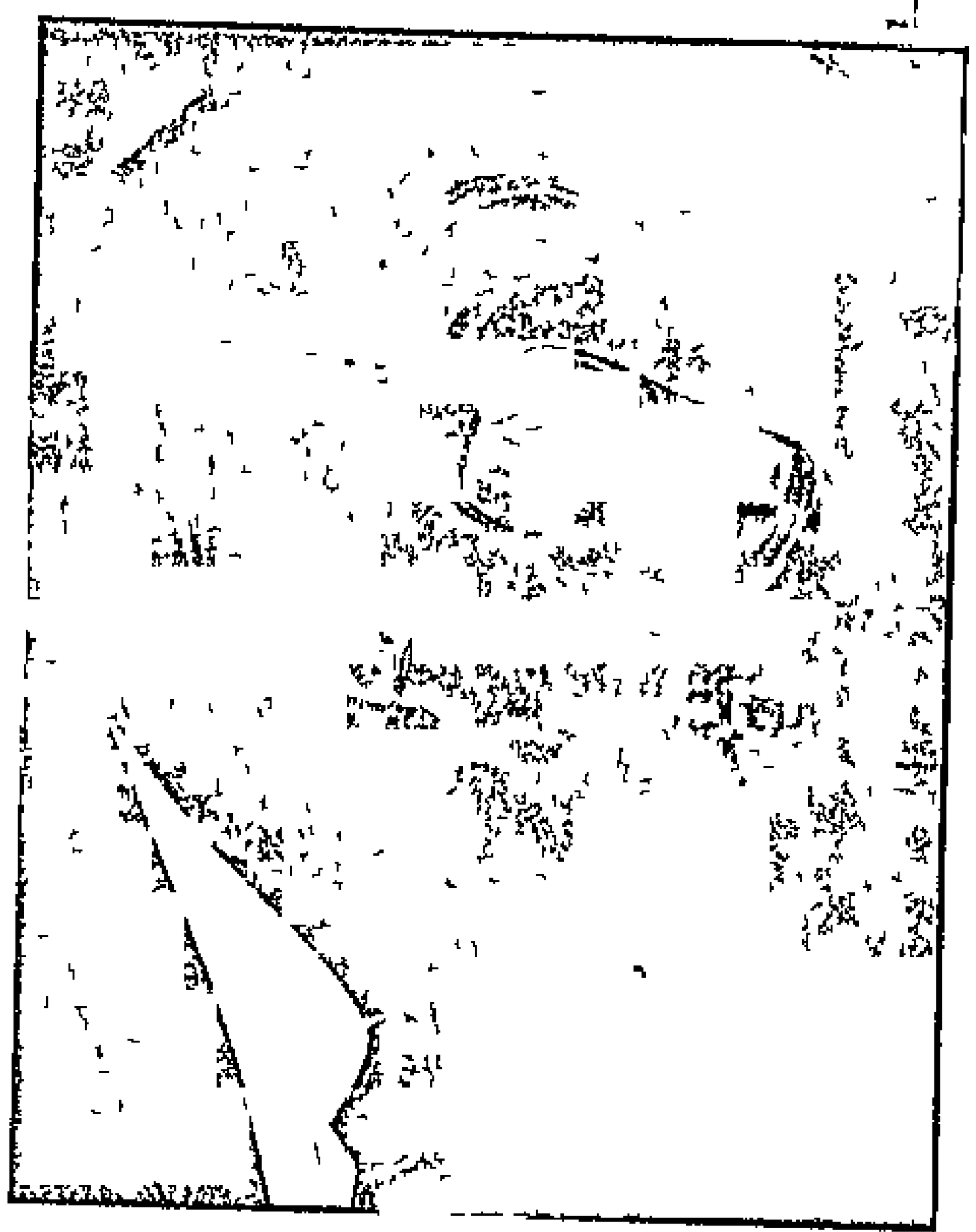
This was revealed by a visibly nervous Don Bodley, group chief executive of Adcock Ingram, during an interview with Saturday Star

"The Klebsiella bacteria was found to be present," he said

Mr Bodley said more than one contaminant was found in units sent back to Sabax by the Park Lane and Morningside clinics but only one was found in units not yet distributed by the medical supply company He did not elaborate further

The statement by Adcock Ingram said that the

TO PAGE 2.



CONCERNED Don Bodley, group chief executive of Adcock Ingram

Explanation unacceptable, say lawyers

SUE OLSWANG

THE attorney acting for the parents and families of babies and adults who recently died of "unnatural causes" has slammed the "unacceptable" interim report released yesterday by Adcock Ingram

"As lawyers, we will advise our clients that the statement does not constitute an acceptable explanation for the unnatural deaths of what is believed to be in excess now of 55 known cases of unexplained deaths.

"And Mr Bodley's statement itself enhances the urgent need for an immediate judicial inquiry or mass inquest to investigate the rather broad and undetailed and inadequate explanations given by Sabax," Mr Peter Soller said in statement

Mr Soller said the Adcock Ingram statement did not address

- The almost 10-month spate of "unnatural deaths of an inordinate number" of babies and adults
- The fact that those deaths only became of public importance to the manufacturers and clinics after the South African press had been alerted to the facts in September this year
- An explanation about the source of the contamination, the type of contamination and the extent

Mr Soller said the Adcock Ingram statement also

TO PAGE 2.

Bacteria

● FROM PAGE 1.

company's recent investigations included "extensive and scientific checking and re-checking" of the Sabax admixture pharmacy.

These were done both internally and by independent experts including Andrew Bill, a UK microbiologist and expert on admixture pharmacies, and Professor Margaretha Isaacson, head of the department of tropical diseases, School of Pathology of the SA Institute for Medical Research and Wits University.

Adcock Ingram said "Mr Bill's findings were that 'the profile of the characteristics of the contamination is not consistent with aseptic technique failure' The pharmacy itself meets with international standards for aseptic technique procedures."

The company said there were several components of varying concentrations in the admixed prescription items — namely glucose, calcium gluconate, sodium chloride and potassium chloride and the entire batch of sodium chloride ampoules was also recalled as a precautionary measure because hairline cracks were discovered in 1,7 percent of the ampoules.

"This percentage is well within international standards and tests so far reveal it is unlikely to be the cause of contamination," Adcock Ingram said

"However, these and other components are currently undergoing further testing"

Mr Bodley said he did not expect current testing and investigations to be completed until about the beginning of November

Asked whether his company had experienced a drop in revenue because of recent publicity, Mr Bodley said "Our main concern is for the parents."

At least 25 babies are said to have died in recent months at the private Park Lane, Morningside and Garden City clinics and at a number of Transvaal Provincial Administration (TPA) hospitals.

But the Adcock Ingram statement mentioned only the Park Lane and Morningside clinics

Mr Piet Wilken, TPA liaison director, said the TPA was investigating "rumours that babies died at a number of provincial hospitals as a result of the Klebsiella infection"

Mr Wilken did not name the hospitals but they are believed to be Benoni/Boksburg, Coronationville, Garankuwa, Kalafong, Tembisa and Far East Rand

● The Park Lane Clinic last night said it was "clear and incontrovertible and has been established beyond any doubt that the contamination of the vacoliters and consequent infection of the infants concerned cannot in any way be attributed to any act or omission on the part of the Park Lane Clinic or its staff or the medical practioners concerned."

Second scandal for Sabax man

S Times 28/10/90

By MARK STANSFIELD

A TOP executive of the company manufacturing drips suspected of killing more than 50 babies was involved in another medical controversy seven years ago.

Frans Erasmus, marketing and public affairs director of Sabax, was managing director of C E Electro Medical, marketing arm of SA Druggists' subsidiary Labethica, when it was accused in 1983 of producing defective and contaminated medical drips

At his Pretoria home in Weavind Park yesterday, Mr Erasmus telephoned his lawyer and then refused to discuss the affair (183)

Charges by the defunct Sunday Express that contaminated drips remained in use for seven months after they were discovered by the Weskoppies institution led to the appointment of the De Kock commission of inquiry

The commission confined itself to allegations of bribery, ignoring the question of the contaminated drips

By the time it sat, Mr Erasmus had left SA Druggists to join Sabax

He was not mentioned in the inquiry

HARD-HEARTED? NOT US: Page 3

Baby deaths: now who's telling the whole truth?

S/Times 28/10/90 (183)

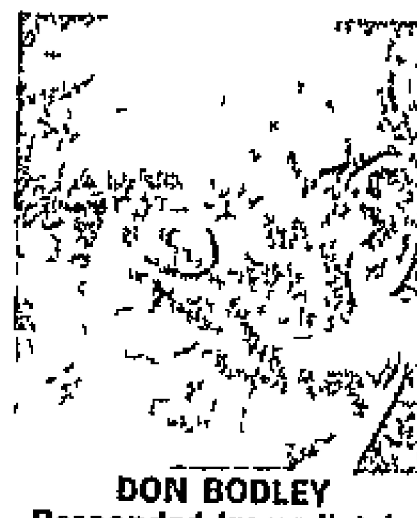
By MARK STANSFIELD

MEDICAL supply company Sabax finally confessed this weekend that their products are linked to the deaths of two babies

But their admission — a week after telling the Sunday Times no contamination had been found in "intact and unused" bags returned for testing — leaves a myriad of unanswered questions

Peter Soller, the lawyer acting for at least 55 people claiming deaths in their families caused by contaminated drips, has labelled Sabax's interim report "unacceptable"

He says families will continue to press for a judicial inquiry or a mass inquest into the deaths "The report fails to address itself in any manner whatsoever to the abnormal delay in the duration of the investigation"



DON BODLEY
Responded immediately

While Sabax says "units in two batches of the potassium admixture — distributed only to Park Lane and Morningside clinics — were contaminated" they fail to address the drip problems experienced by Ga Rankuwa Hospital and Garden City Clinic in April

Last Friday, Don Bodley, group chief executive of Sabax holding company Adcock Ingram, said they had tested drips sent from Ga-Rankuwa in May and "detected glycerol, the source of which was unconfirmed"

In response to questions from the Sunday Times this week, Mr Bodley confirmed five units had been returned from Ga-Rankuwa.

"Three of these units were returned opened and testing revealed very high concentrations of glycerol Two units were sealed and intact and testing revealed traces of glycerol, compared to control units."

Glaring contradictions and unanswered questions remain

- On October 19 Garden City Clinic said it had tested Sabax drips during a klebsiella outbreak in April/May and found them infected "with the same bacteria as found in the babies" Sabax, it claims, was informed of its suspicion

Bacteria

- On the same day Adcock-Ingram was asked to give details of the incidents and what action was taken by the company

Mr Bodley said Sabax representatives had visited the clinic in May but that Garden City Clinic management had been unable to supply patient or intravenous drip details

- However, on Friday, Adcock-Ingram, when asked for additional details about the Garden City incident, replied

"We responded immediately and the clinic subsequently advised us that they had the admixtures in question tested by an independent laboratory who found the bags to be clear of contamination."

Reported

On Friday, Barney Hurwitz, chairman of Clinic Holdings group, which owns Garden City Clinic, said 'Rubbish We still have the batch numbers and other relevant information available Sabax never followed up the complaint."

He said the matter was reported to the health authorities by the clinic. Sabax, on the other hand, admits that it did not inform the health authorities of the incident.

- On October 12, Morningside Clinic stated it had recorded three deaths due to klebsiella between March 19 and April 18 Its neo-natal unit was closed for a week while procedures were reviewed Neither Sabax nor the health department was informed

In August, after another death, note was taken of Park Lane Clinic's investigation into contaminated drips and Sabax products were removed from shelves

- On October 12, Park Lane Clinic responded to questions about deaths at the clinic as follows.

Bags

"During August and September an incidence of infection occurred in the neonatal unit We closed the unit and investigated The unit opened on September 10

"When infections were again discovered in two more babies further investigations were undertaken"

Park Lane Clinic tested Sabax drips and found klebsiella contamination Sabax was informed and drips returned

The following questions remain unanswered by the interim report.

- Why did Sabax earlier deny any contamination of its drips?
- When were they withdrawn from circulation?
- When was the admixture unit closed down? In April, following the Garden City Clinic scare, or only now when it has finally been admitted that products were contaminated?

Dog could be link in Sabax probe

PATHOLOGY reports confirm that a pedigreed boxer bitch was infected with klebsiella in February after receiving a Sabax drip during a caesarian operation

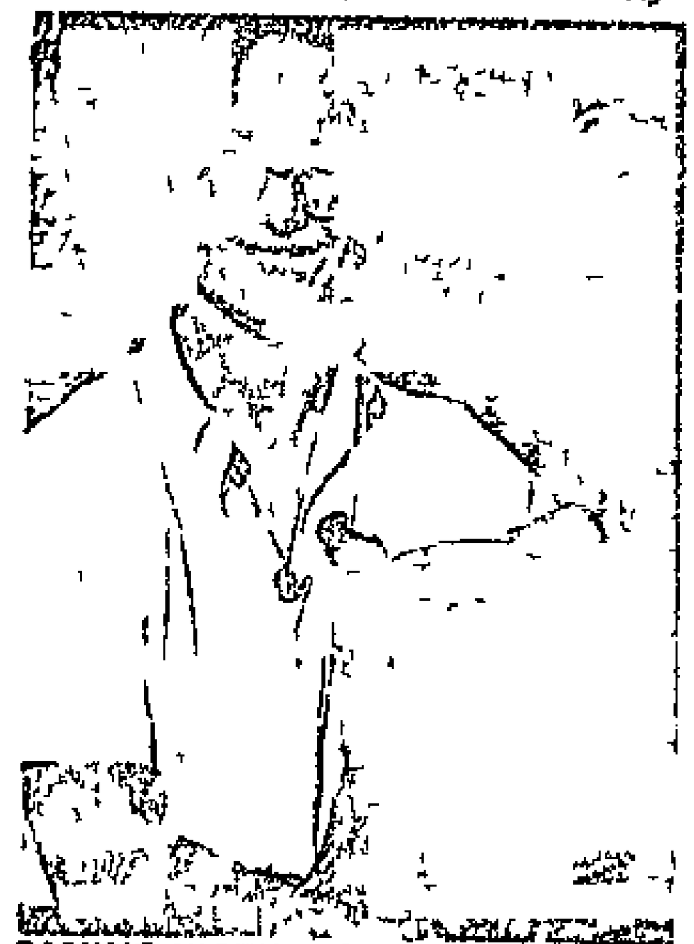
The disclosure means that Carla — who almost lost her life and those of her nine puppies through a klebsiella infection — may have been a victim of a contaminated drip.

This could be vital to investigations now being conducted into the source of drip contamination, which allegedly killed 55 babies in Reef clinics and hospitals

Tests being conducted on a Sabax sodium chloride drip administered to Carla could prove that drip contamination was not confined to Sabax's Admixed laboratory.

Adcock Ingram's group chief executive, Don Bodley, declined to comment on the allegations

But Peter Soller, the lawyer acting on behalf of 11 parents who lost babies allegedly due to drip infection, sent information relating to Carla's case to Health Minister Rina Venter this week



CANINE VICTIM Carla, who almost lost her pups, with her owner

THE PEOPLE'S PAPER - Tel Jhb (011) 402-1632 Durban (031) 301-4636 PRICE RSA R1 50 (R1,33 + 17c GST) Elsewhere, Back Page

BLACK LINK IN BABY DEATHS

C/Press 28/10/90

Beauty and the boxer: We're just friends!

By SANDILE MEMELA

HAS beauty queen Pinky Masemola become the rose in world boxing champ Dingaan Thobela's garden?

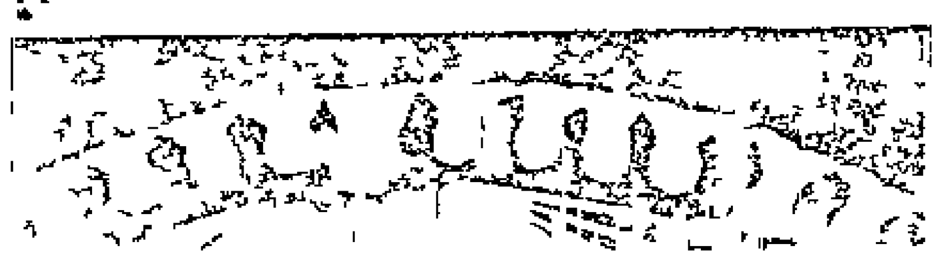
The handsome lightweight champ this week strongly quashed rumours that there is any intimate relationship between him and the radiant Miss Black South Africa and former Miss Soweto

Thobela told *City Press* his public appearances with Pinky have been nothing more but promotional stunts to celebrate his international victory.

More recently the hunk and the graceful cover girl were seen together at the airport when he was welcomed home after winning the world title.

"People must stop these rumours. Yes, it's just that – promotion but nothing beyond it," Pinky said this week "I must add we are good friends though, but not close ones. There is no intimate relationship We are not going out together and we hardly phone each other."

Asked why she was often seen in Dingaan's company recently, Pinky



Growing fear toxic drips could have killed more

By DES BLOW

SCORES of black babies who died mysteriously over the past few months in hospitals could have been killed by contaminated intravenous drips supplied by leading pharmaceutical company Sabax

Piet Wilkens, TPA liaison director told *City Press* at least five provincial hospitals where black babies are known to have died are under investigation

He said all Transvaal provincial hospitals were supplied with products from Sabax manufacturers of the drip

Possible deaths caused by the contaminated drip include the 23 infant deaths at the Ga-Rankuwa Hospital north of Pretoria – which is under investigation by the Cillie Commission

The other hospitals are Tembisa, Coronation, Boksburg-Benoni and Kalafong

We do not have statistics on the

Who will succeed Zeph?

C/Press 28/10/90

By SEKOLA SELLO

TWO men have emerged as favourites for the leadership of the Pan Africanist Congress following the death of its president Zephania Mothopeng this week

They are acting president Clarence Mlamli Makwetu, 62, and the Tanzanian-based Johnson Mlambo, 50 Two "dark horses", Mark Shinners and Mahlubi Mbandazayo, are also said to be in the running, although the latter has dismissed these claims

Mlambo, who is the organisation's chairman and commander of its armed forces, is an election favourite for the PAC national conference

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Sabax, manufacturers of the drip

Possible deaths caused by the contaminated drip include the 23 infant deaths at the Ga-Rankuwa Hospital north of Pretoria – which is under investigation by the Cillie Commission

The other hospitals are Tembisa, Coronation, Bokburg-Benoni and Kalafong

"We do not have statistics on the babies who died at the five hospitals – and we do not know what actually killed them – but we intend to find out," Wilkens said this week

It was reported that Baragwanath Hospital was not affected by the contaminated drips because it mixed its own drips

Doctors fear the authorities and Sabax are attempting to cover up the full extent of the bacterial contamination that is believed to have killed at least 55 people – 51 babies and four adults – in clinics and hospitals throughout the country, attorney Peter Soller said yesterday

Soller, who acts for the families of people who died or were affected by the drip, slammed as "unacceptable" the report released by Adcock Ingram, holding company of Sabax, this week

According to the report, contamination had only so far been found in two batches of the drip – "potassium admixture" – supplied to two private clinics where new-born babies had died

The statement to the Department of Health Services referred only to supplies to the Park Lane Clinic in Johannesburg and the Morningside in Sandton

But Soller said doctors feared there was a cover-up because it was not revealed how big the batches were, how widespread the distribution had been and the source of the contamination

"There could be scores of black babies – including the unexplained 23 deaths at the Ga-Rankuwa Hospital – who have died as a result of the contamination.

He asked. "Why was there so much delay in making scientific tests and why only at the clinics where the Press had revealed babies had died?

"The authorities and

To Page 2

and Mahlubi Mbandazayo, are also said to be in the running, although the latter has dismissed these claims.

Mlambo, who is the organisation's chairman and commander of its armed forces, is an election favourite for the PAC's national conference in December.

See Page 6

Toxic drips could have killed more

C Press 28/4/90 (183)

■ **From Page 1**

Sabax are still attempting to confine it to the two clinics, when it is more widespread My firm alone has been approached by families of victims of 55 unexplained deaths in hospitals There could be scores more, especially among blacks "

There is also outrage at the Department of National Health and its Medicine Control Council – the State's watchdog on drugs and pharmaceutical products – for ignoring reports on the deaths and making no move to investigate Sabax

There are suspicions that the infected drip could have been distributed from as early as April

Private hospitals, the TPA and Sabax could be sued for millions of rands if they are found liable for the deaths of the 55 people.

Health Minister in the House of Assembly, Sam de Beer, on Friday asked Justice Minister Kobie Coetsee to appoint a judge to investigate the widely reported deaths in terms of the Inquests Act.

He also submitted statements from the families of victims and their legal representatives to the Attorney-General of the Witwatersrand with the request that inquests be held urgently

Adcock Ingram says in its report this week it could not find the source of the contamination

The report said further investigations were going ahead and gave the assurance that the batches sent to Park Lane and Morningside had been recalled.

Gas supplier ends lockout of 73 after deal with union

By SHARON SOROUR ARGUS 29/10/90
Labour Reporter

THE six-week lockout of 73 employees by Woodstock gas supplier Capegas has ended.

Most of those affected agreed to resume work today, said company spokesman Mr B Straughan.

He said the Chemical Workers' Industrial Union had unconditionally accepted the company's wage package of a 21 percent across-the-board increase backdated to April 1 The union initially demanded 53 percent, he said

Capegas locked out the workers on September 17 one hour before they were due to go on strike

Mr Straughan said the union accepted the company's final offer on October 17 "plus a gesture by the company of a R50 food voucher for each of the locked out employees"

The union first accepted the offer on condition that the company waived its legal right to take disciplinary action against employees guilty of "criminal acts of physical assault and intimidation"

When Capegas refused to concede the right to take action against three offenders, the union accepted the offer unconditionally.

Several employees were arrested outside the plant after the lockout. The company also obtained a Supreme Court interdict restraining workers from being near the premises and damaging company property.

The Woodstock branch of the African National Congress also entered the dispute, urging management to end the lockout and threatening to mount local community support for the workers

On October 11 about 100 people marched to Capegas to hand the management a petition

Krok brothers set to leave Twins

B/Day 29/10/90

(183)

ROBERT GENTLE

THE entrepreneurial Krok twins, Abe and Solly, are to leave their most well-known and prominent business venture, Twins Pharmaceuticals (Twins).

Solly Krok has resigned from the Twins board following a board meeting on Friday.

Abe Krok will remain as Twins chairman till the next annual general meeting in July 1991

At that date, he will be succeeded by Premier group chairman Peter Wrighton, who is currently chairman of Twins Propan, the Twins holding company

Premier holds 50,1% of Twins Propan, and the Krok brothers the rest

Phil Nortier, formerly head of the pharmaceuticals division, has been appointed MD of Twins with immediate effect.

Abe Krok confirmed yesterday that he and his brother would be leaving Twins, but dismissed any suggestion that the decision was connected with the Epi Products saga in the US

This involves legal action between members of the Krok family and a consortium of US banks over allegations of misuse of funds by Epi Products, a US company run by the Kroks' daughters

Abe Krok declined to comment on the Epi Products affair, saying it was sub judice.

He said: "There is no connection at all with Epi Products Solly and I are nearing 62 years of age and this is a normal retirement move we have been planning for some time."

He said he and Solly had not sold their shareholding in Twins, but, "as in any business", this was open to review. "Nothing is

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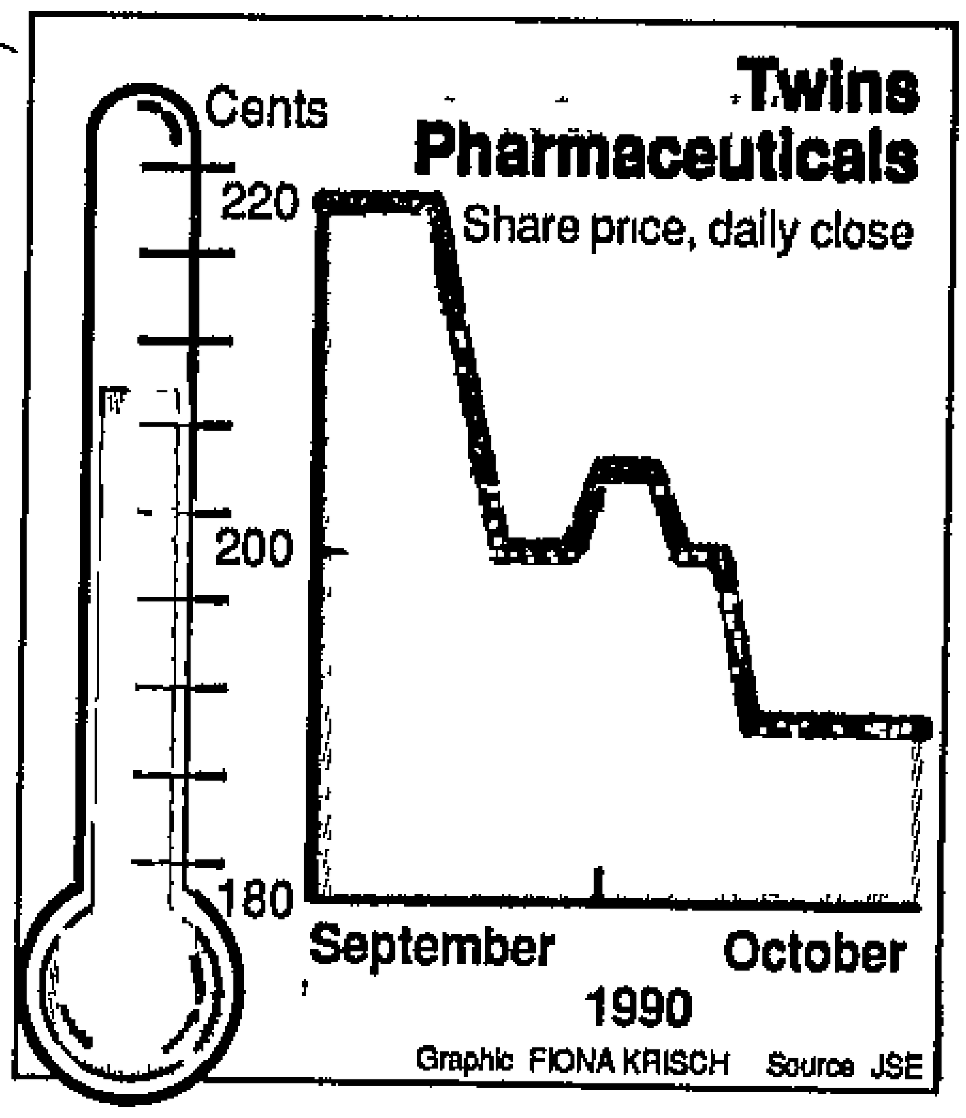


Brothers

B/Day 29/10/90

forever If we get a great offer one day, we may sell."

Abe Krok also said that insofar as Twins was so tightly held, it was possible that some of the shares would be sold to make them more marketable.

Solly Krok, who is in the US handling the Epi Products affair, could not be reached for comment

(183)

☐ From Page 1

Wrighton said yesterday "These announcements do not signify any changes to the present shareholding at Twins, and there are no plans for any mergers or acquisitions at this stage"

He added "The Krok brothers have played a significant role over the years in building up the giant Twins group in partnership with Premier"

Hospitals may have given up to 40 babies contaminated admixture

B/Day 29/10/90

TANIA LEVY

HOSPITALS may have fed up to 40 babies with admixture from batches found by manufacturers Sabax to be contaminated.

The admixture was definitely administered to two babies who died at the Park Lane Clinic

And Health Services and Welfare Minister Sam de Beer has asked Justice Minister Kobie Coetsee to appoint a judge to head urgent inquests after reports of more than 50 baby deaths which may have been due to "unnatural causes".

Sabax has not yet established the source of contamination in two batches of potassium "cocktail" dispensed by its admixture pharmacy on July 25 and August 17 this year.

The batches, containing a total of 70 units, had been distributed only to the Park Lane and Morningside clinics in Johannesburg.

However, at least 40 bags from these batches were not returned to Sabax, Adcock Ingram CE Don Bodley said.

There were 13 bags which had been returned and found to be contaminated with klebsiella bacteria.

Sabax knew of reported contamination in a further 16, he said.

One bag had been discarded by a hospital before it could be tested.

The balance of the two batches, a total of 40 bags, was not returned to Sabax for testing and no records were provided by hospitals to show whether or not they had been contaminated.

183

Investigations

Except in the case of the two babies who died at the Park Lane in September, hospital records had to date not allowed Sabax to match patient records with batch records

Despite UK microbiologist Andrew Bill's finding that Sabax's admixture dispensing pharmacy, procedures and staff could not be blamed for the contamination, the unit will remain closed until investigations are complete

Sabax and independent investigators such as the SA Bureau of Standards and the SA Institute for Medical Research will continue testing in an attempt to find the source of contamination.

Adcock confounds market forecasts

Star 30/10/90 (183)

By Ann Crotty

Adcock-Ingram has pipped market expectations with an excellent 27 percent advance in earnings to 182c (143c) a share in the 12 months to end-September

A final dividend of 46,5c has been declared, which means that the total payout for the year is 68c a share — 28 percent ahead of the previous year's 53c

Referring to the investigation of the deaths of a number of babies and the possibility of a link with the group's Sabax admixture pharmacy, chief executive Don Bodley says "We would like to reassure our shareholders that we are fully aware of our responsibilities in this matter and will continue to investigate thoroughly the entire matter."

Looking at the financial '90 figures, turnover was up 31 percent to R615,7 million (R471 million) and operating income was up 40 percent to R94 million (R67,5 million)

Mr Bodley says the increase in operating income was due primarily to the strong sales performance, together with the effective control of manufacturing and operating expenses in all subsidiary companies against a background of restrained selling-price increases."

Pre-tax income was up 44 percent to R90,6 million (R62,8 million).

Allowances

The tax rate was up to 46 percent from 39,7 percent — the '89 tax rate had benefited from capex allowances

Attributable earnings were up 29 percent to R49,4 million (R38,3 million)

With effect from October '90 the group has restructured its companies into six market-focused strategic business units with the objective of capitalising on growth opportunities and improving market focus.

The group now comprises a Pharmaceutical Division, a Critical Care Products Division, which includes Sabax, a Generic Products Divisions, a Self-Medication Division, a Consumer Products Division and a Wholesale and Retail Division

Sabax drip unit closed on Oct 1

Star 30/10/90

By Carina le Grange
Medical Reporter

183

The Sabax unit implicated as the origin of drips allegedly connected to the deaths of at least 25 babies in Johannesburg clinics has been closed since October 1 and no danger existed to patients, the Department of National Health and Population Development has disclosed in a statement

Sabax has also reported that so far the source of the infection has not been established

The National Health Department issued its statement after receiving an interim report from Sabax on Friday reflecting the company's internal investigation

The statement added that all other medicines from the implicated pharmacy had been withdrawn

The Minister of Health Services, Welfare and Housing, Sam de Beer, responsible for private clinics, said in a separate statement he would request the Minister of Justice, Kobie Coetsee, to appoint a judge to head inquiries into the deaths of the babies in terms of the Inquests Act

183

New company set up to produce surgical gloves

By Maggie Rowley

CAPE TOWN — A R7,5 million plant to manufacture surgical gloves is being built in Parow Industria by developers Cape Equity Brokers.

Chairman Edward Harington said the company was capitalising on the increased world demand for high quality surgical gloves arising from growing concern about infectious diseases, most notably Aids

The plant would be completed in phases during the next two years with the first gloves coming off the production line in the first half of next year

The company initially planned to import the plant at a cost of about R22 million but after examining the production process and the machinery it realised it could be built locally at a fraction of the cost

A new company, Suretex, financed by Cape Equity Brokers, had been formed and was being structured in accordance with public company principles with a view to a listing on the Johannesburg Stock Exchange within a few years

"The latex rubber industry in South Africa offers a lucrative opportunity for import replacement and the creation of job opportunities as well as high yielding export possibilities

"The increased awareness of infectious diseases, notably Aids, has resulted in a tremendous increase in the demand for high quality gloves and while there are a number of Eastern manufacturers producing sufficient quantities to meet demand there are few, if any, able to produce the high quality gloves required by the industries using them

"This has afforded industrialists and entrepreneurs tremendous opportunities to engage in ventures to reduce this shortage"

The present combined production of producers of latex surgical gloves in South Africa met only about 27 percent of local demand

Bruce Willan, a spokesman for the company, said that when the plant was fully operational it would have a production capacity of about 20 million units a year and would provide employment for between 130 and 180 people

Local demand, including that from neighbouring states, was estimated at more than 30 million units

Star 30/6/90 (183)

Epi Products saga probably hastened the Krok brothers decision to quit

By Ann Crotty
and Jabulani Sikhakhane

Whatever the official announcement, there is little doubt the decision that the Krok brothers should no longer be involved in the Twins management team was precipitated by the US Epi Products saga, which seems to be deteriorating daily

Given that the Krok twins — Solly and Abe — are nearly 62 years old, the move would have to have been taken within the next 18 months or so

That it had to be taken earlier reflects the disruptive effects the Epi Products saga has indirectly had on Twins

Solly Krok has spent the past several months in the US embroiled in the battle that has followed the bankruptcy action taken by his daughters' company, Epi Lady

In the circumstances he could have made little input into the day-to-day management of Twins — effectively leaving that company without an executive chairman (Solly apparently resigned about two months ago)

This situation and the widespread and disturbing rumours surrounding the Krok twins' involvement in the Epi Lady problems must have created a very uncomfortable situation for Premier — the other major shareholder in Twins

Professional

Premier's deputy chief executive Gordon Utian refers to the need to introduce professional management at Twins, but stresses that the latest moves have been on the cards for some time

He says the company that was formed in 1980 through the merger of Twins and Propan (a wholly owned Premier subsidiary) was a completely different entity from today's Twins

After the 1980 merger, which resulted in Premier holding 50 percent plus one share and the Kroks holding the remaining shares in Twins Propan, the Krok brothers were given management control

There was a pre-emptive agreement between the Krok brothers and Premier that if either party wanted to sell its shares, they had first to be offered to the other party

At that stage Twins Propan (which now holds 96 percent of listed Twins Pharmaceutical) was valued at R21 million It is now worth over R200 million

For the 12 months to March '90, Twins reported attributable profit of R37,6 million

Analysts believe that the company now needs the more structured management that Premier can provide, rather than the entrepreneurial style of the Kroks

There is some speculation that financial pressure stemming from the US situation might force the Kroks to sell their stake in Twins

But Abe, who has become chairman, is emphatic that "right now our shares are not for sale"

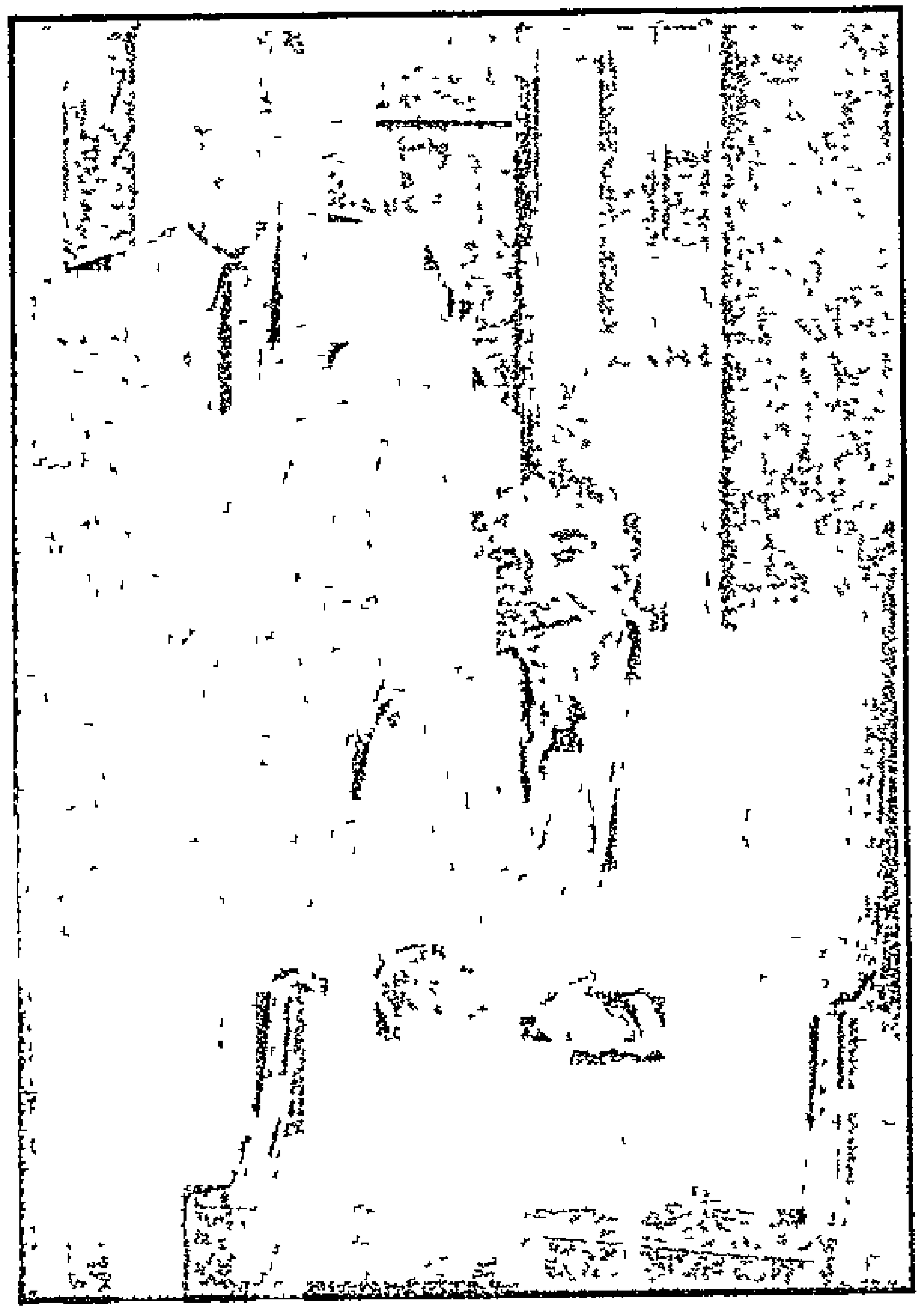
Attractive

He stresses that the Kroks' SA business has nothing to do with the US business "The American bankers have got no SA guarantees"

Whatever their plans, the Kroks' stake in Twins is certainly an attractive investment

Although the share is currently trading at a 12-month low of 190c and at a discount to net asset value of 220c, analysts are bullish about its prospects

On the basis of financial 1990's attributable profit of R37,6 million, and assuming a P/E rating of around seven times, Twins could be valued at about R250 million, which would be above its net asset value of R215 million



Solly (seated) and Abe shares are not for sale

Time to retire gracefully, say the Kroks

B Day 30/10/90

183

ROBERT GENTLE

YESTERDAY's announcement that the Krok twins, Abe and Solly, are to retire from Twins Pharmaceuticals, the company they founded 40 years ago, apparently has much less to do with pending US litigation than market noises would have one believe.

This was the view of Abe Krock yesterday in an interview about the motivations behind the changes on the Twins board

The US legal dispute is between a consortium of US banks and American members of the Krok family over allegations of misuse of funds by Epi Products, a company run by Solly Krok's daughters which has filed for bankruptcy. Solly Krok and his daughters are in turn suing the consortium for defamation

Abe would not go into detail about Epi Products, saying the matter was being handled by Solly in the US.

While Abe acknowledged the existence of market noises implying the Krok brothers were in trouble over the Epi Products litigation, he had a more mundane explanation for yesterday's board changes — retirement, and the need to use Twins' existing executive talent.

"Next year Solly and I will be 62 years old and while still in good health it is time to semi-retire and do our own thing," Abe said "Over the past five years, we have developed an efficient and talented executive team to take Twins into the 21st century. Their time has come"

He said that head hunters were always on the lookout for such executives and it was not wise to delay too long because they may seek higher positions elsewhere.

"The decision had to be made now Twins are fortunate in that there are four excellent executives who aspired for the position — and they are a great team."

He pointed out that the resignation of Solly as chairman of the Twins board coincided with his own appointment as chairman in Solly's place until July next year.

"I retain my directorship on Twins and believe I will still play a role in the future Twins and will be on hand to offer any guidance and experience to my successor as CE."

According to the Premier industrial group — the main Twins shareholder — the next Twins chairman will be the present Premier chairman Peter Wrighton.

Abe said there was nothing unexpected about this. "Premier's Tony Bloom was chairman of Twins before he left for the UK Only on his retirement was Solly appointed chairman Our arrangement with Premier was that the next chairman would be a Premier appointee"

He said the chairman had no casting vote and that unanimous consent was needed on major decisions as the Kroks and Premier enjoyed joint control of the holding company

The impending departure of the Krok brothers brings to an end a story that began in 1953 when Twins was started as a small retail pharmacy

Solly and Abe helped develop Twins into a giant pharmaceutical company — a role acknowledged by Premier's Wrighton Today, Twins is one of the country's pharmaceutical giants with sales of about R500m and trading profit touching R100m

"That is a goal we set only five years ago, and now that it has been reached, it is time for the young hungry executives to be given free rein," Abe said "I am confident that the team I have carefully nurtured will take the company to further heights and in so doing double earnings per share in a few years' time," he added

He said while he and Solly were still in good health, they wanted to devote more time to communal work, travel and leisure

Among the philanthropic enterprises the Kroks support are the Millionex charity programme — which expects to raise R5m this year alone — and the Drug Trust Foundation

Abe said that despite the fallout from the Epi Products saga, he did not feel their philanthropic image had been tarnished, nor their business empire shaken

"Not a single of the Millionex shares has been returned and our businesses are doing well."

Abe said he and Solly's other investments — in leisure (Gold Reef City, Wild Waters), food and plastics — remained untouched

Abe said these were essentially hands-off type operations in which other parties handled the management

As far as future investments are concerned, Abe said "This will be left to my children They must stand and fall by their own decisions"

The twins are determined that the Krok name will be around for some time to come

Being the best puts Avroy Shlain on top

BDay 30/10/90

PRIVATE cosmetic manufacturer and direct sales company Avroy Shlain sets out to be "conspicuously the best".

Five years among the finalists in the Non-Listed Company Awards, a position as among the top three cosmetic houses in the country and the first SA cosmetic manufacturer to export has assured attention.

Its success in this award and its continued growth has singled this company out as one of the most exciting and innovative cosmetic companies in SA

From a base of R18m in 1986, the company achieved sales of R50m in 1990 in a substantial and steady market penetration.

Turnover grew by 25% in 1989 and the company expects 1990 growth to be similar This maintains an impressive record set by 38% growth in 1987 and 28% in 1988

A recent industry survey shows Avroy Shlain has a 13% share of cosmetic sales in SA. The company's core success lies in direct sales — a person-to-person approach perfected since its inception in 1973.

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Doubled

Avroy Shlain products — 95% own manufacture and covering skin care, perfumes and make-up — are sold directly to the public by 5 000 trained beauty advisers throughout southern Africa.

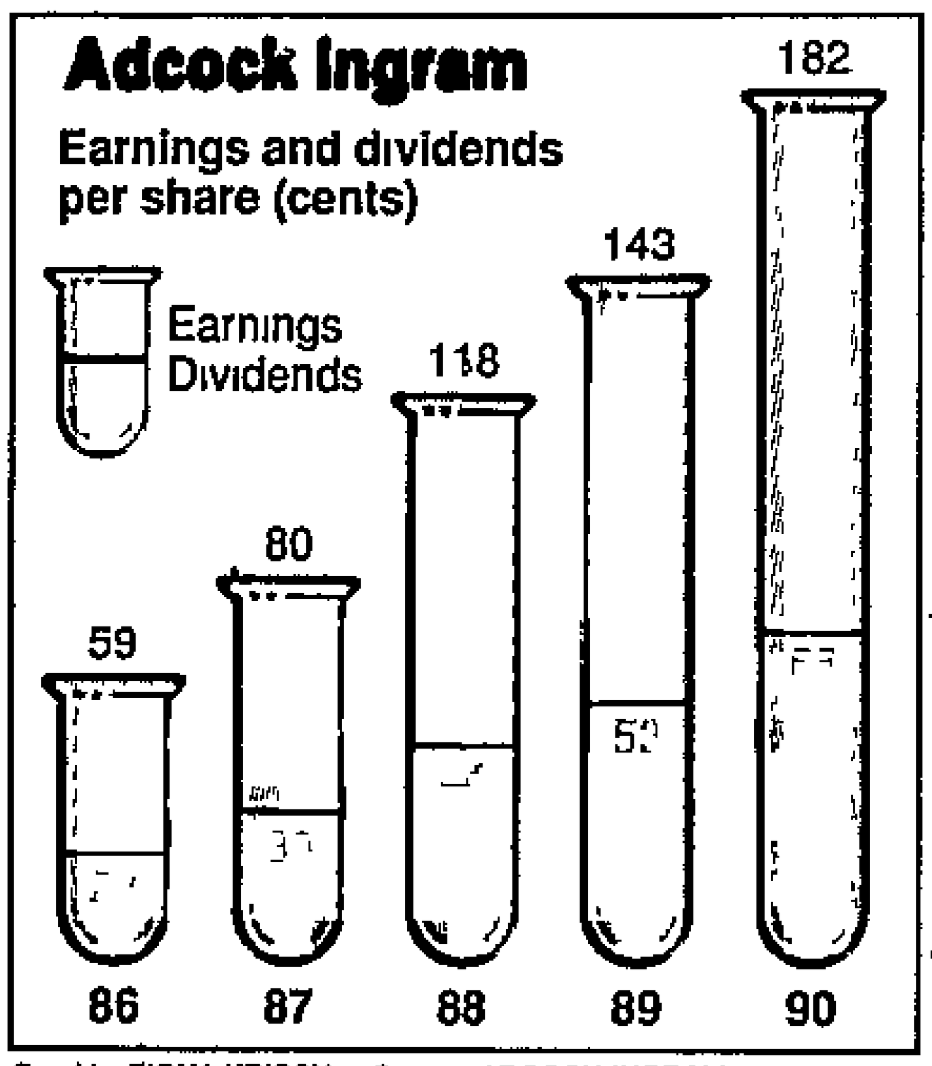
Within two years, exports to Israel have more than doubled.

The company also manufactures under contract for selected retail groups and recently concluded an agreement with a major hotel group in which Avroy Shlain products appear in all luxury suites throughout the group's hotels.

Significant growth over the past year has come from contract business, ensuring an increase in local market share.

Financial director Brian Birkan says: "The cosmetic industry grew in rand terms by 15% in 1989 In the same period, our sales grew by 23%, so we know our market share is growing"

Excellent results for Adcock



Graphic: FIONA KRISCH Source ADCOCK INGRAM

BDay 30/10/90

CHARLOTTE MATHEWS

PHARMACEUTICAL group Adcock Ingram — which today reports excellent results — has assured shareholders that it is fully aware of its responsibilities in determining whether the contaminated batches of Sabax admixture caused the deaths of two babies at the Park Lane Clinic

"The admixture pharmacy has been closed down pending the outcome of investigations," group CE Don Bodley said

"We would wish to stress that our prime concern is patient safety" (183)

In the year to September, Adcock's turnover rose 31% to R615,7m and operating income by a steeper 40% to R94,3m

Bodley says the results are due chiefly to a strong sales performance

The interest bill lifted to R6,5m from

☐ To Page 2

Adcock

BDay 30/10/90 (183)

☐ From Page 1

R5,8m and the company's tax rate rose to 46% In 1989 the group paid a 39% tax rate because one-off capital allowances were claimed

As a result of a slightly higher number of shares in issue, earnings rose by 27% to 182c a share A final dividend of 46,5c a share has been declared bringing the total dividend for the year to 68c (53c)

The group is budgeting R54,5m for capital expenditure in 1991

With effect from October 1990, the firm has been restructured into six units

The group now consists of a pharmaceutical division, a division which manufactures and distributes hospital items and a division selling generic merchandise to the medical and pharmaceutical sectors

There are also divisions for self-medication and over-the-counter products and wholesaling and retailing outlets

Adcock Ingram shares closed unchanged at 3 200c yesterday, down 300c from the year's high of 3 500c reached on October 11 At this level they offer a current dividend yield of 2,13% and an earnings yield of 5,69% compared with a sector average of 1,90% and 3,55% respectively

See Page 3

Shot in the arm for Twins results

B/Day 31/10/90 (183)

CHARLOTTE MATHEWS

TURNOVER growth for Twins Pharmaceuticals exceeded inflation in the six months to September because of a sound performance by the pharmaceutical division which resulted in a greater market share for its products.

The turnover figure of R258,8m is not comparable with the previous interim period because Salters and Fisher Vet have been sold in the intervening period and Milborrow acquired

Borrowing costs have fallen to R8,3m from R10m because the redeemable preference shares, dividends of which were accounted under this heading, have been redeemed out of operating cash flow.

When legislation was passed to prohibit the sale of skin-lightening products as cosmetics from the end of 1990, Twins' consumer division had a substantial number of returns of these products from customers.

An extraordinary item of R1,8m represents discontinuance of some operations including skin-lightening products.

A new range of skin products containing no hydroquinone has been launched and the directors said the initial demand had been satisfactory

On attributable income of R19,6m (R17,4m) earnings were 20c (19,1c) a share after the extraordinary item.

An interim dividend of 7c, unchanged from 1989, has been declared.

The number of shares in issue rose to 98,1-million from 91-million as extra shares were issued to acquire full control of Safimed. This step was taken to protect Twins' interests as Safimed's profitability was declining, chairman Abe Krok said in the 1990 annual report.

Directors say Safimed operations that do not fit the group's business objectives will be or have been sold or discontinued.

Directors are not forecasting a major earnings rise this year as sales and margins on consumer and Visioncare products are expected to weaken There will also be additional costs to promote new products to replace skin-lighteners

Court provisionally winds up Kemtrade

(183)

SUSAN RUSSELL

KEMTRADE Holdings Ltd and two of its subsidiaries, Kemtrade Distributors SA and Alpha Pharmaceuticals, were provisionally liquidated in the Rand Supreme Court yesterday.

Mr Justice G Leveson granted the provisional orders following urgent applications by the three companies.

Kemtrade Holdings, which is involved through its subsidiaries in wholesale and distribution of a range of toiletries and pharmaceutical products to pharmacies, department stores and supermarkets, had its JSE listing suspended on October 16.

A Kemtrade director, Malcolm Yesner, who submitted affidavits supporting the applications, said the holding company owed about R8,5m to its bankers. Its liabilities exceeded its assets by about R1,8m The holding company had issued unlimited guarantees in favour of all its subsidiaries BDay 1/11/90

Yesner said Alpha Pharmaceuticals owed the holding company about R2,5m and its bankers R140 000. Kemtrade Distributors owed its bankers about R7m and the holding company a further R1,7m.

Both subsidiaries had lost their share capital, Yesner said.

"Although Alpha Pharmaceuticals made a profit of approximately R170 000 for the six-month period (ending August 1990), its accumulated loss up until then amounts to about R520 000," he said Kemtrade Distributors incurred a trading loss of about

□ To Page 2

Kemtrade

BDay 1/11/90

(183)

□ From Page 1

R2,8m during the same period

Yesner said meetings were held with a merchant bank during October to consider the group's position. Restructuring and a cash injection of about R4m were proposed to enable the companies to carry on viable trading operations.

While the restructuring was being considered, a third party proposed a takeover of the Kemtrade Group.

Yesner said the third party was to investigate the group's affairs. It was agreed that restructuring proposals would be held over until this probe was complete

Kemtrade was advised on Tuesday that the third party had decided against the takeover Restructuring proposed by the merchant bank had also fallen away.

Yesner said because the restructuring and proposed takeover had not materialised, Kemtrade Holdings directors had resolved to liquidate the three companies in the interest of creditors.

The return date for final winding up order is December 11.

Romatex needs to do somewhat more

Star 1/11/90 (183)

Diagonal Street

ANN CROTTY

The 29 percent drop in Romatex' earnings for the 12 months to September was lower than the market had originally been expecting.

But as they were released after the poor figures from both Frame and Da Gama, investors were probably preparing themselves for something worse

In the financial '89 annual report published last October management said it was looking for some earnings growth But at the interim stage earnings were already down 27 percent and there was little prospect of avoiding an earnings slump in the full year.

Given the extent of the fall, it is unlikely that investors will put the share back on the sort of rating that it enjoyed 12 and 18 months ago.

Some firm evidence of the benefits of the recent capex programme and the export drive will be needed before the share looks attractive. (Except for those investors who are enticed by long-term recovery stocks).

It seems that the difficult trading conditions affected just about all the group's operating divisions. Group turnover was up a nominal four percent to R715,7 million (R685,2 million) which, as the directors point out, reflects a drop in real terms.

The tougher market conditions knocked operating margins from 12,2 percent to 8,8 percent, which meant operating profit was down 24 percent to R63,3 million (R83,6 million)

The Floorcoverings division continued to be a drain on group performance, with profits still to show some benefit from management's decision to focus on the upper end of this market.

The directors say the industrial division (with the exception of foam and the automotive business) also produced materially lower profits.

Margins in the fabrics division were down slightly, with the impact of local pressures being eased through exports.

Profits from Island View Bulk storage rose in line with expectations. At the interim stage, earnings from this division were unchanged on interim '89.

Interest payments were up at R9,8 million (R6,9 million), reflecting the increase in gearing from 15 percent to 30 percent This in turn reflected the R87 million capex which involved a restructuring of the group to reduce cyclicality.

Pre-tax profit was down 30 percent and attributable earnings were down 29 percent to R37,4 million (R52,4 million) The full year dividend payout is 55c (78c) a share.

Star 1/11/90 (183)

Sabax winner of NPI excellence award

By Carina le Grange

The manufacturing division of Sabax — which has admitted contamination of two batches of admixture supplied to clinics where babies later died — has been named as one of the winners of the National Productivity Institute's (NPI) 1990 Productivity Awards

Last Friday, Sabax admitted two batches of a paediatric potassium admixture supplied to the Johannesburg Park Lane and Morningside clinics were contaminated

At least 25 babies are believed to have died at hospitals and clinics in the Transvaal due to klebsiella septicaemia after intravenous drips were administered

The NPI names Sabax, suppliers of "crucial health care products" as a winner, along with Eskom's Koeberg Nuclear Power Station, Sishen Mine, HL & H Mining Timber and Sappi

It says Sabax has shown "consistent measured improvement in productivity, quality and safety over a number of years"

● A spokesman for the NPI says the award winners were chosen from entrants in June

EDGARS F/M 2/11/90

STAYING AHEAD

184

Seemingly recession-proof, the group again produced outstanding results for the six months to September 29. A 26% increase in turnover and 24% increase in attributable profit compared to the first half of financial 1990 is mainly a result of contributions from Edgars stores, which contributed a remark-

F/M 2/11/90 FOX

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able 90% of attributable profits

Edgars stores' sales growth came in the second quarter after the first quarter was affected by widespread violence Second-quarter sales increased 31% on last year, taking six-month growth to 29% — so even the first quarter must have brought some real growth Market share in the clothing, footwear, household textiles and accessories (CFTA) industry rose by one percentage point

Sales House and Jet were hit by boycotts, unrest and stock shortages, which CE Vic Hammond says resulted in lower profitability Their combined contribution to attributable profit was just 11% Sales House's turnover rose 21%, thanks partly to a new store programme, while Jet's sales increased just 17% The little-known Express chain, aimed at the lower end of the market, did not feature Hammond says group strengths do not lie in this sector

One might think that to achieve profits like this in recessionary times, margins would come under pressure But the group managed to widen its operating margin to 14,7% from 14,4% in the same period last year Group MD George Beeton says bad times were anticipated and greater efficiencies were planned into the business

Though bad debts as a percentage of sales increased by 0,3%, surprisingly this has not affected gearing Interest-bearing debt actually fell to 0,50 of shareholders' funds from 0,51 last September and 0,64 at March 31

Financial director Mark Bower says this was possible because of strong cash flows from trading activity, amounting to R146,6m (September 1989 R83m) Interest-bearing debt was consequently cut by R20,4m since March 31, to R219m Higher interest rates and increased borrowings pushed interest payments 61% higher than in the same period last year, to R27,5m

Debtors, which increased by 31,3% to R659m, reflec' .igher sales as well as an increase in credit sales, which Hammond says rose 33% Though people are still buying, they are using more credit than cash

The group plans to continue with store refurbishment and new store developments Hammond says refurbishments generally boost sales by 25%-30% Space will be increased by 23 000 m² in the 1991 financial year — already sales per square metre have increased from R3 455 in September 1989 to R4 138 in September 1990 Hammond says planned expansion will be self-funded "but maybe somewhere down the road the group might sell part of its debtors' book "

He says prospects for Christmas are

BUTTONED UP

Six months to	Sep 89	Mar 90	Sep 90
Turnover (Rm)	908	1 074	1 144
Operating profit (Rm)	131	167	169
Attributable (Rm)	57,5	66	71,3
Earnings (c)	113	130	141
Dividends (c)	27	66	33

FOX F/M 2/11/90 184

Edgars' Hammond *refurbishments boost sales*

"reasonable" and "growth in earnings for the full year will be satisfactory, though at a slower pace than for the past six months " In my view, Christmas sales will surpass this caution Edgars' superior rating will probably improve with further rises in its R31 share price.

Heather Formby

BANKNOTE MANUFACTURE

INK BLOTS

FIM 2/11/90 (183)

When the minister of finance opened a new ink factory in Germiston this week, one might have expected to see the name of one of the country's big ink companies, Coates

FIM 2/11/90 (183)

Brothers, Solchem or Plascon Inks on the door Instead, it was that of newcomer Ink Systems

Ink Systems kicked off its new R4m factory with a five-year R40m government contract to produce the non-forgeable security ink for SA's banknotes The deal is for five years, while contracts in the ink industry normally run for no more than two No competitive tender was held and there are a few ruffled feathers

Previously, Reserve Bank subsidiary SA Banknote imported security ink from the Swiss company Sicpa, the leading international supplier of ink used for cheques and banknotes But SA Banknote decided the ink could be made here, so it approached local ink companies and asked them to prepare the technology for local manufacture

Sicpa, not wanting to be seen investing in SA, formed Ink Systems, a joint venture between itself and Ink Systems' executives And as non-executive chairmen it appointed stockbrokers Sidney and Leslie Frankel, whose influence with government is well known Ink Systems MD Colyn Swartz is emphatic that the Frankels have no shareholding in the company Sidney Frankel declined to provide more than a few details

Peter Surgey, MD of Plascon Inks, is not happy with the turn of events. "We had an initial trial, where we did well, but we were told the ink was drying too slowly We got that right, but when our proposal was ready we were told that we were not allowed to use the Reserve Bank machinery for the final trial. We were told the contract already had been awarded We were very disappointed not to be given a shot at another trial."

Says SA Banknote MD Hugo Smuts "As far as I am aware, there is only one supplier of security inks that is compatible with the kind of machines we use Its competitors all over the world have tried unsuccessfully to make a competing product."

Smuts explains that when it comes to lower-tech litho inks, where there is competition, SA Banknote buys from a range of suppliers

Surgey admits that Sicpa is the international leader in security inks, but feels the local companies should still have been given a chance to show what they could do

"We and our local competitors such as Coates and Solchem are already here We have access to technology from such giants as BASF and Hoechst Undoubtedly, any one of us could have produced acceptable security ink technology " *Stephen Cranston*

FM 2/11/90 (183)

SENTRACHEM FM 2/11/90

STRATEGIC REFOCUS

Sentrachem is making headway in shifting its business focus away from commodity chemicals to the lighter, more specialised end of the market By adding more value to products, it hopes for better and more sustainable returns on assets (183)

The sluggish economy, high interest rates, disruption by strikes and shutdown of the isoprene rubber plant at Karbochem in Newcastle limited growth in turnover to 4% and in operating income to 0,4% in the 17 months to August

The group expects to become less vulnerable to these factors as specialised chemicals make bigger contributions However, the decision to expand in agricultural chemicals as part of this strategic thrust could affect performance, because of the cyclical nature of farming

SLOW REACTION

17 months to August 31	*1989	1990
Turnover (Rbn)	2,88	2,99
Operating income (Rm)	306	307
Attributable (Rm)	127	112
Earnings (c)	110	97
Dividend (c)	25	36,5

* Pro forma

CE Johan van der Walt says the closure of the isoprene plant is of strategic importance It's another step away from commodity chemicals and frees cash and management to add impetus to specialised chemicals

The R115m provision for mothballing the facility was a big contributor in pushing gearing to 67%, as were the fall in retained earnings and capital expenditure of more than R250m. Another contributor was stocks of seasonal products, which are much higher in August than in March in preparation for spring Van der Walt reckons gearing should ideally be 40%, but it won't be possible to get there in the next year or two.

Van der Walt expects to get some use from the isoprene plant Other applications for all or parts of it are being studied The carbide oven, for instance, could have application in the metal industry.

The R250m capex included three major expansion projects, two of which have recently been completed. The R68m high-density polyethylene (HDPE) and granulation capacity expansion at Safripol's Sasolburg plant should almost double the company's HDPE production. The plant came on stream end-September and full benefits are expected only in the next financial year.

The second phase of NCP's chlor-alkali project at Chloorkop, near Midrand, has been commissioned successfully and has increased capacity significantly. The main market is water treatment, with the Rand Water Board an important customer

The maleic anhydride plant at Isipingo will come on stream in January to produce polyesters for the paint industry and acidulants for the food industry

Van der Walt expects growth to come from a combination of acquisitions and organic growth, especially in the niche markets the group is focusing on Though nothing is in the offing, Sentrachem is always on the lookout for takeovers, he says

Van der Walt says the rate of decline accelerated in recent months As long as depressing factors prevail, trading conditions will remain tough The share offers good recovery potential — when the upturn comes.

Gerhard Slabber

ADCOCK-INGRAM FM 2/11/90

BEATING THE MARKET

Adcock-Ingram posted a 29% increase in attributable income in the year to end-September, despite the economic slowdown, high interest rates and an increase in the effective tax rate to 46% Including the latest results, the group achieved 32,5% compound earnings growth over the past five years CE Don Bodley ascribes the performance to strong organic growth and successful introduction of new products. 183

With the economy contracting, growth must have been at someone else's expense Group financial executive Wally Holmes maintains that the advance was at no particular company's expense, but across the board With no player holding more than a 6% market share, it could be difficult to determine who lost to whom

ORGANIC GROWTH

Year to September 30	1989	1990
Turnover (Rm)	471	616
Operating income (Rm)	67	94
Attributable (Rm)	38	49
Earnings (c)	143	182
Dividend (c)	53	68

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Holmes says good performance can also be ascribed to stringent cost control The improvement in pre-interest margin to 15,3% from 14,3% confirms this Return on net assets improved to 27,2% from 25,3%

The Sabax drip affair could damage this year's performance Management says it is fully aware of its responsibilities The admixture pharmacy has been closed pending investigations Though management does not divulge any numbers, the pharmacy represents some 1% of Sabax's business. The resultant loss of income is insignificant

Though pharmaceutical companies normally have full product liability cover, it may not cover all consequences of Sabax

Maintenance of organic growth will, to an extent, depend on research and development and continuous upgrading of hi-tech equipment The group spends between 4%-5% of turnover on research and development and investment in equipment should not strain the balance sheet, as gearing is still well below the self-imposed limit of 0,30 The share trades at R32

Gerhard Slabber

COMPANIES

Stable gas market gives Afrox a boost

(183)

BDay 21/11/90

CHARLOTTE MATHEWS

AFRICAN Oxygen's (Afrox) stable market in supplying gases and in health care has underpinned its 24% improvement in turnover and 29% improvement in profits in the year to end-September.

"The gases business has a very wide spread of customers and range of applications and we have long-term contracts," chairman Peter Joubert said

"So we are not affected by specific downturns in certain areas of the economy as much as other companies are. The hospital business does not make a fortune but it is a steady, ongoing business Welding is more volatile because it depends on the engineering sector That has turned down a bit in the latter part of the year."

● JOUBERT

On turnover of R903,9m the group achieved trading profits of R184,4m. Interest charges nearly doubled to R30,7m because rates were higher and because there is continuous expansion, especially in the gases business

Expansion costs incurred a R21m hike in net borrowings to R221m but gearing has improved to 25,8% from 28,2%. Directors say debtors have been well managed and stock is at virtually the same levels in rand terms as in 1989

A figure of R15,7m represents depreciation to reflect the current cost of assets. Joubert explained Afrox was one of a handful of companies that revalued all its assets to reflect their current value.

Afrox did not revalue contracts if they were tied to a particular customer because the bulk of the contract was taken over a period of time.

This year Afrox signed a 10-year contract with Middleburg Steel & Alloys to supply them with most of the production from Afrox's Middleburg plant This restrained an increase in depreciation costs

A profit of R64,8m before an extraordinary item of R1,9m was achieved The extraordinary item represented income from the sale of two buildings

Since Afrox applies inflation-adjusted accounting policies, the 27,1% improvement in earnings to 216c (170c) a share represents a real and not a nominal increase.

A total dividend of 135c (100c) a share was declared for the year.

Joubert said the outlook for the current financial year was difficult to predict

24/11/90

Shield boosts turnover 23 pc

(183)

Finance Staff

In an impressive performance for the six months to August, Shield Trading has shrugged off the recession-inspired retailing blues to post a 23,2-percent increase in turnover (to R306 million) and a 31,9-percent increase in group operating income (to R8,3 million)

Taxed income was up 28,7 percent and earnings a share increased by 28,7 percent to 6,3c

Lower base

Chairman Theo Muller now confidently predicts turnover will exceed R650 million by the February year-end

He says in spite of coming off a lower base, the current performance puts Shield in the forefront in the competitive retailing field.

"This trend shows no sign of abating

"Eighty percent of our turnover comes from the black market and we are gaining access to markets other retailers either aren't prepared to or can't afford to"

Not complacent

A major factor in the group's favour is that it has no borrowings — a desirable situation in the current climate of high interest rates

However, Mr Muller insists the company is not complacent and is seeking further growth

380 franchises

It now has 380 wholesale and retail franchisees, evenly spread throughout the country

A further part of the success formula, says Mr Muller, is the company's policy of paying hefty rebates to franchise holders which are used to finance further expansion

In the six-month period these increased from R3,526 million to R4,557 million

Afrox full of gas and flying higher

(183)

By DAVID CARTE

AFROX consolidated its blue-chip rating this week with a 27% annual earnings increase — after allowing for inflation.

What's better is that chairman Peter Joubert expects further earnings improvement in 1991, recession notwithstanding.

The gases, welding and hospital group reports sales up 24% at R903,9-million, operating profit 25% better at R184,4-million and taxed attributable profit 29% higher at R66,8-million in spite of an interest bill that surged 84% to R30,7-million. A final dividend of 85c has been declared, making 135c for the year to September, a 35% increase

At the interim, earnings were up only 19%, implying that second-half earnings spurted no less than 35% To eliminate most of the effects of inflation from stated earnings, Afrox provided an extra R15,7-million of additional depreciation This amount was virtually unchanged on 1989

S/Times 4/11/90

Labour

The secret of Afrox's success, says Mr Joubert, is in finding new applications for gases, developing hospitals cost effectively, while stressing patient care and satisfaction, good husbandry of working capital and of labour

Labour relations are based on a principle of "job ownership" and job growth. All staff members with more than 10 years' service have shares through a sort of unit trust. Staff members own 8% of the company worth R89-million. The company has yet to have a strike

Gases and welding contributed 85% of profits and health care the balance. About 75% of assets are in gases and welding and 25% in hospitals

Mr Joubert reports that demand for gases across the economy actually declined. But Afrox makes 120 types of gas and continues to invent ways of using them. It managed to increase sales volumes It claims a 60% share of its provided an extra R... million of additional depreciation This amount was virtually unchanged on 1989

5/11/90 4/11/90

Labour

The secret of Afrox's success, says Mr Joubert, is in finding new applications for gases, developing hospitals cost effectively, while stressing patient care and satisfaction, good husbandry of working capital and of labour.

Labour relations are based on a principle of "job ownership" and job growth All staff members with more than 10 years' service have shares through a sort of unit trust Staff members own 8% of the company worth R89-million The company has yet to have a strike.

Gases and welding contributed 85% of profits and health care the balance About 75% of assets are in gases and welding and 25% in hospitals

Mr Joubert reports that demand for gases across the economy actually declined But Afrox makes 120 types of gas and continues to invent ways of using them It managed to increase sales volumes. It claims a 60% share of its markets

Oxygen is being used by gold mines to increase extraction rates in the leaching process In addition, Afrox has built large gas plants at Iscor, Middelburg Steel and Scaw Metals It sells these gases at modest prices to the host companies — but scores in being able to sell excess capacity to other users

Afrox has started exporting Exports topped R15-million and are bound to grow.

The group is on a hectic expansion tack, having spent R340-million in the past three years Capital spending has been concentrated in the medical division in recent years, but Mr Joubert says the emphasis in the immediate future will swing back to gases.

Cyclical

"There are so many empty beds in provincial hospitals it seems silly to expand private hospitals We are still hoping the State will privatise wards in existing hospitals"

Mr Joubert says welding is the most cyclical part of the business and is feeling the downturn in engineering and metal working

At 3 700c, Afrox is 17 times latest inflation-adjusted earnings and about 12 times historic cost earnings The dividend yield is 3,6%.

Shareholders who bought the share a year ago have had an all-in return of 45% Those who bought five years ago have had an annual compound rate of return of 38% Nice going and there's more organic growth to come.

Cheap drugs get thumbs down

183

S Times 4/11/90

By GLENDA NEVILL

THE Cape Provincial Administration has been acting illegally in dispensing medicine through pharmacists to the poor and needy in rural areas, a Supreme Court judge ruled this week

Acting Justice A J van Deventer ordered the CPA to stop the practice immediately.

The judgment could have far-reaching effects in other provinces which operate similar schemes but, pharmacists claim, will enable a better, safer service

The practice — now in limbo pending the outcome of an appeal against the judgment — was instituted by the CPA as a means of cutting its drugs bill

It involved buying medicines in bulk on tender and repackaging them, in smaller doses, into cheaper containers

But chemists and drugs companies believed the practice was risky because of the possibility of contamination

Comply

But deputy director-general of health and hospital services Dr George Watermeyer dismissed their fears saying that, over the years, no one had been affected by toxins from prepackaged preparations.

He also justified the CPA's scheme by saying the province had acted in the belief that various acts of parliament, appropriate to the private sector, need not necessarily apply to the state.

But Acting Justice Van Deventer ruled that the state and provincial health authorities were not above the law and had to comply with the Medicines Control Act and could not repackage medicine

The judgment came after a pharmaceutical company, Raats, Rontgen and Vermeulen, brought a semi-urgent application against the Administrator of the Cape

Hope of reserve sales rises

183

By DON ROBERTSON

AN APPEAL for the release of strategic oil stocks and scrapping of secrecy surrounding supplies was made at this week's SA Chamber of Business (Sacob) congress in Johannesburg.

The possibility that stocks might be released was given credence by senior Deputy Governor of the Reserve Bank Jan Lombard.

Professor Lombard said in his address about SA's economic future that it would be unwise to expect any large increase in export volumes or average prices in foreign currencies in 1991.

"On the other hand, due mainly to the hike in the oil price, the foreign-currency cost of imports may rise very considerably.

4/11/90

Option

"Again, given our very extensive domestic reserves of oil, there is always the option to import less in volume in 1991 in the hope that the crisis will be over by 1992."

This would happen when consumption was increasing.

He said SA might have to face smaller surpluses on the current account of the balance of payments next year and "we might have to use some of our foreign borrowing facilities or we might have to review our oil import strategy".

Michael Norris, deputy president of the Durban Metropolitan Chamber of Commerce, called on the Government to release these stocks immediately. The profits could be spent on socio-economic needs, such as transport subsidies or low-cost housing, and to ease pressure on the balance of payments.

Mr Norris said SA had stocks sufficient for two or three years which were bought at a price of between $11 and $18 a barrel when the exchange rate was $1,30 to the rand.

Stronger

"They stand in now at about $25 a barrel compared with the current price of R100 a barrel," he said.

Sacob president Lesley Boyd said secrecy about oil supplies and prices was no longer necessary.

Mineral and Energy Affairs Minister Dawie de Villiers said that in spite of political developments in SA, his department had not changed its views about oil secrecy.

Dr De Villiers said that in recent weeks there were calls for stronger oil sanctions against SA.

Only when the oil embargo was lifted would he consider lifting some of the Petrol Products Act restraints.

R6-m expansion by CG Smith Chemicals

Star 5/11/90

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Financial Staff

A R6 million expansion plan has been announced by Durban-based CG Smith Chemicals, part of the CG Smith group

This is in addition to the planned R4 million capital replacement programme

The expansion will affect three Merebank operations the food yeast plant, the ethanol distillation plant and a new manufacturing facility for pharmaceutical intermediates

General manager of CG Smith Chemicals Mike Buchanan says "The expansion project is in line with our commitment to diversification and development of carefully selected niche markets"

A continuous fermentation vessel will be installed in the food yeast plant, and an increase in capacity of the yeast cream separation station will also be carried out

The ethanol distillation plant will receive further upgrading to its computer system which will take the plant to maximum capacity for the production of premium grade potable alcohol

In addition, a manufacturing facility will be built to supply pharmaceutical intermediates

Hard work has spread the herbicide market

BDay 6/11/90

AGRICULTURAL chemical manufacturer and distributor Sanachem, based in Durban, has had an annual export growth of about 60% over the past few years, says MD Robert Maingard

About 20% of the company's turnover comes from exports

Sanachem is jointly owned by JSE-listed Farmag and Sentrachem

It exports herbacides, fungicides and insecticides to about 30 countries

The company's success in exports comes "purely from hard work", Maingard says

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"In the past year, we have opened between 10 and 12 new markets.

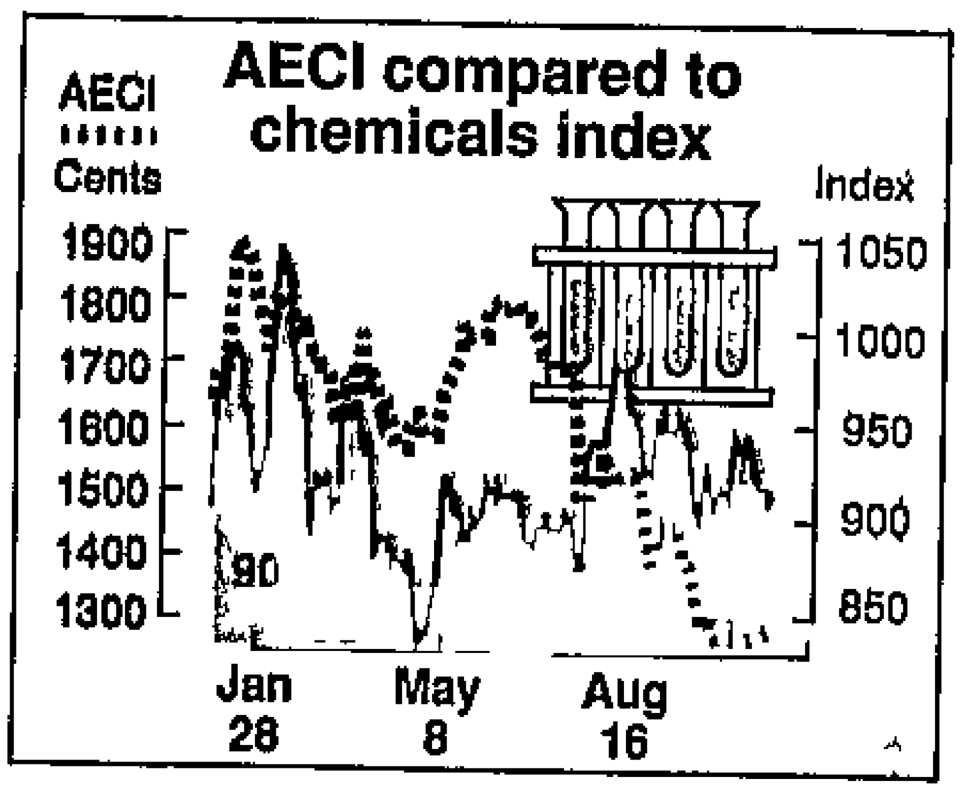
"In some areas we are at full production and are considering extensions to enable us to cope with demand," he says.

AECI warns of sliding earnings

(183)

BDay 6/11/90

ZILLA EFRAT



Graphic: LEE EMERTON Source JSE

CHEMICAL giant AECI has warned shareholders that attributable earnings for the year to December will be significantly lower than previously expected.

This is because of a severe decline in local and international market activity and increased raw material costs in the wake of higher world oil prices

Already earnings for the nine months to September are 15% below those achieved in the comparable period of 1989. Financial director Neale Axelson says it is unlikely full-year results will improve on this.

At the interim stage, earnings were down 13% after all AECI's businesses were affected by deteriorating market conditions, extensive destocking by customers and industrial action.

At the time, directors said provided industrial action did not escalate, AECI's earnings for the full year would be similar to 1989's. This was based on the expectation that the normal business pattern which favours the second-half results would continue — but it has not.

Axelson says while most of the destocking experienced in the first half is out of the system, the downturn has affected AECI's local market and has led to a general fall in local sales volumes.

Included in AECI's markets are the weak textiles, construction, automotive and mining industries. The profitability of its fertiliser business will depend on conditions in the agriculture.

Export sales volumes have held up reasonably well in a weak international

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AECI

BDay 6/11/90

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market. There has been some price improvement for certain products, but margins have come under pressure as the rand has firmed against the dollar

AECI's position has been exacerbated by the high oil price which has raised the cost of many oil-related chemical feedstocks. Axelson says the rise in raw material input costs are hard to pass on to customers in the current weak market.

He also expects the 1991 financial year to be difficult.

Most analysts find AECI's caution of lower earnings for the current year — published in a notice today — no surprise.

Frankel Kruger Vinderene analyst Mike Haworth is forecasting a 17% drop in earnings to 169c (203c) a share in the year to December He expects turnover growth to slow and AECI's margins to fall from 12,7% to below 10%. Anticipating recovery to be slow in the 1991 financial year, he expects AECI to hold its dividend — 87c a share in the last financial year — flat until the end of 1991

While Sasol is benefiting from higher world oil prices, other companies in the chemical sector are finding their raw material costs rising Feeling the effects of sluggish conditions, Sentrachem recently announced a 12,7% fall in attributable earnings for the 17 months to August.

However, JD Anderson head of research Charles Booth says long-term prospects for local chemical companies look good.

Rationalisation shifts Spicer into profit mode

(187) (183) MARCIA KLEIN B Day 6/11/90

DCM-listed group Spicer-Mitchell Holdings (Spicer) has produced a R668 000 turnaround from loss into profit for the six months to August as a result of rationalisation and the completion of unprofitable contracts

The industrial holding company — whose subsidiaries are involved in construction, engineering, manufacture of chemical products and cleaning services — reported a net profit of R429 000 compared with a loss of R239 000 last time around

This translated into earnings a share of 7,9c (loss a share 1,3c)

Financial director Peter Wheeler attributed the turnaround to the group's rationalisation over the last year. He said unprofitable contracts have been completed and the group is now involved in ongoing contracts which will continue to be profitable.

The trend over the previous six months would continue for the remainder of the year, he said.

SSS Engineering — "which was a thorn in our side" — had returned to profitability.

During the six months, shares in Edentec and fixed assets were sold, resulting in a profit on extraordinary items of R399 000.

Last year's results saw a net loss of R1,5m despite a 66% increase in turnover to R15,5m. Earnings fell to 15,2c (5,2c) a share.

STAR 6/11/90 (183)

Sanachem takes prize in services

Agricultural products manufacturer Sanachem has been named the winner of the State President's Award for Export Achievement in the services sector.

Sanachem, a subsidiary of JSE listed Farmag, exports a range of generic chemical products, including agricultural pesticides, and provides a range of services to its sister companies and foreign customers.

Based at Verulam outside Durban, the company's exports have more than doubled during the past three years, says export manager Colin Foster.

With markets established in South America, Africa and the Indian Ocean Islands, he says export achievements are particularly notable as progress was made against strong rivalry from overseas-based multi-nationals.

"Keen pricing, top quality generic products and special packaging are some of the factors which have helped us to notch up a list of successes," says Mr Foster.

Noting that exports to year-end February 1990 totalled R39 million, he expects a marginal increase this year despite a slowdown in most economies worldwide.

Sanachem, which assists its four sister companies in the Farmag group with their exports of machinery to pharmaceuticals, provides its foreign trading partners with a local shopping service for quality goods at the best prices available.

As part of its ongoing international thrust, Sanachem has established sales offices in four countries this year.

Another initiative has led to its products being subjected to overseas field trials.

Price Class, on condition that they satisfy   The NECC called for an end to the clo-   move

Cheaper petrol as oil price falls?

CAPE TIMES 7/11/90

JOHANNESBURG — The pump price of South Africa's petrol is likely to be reduced in the middle of the month, an informed source said yesterday

This was because world oil prices had fallen below the $37,50 a barrel level on which October's price rise was based

At that time, world oil prices were hovering between $37 and $40 a barrel and the National Energy Council gave an assurance that consumers would benefit if crude oil prices dropped

Since then volatile world prices have been lower, despite a built-in war premium of about $15 a barrel While the price briefly touched the $27-a-barrel level two weeks ago, it has been trading around $33 a barrel recently

Yesterday oil prices reflected the lower trend North Sea Brent crude for December delivery closed at $31,85, marginally up on Monday's close

A (NEC) spokesman yesterday declined to comment on a possible fall in the petrol pump price in the near future.

But he said the NEC was currently reviewing the position of the Equalisation Fund — which serves to even out the impact of fluctuating world oil prices — as it stood at the end of October

Sapa-Reuter reports from London that world oil prices drifted lower yesterday in a market that lacked news, traders said.

Cape could be 'oil centre'

Own Correspondent

JOHANNESBURG. — South Africa has quietly begun to "monetise" its strategic crude oil stockpile, the international newsletter Petroleum Intelligence Weekly reports.

It said reports of actual sales from the stockpile could not be confirmed, but SA's strategic fuel fund had entered into financing arrangements with oil traders and banks designed to give SA some current or near-term return on future stockpile sales.

It said that if sanctions were lifted SA could become an oil hub of global importance, with Cape Town becoming a major export-refining centre

SA's pivotal position on trade routes from the Persian Gulf gave it a vantage point to sell to Africa, South America and southern Asia, the report said.

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Afrox publishes results — again

B/Day 9/11/90 ZILLA EFRAT 183

AFROX, manufacturer of gases and industrial products, today reported its results for the second time because it felt that one day was not sufficient for investors to properly assess the company.

The results, first published in Business Day last Friday, showed Afrox turning in a 29% hike in attributable profits to R66,8m (R51,7m) for the year ending September.

Chairman Peter Joubert said yesterday publishing the results only once was "too fleeting" for investors to assess the company.

Publishing a company's results twice was a good idea, even if the results were not good, he said.

SA industry not competitive

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Call to drop trade barriers for chemicals

B/Day 8/11/90

ZILLA EFRAT

A REPORT on SA's chemical industry calls on government to remove GST and import surcharges on capital equipment and to reduce tariff protection on raw materials to help increase the industry's international competitiveness.

The report accepted that lowered tariff protection would force prices down and lead to a general restructuring of the industry. Those activities that survived would be internationally competitive.

It said the increased economic activity resulting from waiving the surcharge and GST on capital equipment would mean the lost revenue being more than recouped through other GST and income tax.

The study was produced by a working group chaired by J A Lambrechts of the Department of Trade and Industry It included representatives from major chemical companies and converters and the Board of Trade and Industry.

It stressed the need for consistent government policies influencing investment

SA's imports of chemical and related products already exceed exports by an estimated R5bn a year And Trade and Industry Minister Kent Durr expects this negative trade balance to grow.

The report broadly discussed key issues which affected the chemical industry. It made 14 recommendations to government

It said while SA's chemical sector was indispensible to growth in the manufacturing sector and to the economy generally, it was proportionately less developed than in other industrialised countries

Its point of departure was that the initiative for investment should be left to the private sector, but since government policy influenced the environment in which the industry operated, government should facilitate its development by judicious measures

The report said government must commit itself to a consistent and coherent monetary, fiscal and industrial policy to create a stable investment climate.

Government should also urgently remove fiscal measures which acted as unnecessary disincentives to investment, international competitiveness and economic growth

In this regard surcharges, GST and tariffs on capital equipment were particularly detrimental. Studies showed that these taxes added at least 10% to the capital cost of plant built in SA

To achieve an after-tax discounted rate of return on an investment of 5% in real terms, a local investor had to have a pretax simple return on investment of about 24%, compared with 19% in Germany and 12% in Taiwan

☐ To Page 2

Chemicals

b/Day 8/11/90. 183

☐ From Page 1

The report stressed the need to increase competition by avoiding high levels of tariff protection, and for the least possible use of import control to be made — but it called for some protection against dumping.

The Board of Trade and Industry is involved in a separate investigation into tariff protection in the chemical industry.

The report's recommendations also addressed the need to create additional sources of chemical building blocks at competitive prices

The fastest growing sector of the chemical industry was organic chemicals where potential demand for raw materials suggested that major new capacity for a balanced spectrum of the major building blocks needed to be created by the mid to late 1990s.

The report said new investment would present an opportunity to create surplus capacity for derivatives which, if competitively priced, could be exported At the same time, it could establish a base for the manufacture of other chemical intermediates and polymers which are currently being imported.

Durr has invited comment on the report by November 30.

Trek backs petrol co-op venture

By JOSHUA RABOROKO

A COOPERATIVE venture which could have far reaching implications for the small business development in South Africa, has been announced by Trek Petroleum and a private company, Natabo.

The venture, which centres around forming fully-fledged cooperative societies involving taxi owners, will not only result in financial advantages to taxi owners, but will also open doors to greater wealth creation at grassroots level. Sowetan 8/11/90

Two service stations, one in Tzaneen and the other in Gompo, East London, are already functioning on the cooperative basis and more will follow, as the long term plan is to build up a network of mutually beneficial operations.

The general manager of Trek Petroleum, Mr Andy Kamfer, said: "We have decided to support this venture because we sincerely believe that the cooperative route is the best system through which economic opportunities can be created in certain sector of our economy.

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Discounts allowed

"By becoming members of the cooperative, different types of benefits accrue to taxi owners and operators Discounts on petrol are allowed but, through the cooperative bargaining power of the members, discounts on many other related products such as oil, tyres, batteries and spares can be negotiated and, at the end of the day, the member's shares in all the profits of the business.

The managing director of Natabo, Mr Roly Burke, was of the opinion that "cooperatives are easily the most sensible way to create business and economic opportunities.

Firstly, he said, the cooperative was traditional to many cultures, and seemingly it was easily understood in all sectors of the community. One of the most important aspects of a cooperative was that ownership rested in the hands of the members and no single person could enrich himself at the expense of others.

"It also means, Burke said, "that no single person can dominate the cooperative since all the members have an equal say in matters. Board members are elected on a democratic, electoral basis and if they do not produce satisfactory results, they are simply voted out of office "

Star 8/11/90

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NEWS

Minister seeks feedback on report

Trade and Industry Minister Kent Durr yesterday invited comment on the recently released report by the Government-appointed Working Group for the Promotion of the Chemical Industry

Mr Durr said in a statement that South Africa's importation of chemical products and related industries, as well as of plastics and rubber, already exceeded exports by about R5 billion

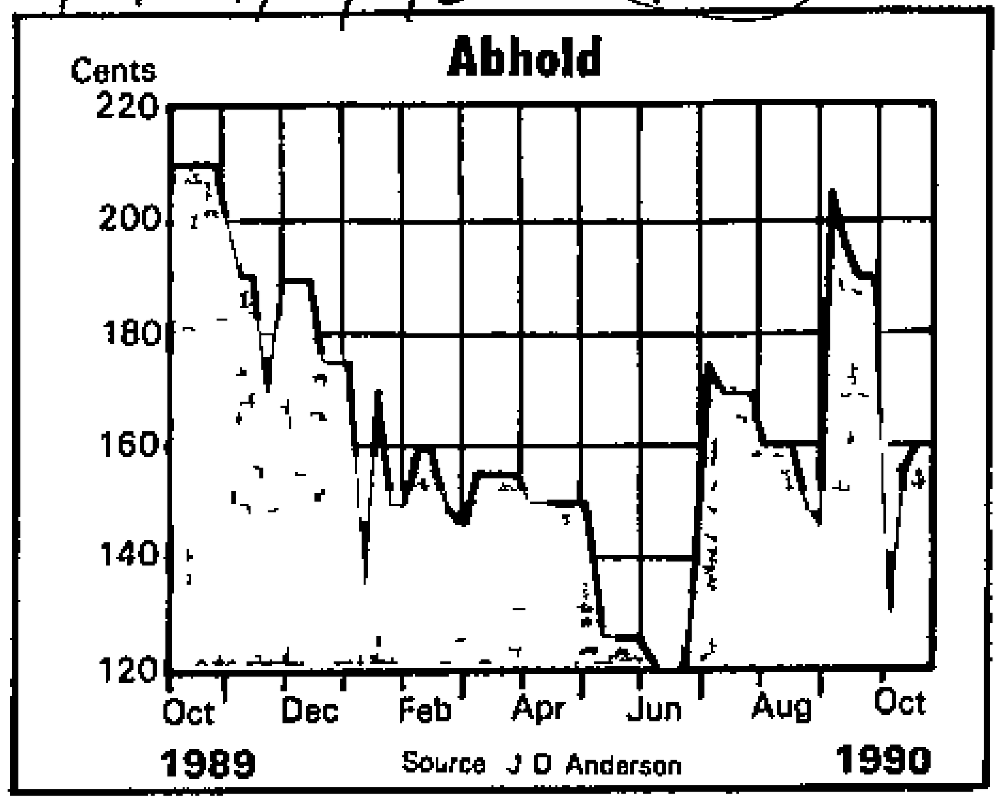
"I am of the opinion that this negative balance between import and export could show a sharp increase in the future," Mr Durr said

He added that the working group had therefore been constituted to formulate a strategy for the promotion of the chemical industry

Copies of the report are available at R20 each from The Director, Technology Promotion, Department of Trade and Industry, Private Bag X84, Pretoria 2000

Comment on the document should be submitted to the same address — Sapa

FM 9/11/90 (184)



ABHOLD FM 9/11/90

EXPORT HOPES (184)

Activities: *Manufacturer and wholesaler of knitwear and clothing*
Control: *Directors 34,6%*
Executive Chairman: *Y O Aboo*
Capital structure: *14,8m ords Market capitalisation R23,7m*
Share market: *Price 160c. Yields 5,6% on dividend, 15,9% on earnings, p e ratio, 6,3, cover, 2,8 12-month high, 210c, low, 110c Trading volume last quarter, 1,88m shares*

Year to Feb 28	'89	'90
ST debt (Rm)	6,3	13,7
LT debt (Rm)	7,7	10,5
Debt equity ratio	0,35	0,52
Shareholders' interest	0,52	0,47
Int & leasing cover	8,40	3,77
Return on capital (%)	10,9	7,6
Turnover (Rm)	55,7	55,8
Pre-int profit (Rm)	8,4	7,5
Pre-int margin (%)	15,0	13,5
Earnings (c)	49,5	25,5
Dividends (c)	19	9
Net worth (c)	295,4	311,4

After a tough year in which unrest and stayaways pushed up raw material stocks, with a subsequent doubling in short-term debt, Johannesburg clothing group Abhold expects a windfall from exports this year Director Gani Gaibee says political change has added impetus to the export drive.

Last year started well, with a 48% increase in pre-interest profit at the August 1989 interim stage However, the traditionally better second half turned sour, with all the work stoppages Annual turnover was only marginally better, while inventories got out of hand and rose to R42,1m from R29,4m

Gaibee says raw material suppliers were quoting delivery periods of up to nine months As Abhold was committed to orders it took up the raw materials Unrest and stayaways then delayed its own delivery schedules This led to cancellations of orders and increased stockholding.

He is confident that the export division, set up some 18 months ago, can make a meaningful contribution in reducing stocks At first, sanctions and negative overseas perceptions of SA made headway difficult Gaibee reckons "perseverance and hard work" led to the breakthrough Trial orders were well received and Abhold has since secured substantial further orders

A high interest bill was not the only problem for the bottom line The withdrawal in December of accelerated capital depreciation allowances on plant and machinery caused a sharp increase in taxable income and a 150% rise in the tax bill

With the deepening of the recession local demand won't be much help to this year's performance and even the export breakthrough is not likely to bring real growth The share trades at 160c, where a 6,3 p e rating reflects more optimism than for the clothing sector as a whole, with an average 4,4 p e ratio

The company is offering bonus shares instead of the annual dividend, at a rate of six for 100 That's effectively worth 9,6c a share, against the 9c cash payment As long as the share price stays above 150c, the scrip dividend is worth more, for investors who want to increase their stake and don't mind building up odd lots — which can be difficult to sell, and perhaps only at a discount

Gerhard Slabber

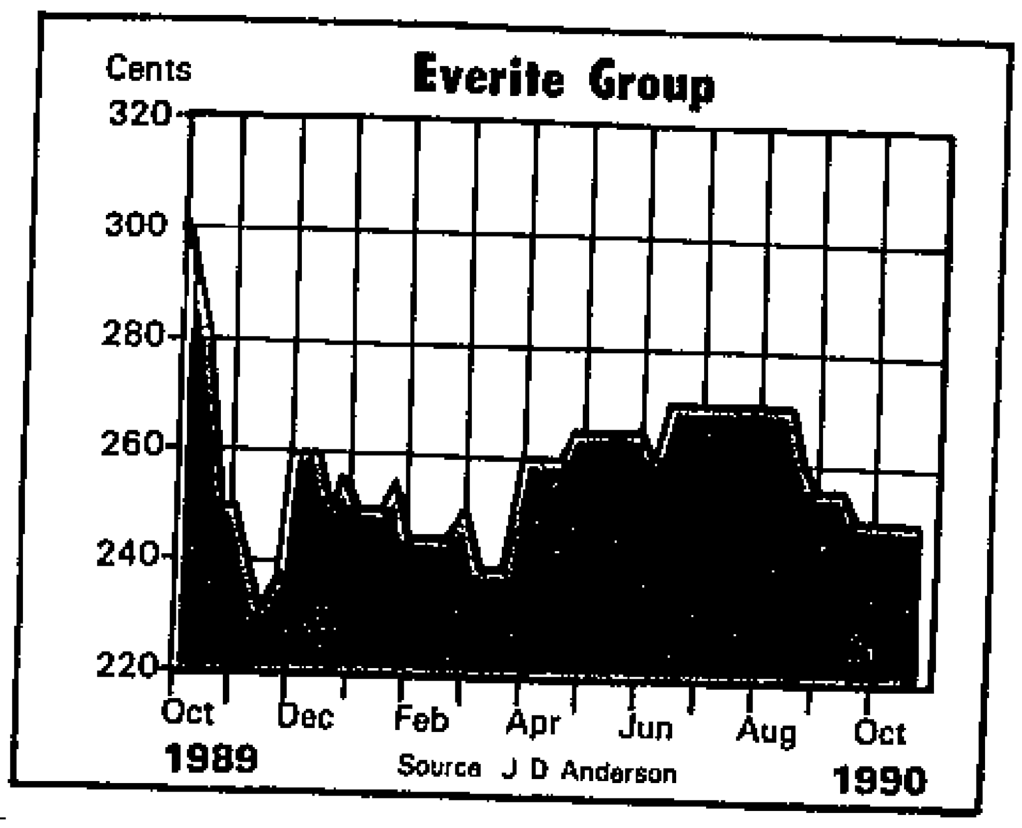
EVERITE 183

COPING WELL

FM 9/11/90

Activities: *Makes fibre cement and plastic products*
Control: *Everite Holdings 56%*
Chairman: *E L Arni MD G M Thomas*
Capital structure: *88,9m ords Market capitalisation R222m*
Share market: *Price 250c Yields 5,2% on dividend, 10,4% on earnings, p e ratio, 9,6, cover, 2,0 12-month high, 280c, low, 230c Trading volume last quarter, 136 700 shares*

Year to June	'87	'88	'89	'90
ST debt (Rm)	17,2	10,7	4 7	2,5
LT debt (Rm)	14,2	11,8	11,7	23,3
Debt equity ratio	0,11	0,06	0,03	0,05
Shareholders interest	0,73	0,75	0,75	0,74
Int & leasing cover	1,0	1,7	3,2	4,5
Return on cap (%)	5,8	7,5	10,3	7,6
Turnover (Rm)	292	326	373	352
Pre-int profit (Rm)	24,2	29,0	40,5	32,7
Pre-int margin (%)	7,3	8,2	10,7	8 7
Earnings (c)	13,1	19,0	21,6	26
Dividends (c)	8,7	11	13	13
Net worth (c)	303	302	329	356



FM 9/11/90 183

Everite is feeling the general economic decline, especially in the black housing market MD George Thomas concedes that the short-term outlook is gloomy

But it was not only the slack market that hit sales last year Falls of 6% in volume and 18% in value also reflected a strike at the major factories Because of the capital-intensive nature of the business and the resultant high fixed operating cost, lower volumes impacted sharply on profit margins

However, on historic cost figures, the group coped pretty well Return on shareholders' funds, on historic cost, was 15,8% as opposed to an inflation-adjusted 6,1% Historic cost EPS also held up, with only a 5,6% decline to 30,4c

The balance sheet is still healthy, thanks to Swiss conservatism, with virtually no debt. Thomas expects to fund continuing capex (R25m-R30m for 1991) out of cash flow and borrowings He says some funding could be obtained by liquidating endowment fund policies built up out of past strong cash flows

Much of the capex is on replacing asbestos with safer material This programme is expected to be completed by end-1992

Management cautiously forecasts better

Everite's Thomas *troubled by strikes*

profits for the Everite trading division, which last year contributed 73% of group pre-tax income However, since Thomas wrote his report in early September, the international oil price hike has added negative factors to the already clouded economic crystal ball It will be a commendable performance to maintain last year's profit

The group remains well placed to benefit from positive economic developments, especially in black housing With a 250c share price some 30% below NAV, Everite is definitely not overpriced

Gerhard Slabber

STar 9/11/90

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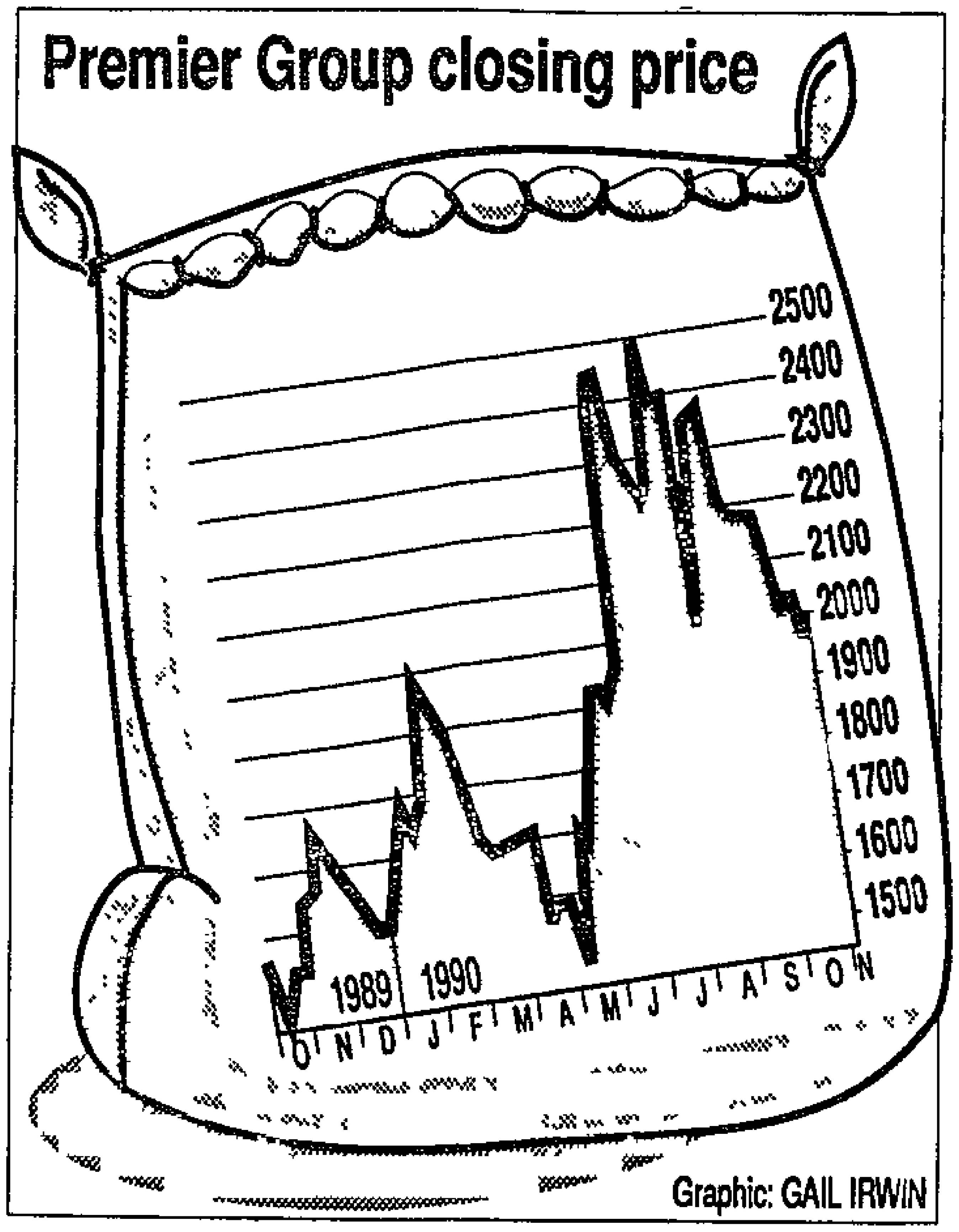
Premier lifts earnings above inflation rate

By Ann Crotty



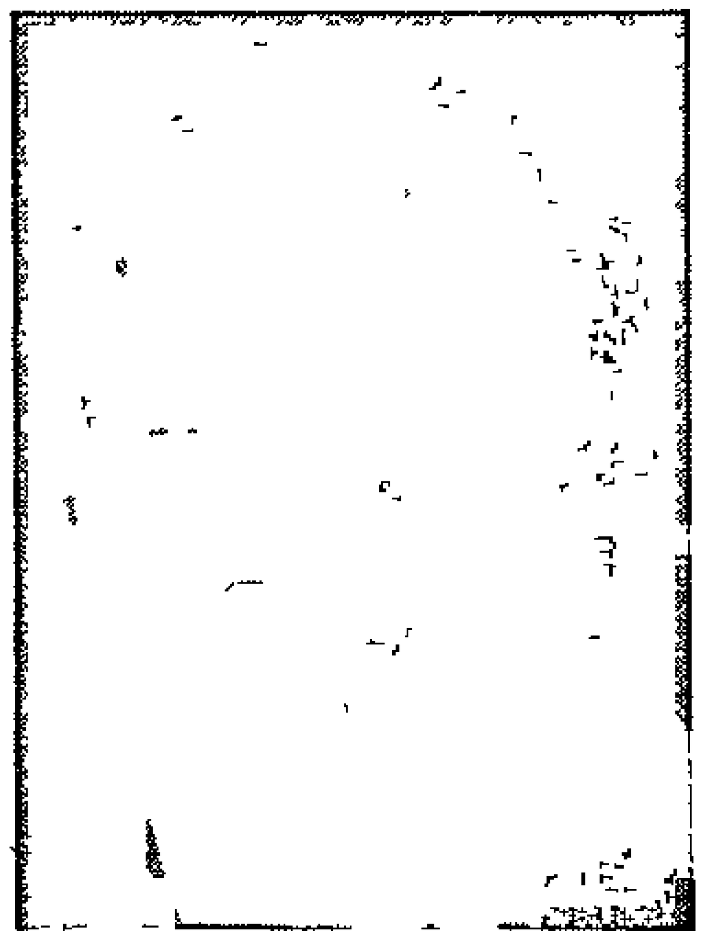
Graphic: GAIL IRWIN

First half figures for Premier are in line with chief executive Peter Wrighton's target for real growth with earnings up a sterling 16 percent to 84c (72c) a share An interim dividend of 28 (25c) has been declared

However, if the interest charges had not dropped by 13 percent, reduced margins at the group's pharmaceutical division would have kept the increase in earnings per share below the inflation rate

But the good news is that apart from the troubled pharmaceutical activities, the group's operations performed very well in tough trading conditions

In the six months to end-September group turnover was up 20 percent to R2,5 billion (R2,1 billion) But trading profit increased by only 11 percent to R158,4 million (R142,7 million) reflecting a squeeze on margins — down from 6,8 percent to 6,3 percent



Peter Wrighton . Petfood a success story

Mr Wrighton explains that the drop in margins was largely due to the difficulties at PDC and Gresham "We had a large turnover contribution from this source but there wasn't much profit"

Part of PDC's problems are industry-related with the impact of tough trading conditions aggravated by the very high shrinkage that appears to be experienced by most of the players.

PDC suffered additional problems resulting from (what its recent pre-listing statement referred to as) the blending of the cultures and the methods of operation of a mutual wholesaler (SAPDC) with those of a commercial organisation (the PWD business).

Twins, which manufactures pharmaceuticals, also had a tough six months Its performance was adversely affected by the restructuring of Safimed And in August it had to take a stock loss following the banning of skin lighteners.

According to Mr Wrighton, margins in the group's food division were virtually unchanged on the year-end figure of 6,3 percent

Helped by last year's proceeds from the rights issue, interest-bearing debt was down to R37,2 million (R42,6 million) But the balance sheet shows interest-bearing debt at end-September '90 was up 46 percent to R554,5 million (R378,6 million) Mr Wrighton says that the increase in debt was due to the increase in working capital He believes there is some scope for reducing the group's working capital levels.

The lower interest burden helped to lift the pre-tax profit increase to 21 percent — from R100,1 million to R121,2 million

Taxed profit was up 19 percent to R84,2 million (R70,7 million) and a marginal reduction in minority interests helped to show a 29 percent hike in attributable earnings — up to R60,3 million (R46,7 million)

The increase at per share level was diluted by the increased number of shares in issue

Looking through the group's food operations, Mr Wrighton said that the milling division did very well — enjoying a substantial increase in turnover with margins unchanged

Margarine and edible oils continued to suffer but problems with these were no longer internal The factories and new plant were all operating well but market conditions were flat largely due to imported oil and a new entrant into the margarine market

Agribusiness was adversely affected by a poor crop but this was more than countered by better margins

The petfood operation did extremely well and according to Mr Wrighton it was the group's "success story"

The fishing story was the same as that told by all the other players in the industry — results were hit by the sharp cut in the Cape quota

The recent acquisition — Atlantic Fishing — is performing well

A cursory comparison between Premier and Tiger's performance in the 12 months to end-September indicates that Premier's earnings growth is benefiting signficantly from the restructuring effected over the past 18 months or so

Previously it tended to underperform its main competitor, Tiger but in the 12 months to end-September (adding the last 6 months of Premier's financial '90 year to the 6 months under review), Premier appears to have pipped its rival

Turnover at Tiger was up 18 percent, at Premier it was up 23 percent Earnings per share at Tiger rose 16 percent compared with a 23 percent hike at Premier.

In comparing the two it should be noted that Premier is in a recovery situation and Tiger is reporting good profits off a very strong base.

For the full year, Mr Wrighton says that the group is trying very hard to achieve the target of real earnings but he points out that at the time the original forecast was made, inflation looked as though it was easing and there was no fuel crisis

Petrol cut reduces bus fares

Cape Times 10/11/90

(183)

Staff Reporter

CITY bus fares are set to drop following yesterday's 15c per ℓ decrease in the petrol price — but recently-increased air fares, train fares and inter-city bus tariffs will remain unchanged.

City Tramways managing director Mr B W Gie said yesterday the company "supports a decrease in bus fares and will announce the extent and date later"

Companies who had increased their prices because of the petrol hike "should now reduce them to a certain extent", Pick 'n' Pay managing director Mr Hugh Herman said yesterday

September's record petrol price of R1,55 for 97 octane has decreased to R1,40 and 93 octane from R1,51 to R1,36, with effect from Monday. The diesel price decreases from R1,41 to R1,32.

The reduction in price was announced by Mineral and Energy Affairs Minister Dr Dawie de Villiers yesterday.

Lower crude oil prices had resulted in an over-recovery on petrol and diesel, and the government had decided to pass the lower fuel price on to consumers, he said

He warned, however, the price decreases could be temporary, as it was not possible to forecast the future price of crude oil due to events in the Persian Gulf.

While bus fares are set to decrease, those using other modes of transport will not enjoy the same reductions

SAA spokesman Mr Mike Pheiffer said yes-

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From page 1

Petrol

Cape Times 10/11/90

(183)

terday the price of jet fuel had risen by 128% since August and had not dropped with the petrol price decrease In the same period the airline had only increased air fares by 10 to 14%.

Spoornet have no plans to decrease train tariffs "We run on electricity and the recent tariff increases have nothing to do with the petrol increases," Spoornet spokeswoman Ms Evette Olwage said yesterday.

Recent inter-city bus fares increases, ranging from 5% to 15%, remain unchanged

Autonet spokesman Mr Christo Bester said yesterday "We will not be lowering our fares. However, the fuel price decrease would avoid another price hike in the near future"

The Automobile Association has appealed to commerce and industry to review any recent price increases and to pass on any savings to the consumer

The Democratic Party also appealed to to all producers and distributors to pass any decreases on to consumers

"Inflation is public enemy number one against economic growth, which will be so necessary in bringing about the new South Africa," the DP's acting energy spokesman, Mr Geoff Engel, said in a statement.

The Cape Times financial staff reports that economists labelled yesterday's announcement very favourably. Most expected the inflation rate to drop by about 0,5% as a result.

W/C-ARGUS 10/11/90 (183)

SA Druggists looks like a good buy

From JOHN SPIRA

JOHANNESBURG — Investors seeking a defensive hedge in present uncertain stock-market conditions might consider SA Druggists, a company with an impressive record and one which should continue to make progress even in the face of economic recession

SAD manufactures and distributes pharmaceutical and related products with an annual turnover approaching R1 billion.

It is divided into five divisions - pharmaceutical, distribution, chemical, consumer and medical, industrial and commercial The pharmaceutical and distribution divisions contribute more than 80 percent of total turnover and around 65 percent of overall pretax profits

The pharmaceutical division manufactures and markets specialised and consumer-branded pharmaceuticals It is expanding its export markets and a R45 million factory is being built

The distribution division comprises two sub-divisions, one of which handles the well-known Link retail pharmacy franchise

The chemical division, although smaller, is highly profitable, manufacturing and exporting specialised pharmaceutical chemicals

The consumer division, which has been substantially rationalised, markets consumer pharmaceuticals and beauty aids, while the medical, industrial and commercial divisions market veterinary and hospital products

In the year to March 1990, taxed profit declined marginally to R40,8 million from R41,6 million, producing earnings of 29c a share This was the first profit decline for seven years, reflecting a squeeze on margins and reduced exports

The near-term outlook is therefore not especially positive

Yet, as stockbroking firm Senekal, Mouton and Kitsoff points out, SAD has four strong bull points

- Exports are expected to start moving ahead as trade boycotts and sanctions are phased out.
- SAD has strong defensive features. The pharmaceutical and medical sectors tend to be resilient to economic downturns owing to the low price elasticity of demand for their products.
- The low gearing is a marked plus in the current high interest-rate environment
- As awareness of the Aids problem spreads and research into drugs to deal with the affliction increases, scope exists for SAD to expand its product range into a potentially profitable area

A marginal improvement in earnings could well eventuate in the current financial year, possibly resulting in the distribution increasing from 10c to 11c for a prospective yield of 4,9percent

Star 12/11/90

CG Smith group pinched

The CG Smith group has reported earnings up one percent at 751c a share for the year to September.

The group attributes the small increase to the difficult prevailing economic conditions.

The food, pharmaceutical, packaging and textile group has declared a final dividend of 158c per share.

This makes a one percent higher payout for the year of 263c.

The food sector of the group's business produced the best results.

It increased its contribution to group attributable profits by 12 percent to R202,7 million. — Sapa.

Royal's products prove a successful mix

S Lon 13/11/90 (183)

MARCIA KLEIN

A SUCCESSFUL mixture of food and pharmaceutical products contributed to Royal Corporation (Royal) posting a 20% hike in earnings to 6,5c (5,4c) a share in the six months to August.

The holding company of Royal Beech-Nut and Lovasz Chemicals reported a 37% rise in turnover to R102,8m (R75,2m) and a 43% hike in operating profit to R8,3m (R5,8m), chairman Vivian Imerman said yesterday

The group is listed in the Industrial Holdings sector of the JSE, however its interests are mainly in food, pharmaceutical and chemical products

Group net income increased by 61% to R6,1m (R3,8m), while attributable income was up 20% to R4,4m (R3,7m) after associated company income and preference dividends were taken into account

In line with Royal's policy, no interim dividend was declared

Following the operational management merger of Holpro Pharmaceutical with Lovasz in March, the chemical side of the group had been re-focused, concentrating on manufacturing and supplying speciality pharmaceutical raw materials

Holpro's purchase price — of which R10m had been paid — was being disputed and Imerman hoped to recover a "substantial portion" in acquisition warranty claims

Royal set for a good year

Star 13/11/90 183

Food, and pharmaceutical group, Royal Corporation has recorded a 60,6 percent increase in net income and a 20,4 percent hike in earnings to 6,5 cents a share for the six months to August.

No half-year dividend announcement is made as the company declares a single pay-out after the end of the financial year.

Royal's turnover expanded by 36,8 percent to R102,8 million and operating profit by 43,1 percent to R8,308 million at the halfway stage.

Chairman Vivian Imerman says that the group traditionally earns most of its profit in the second half of the year and he is confident the group will achieve earnings growth above inflation for the current year

Royal's shares are currently priced at about 150 cents, at which level they yield 12,3 percent and 4,0 percent respectively on historical earnings and dividends.— Sapa

ANIES

SA Druggists turns in a poor performance

B Day 14/11/90 MARC HASENFUSS (183)

SA DRUGGISTS (SAD), the Federale Volksbeleggings-controlled pharmaceutical group, turned in an unhealthy financial performance for the half year ended September 1990.

Attributable income fell 7% to R18,8m (R20,2m) or 13,3c (14,3c) a share in the face of an interest bill that rocketed by 115% to R7,4m (R3,4m). The interim dividend of 4,75c a share remained unchanged from last year, as did operating income at R43m.

The group managed to increase turnover by 14% to R516m (R452m) despite competitive business conditions in the pharmaceutical sector and security in all aspects becoming more difficult and expensive.

SAD shares fell 10c yesterday to 210c ahead of the interim results, and seem set to go lower.

Despite the interim results not meeting expectations, SAD MD Tony Karis said progress had been made in the distribution division's LPA Johannesburg operation where warehouse restructuring had been completed.

"This operation was now in a position to seek the additional principals and turnover necessary to return it to an acceptable level of profitability."

The new marketing structure for the Lennon group of companies indicated encouraging progress in the second quarter, he added.

Karis did not expect group earnings for the financial year to be materially different from those in the previous financial year.

Vadek to produce US chemicals

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MARCIA KLEIN

VADEK Paints has been appointed by a US-based chemical corporation as the sole SA-licensed manufacturer and distributor of its environment friendly, non-petroleum based Earth-Rite range of chemical products

The technology agreement is based on patented processes, and SA is the first country outside the US to receive manufacturing rights for the product

Vadek — which specialises in paints and specialised coatings for industry and commerce — has contracted to purchase the manufacturing technology from Ecolo-Clean of the US, says Vadek marketing executive John Vadas

Initially the base slurry for the products will be imported However, local operations will begin in January and "will significantly improve company earnings in financial 1991"

B | Day 14|11|90

Sales

Earth-Rite products include shampoos, household cleaners and heavy industrial detergents and will be sold nationally both in supermarkets and in industry

The group was previously involved only in paint and coatings, and the new diversification — although the technological processes are similar — would make a significant difference to sales

Directors expect the use of phosphates in cleaners to be banned soon, and Vadek will be "on the cutting edge" of the environmentally aware market to compete with major competitors

The products would not cost more than SA brands as they were produced from agricultural-based products such as soya and maize, Vadas said.

Plastics training board set up

B/Day 14/11/90 ZILLA EFRAT (183)

THE Plastics Federation of SA has established the Plastics Industry Training Board to co-ordinate all training in the industry and give accreditation to organisations which conduct approved training programmes

Federation CE Bill Naude says "The board will be active at all levels within the industry, from shop floor to university graduates"

It aims to provide tuition for 240 new trainees each year along set guidelines which will form the basis of a long-term national training strategy. All vocational qualifications gained through the training board will be recognised overseas

Representatives from both employer and employee sectors will be responsible for setting standards and qualifications for the industry.

The training board is finalising its application to the Department of Manpower for accreditation and has set up an investigation into the requirements of the SA plastics industry The board's chairman is Mega Plastics MD Ralph Oxenham

Star 14/11/90 (183)

Malaise grips SA Druggists

By Ann Crotty

SA Druggists' results for the six months to end-September are in line with market expectations — earnings per share are down 7 percent to 13,29c (14,31c) and an unchanged interim dividend of 4,75c a share has been declared

The results see a continuation of the difficulties that hit the group in the second half of financial '90 and led to a marginal decline in eps for that full year

In the review period, turnover was up 14 percent to R516,6 million (R452,7 million) Operating income was virtually unchanged at R43,9 million (R42,8 million) reflecting continued pressure on margins — down from 9,4 percent to 8,3 percent Results for financial '90 showed margins were down to 9,2 percent from 10,6 percent in financial '89.

Interest charges were more than double at R7,4 million (R3,4 million) — again a continuation of a financial '90 trend.

Taxed income was down 7 percent to R18,7 million (R20,2 million)

Financial 90's performance was hit by a number of problems including difficulties with the Government's tender system which knocked Lennon's performance (in the pharmaceutical division)

Looking to the review period the directors note that the decline in attributable earnings "was a consequence of difficult trading conditions within certain sections of the pharmaceutical industry and a materially higher interest burden".

According to management, benefits from remedial action taken in some divisions have not yet materialised significantly.

17 US firms in SA 'on probation'

B Day 15/11/90

SIMON BARBER

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WASHINGTON — The US State Department has placed 17 firms "on probation" after judging that their SA subsidiaries had taken inadequate steps to train and promote black employees and had been insufficiently active in community development.

One company, National Utility Service, has been assessed as "failing to meet the basic requirements" of the labour code contained in the Comprehensive Anti-Apartheid Act, and faces loss of government export assistance.

Nine firms are deemed "to be making "satisfactory progress"

The findings are contained in the State Department's latest annual report on the conduct of US subsidiaries whose parents do not subscribe to the Statement of Principles and monitoring system that grew out of the old Sullivan Code.

The report urges all US companies still in SA to stay put because "a continued American business presence in post-apartheid SA will remain a vital contributor to gr[illegible] and equal opportunity"

[illegible]o issues a plea to state and local governments — whose punitive policies against firms with SA ties have been a major factor in the withdrawal of US investment — "to react positively to further progress in SA"

Eighty-five US firms registered with the

□ To Page 2

US firms

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□ From Page 1

department last year with an aggregate SA workforce of 27 918, down from 37 693 in 1988.

B Day 15/11/90

Twenty-seven companies opted to answer a State Department questionnaire rather than submit to the Arthur D Little audit performed on those companies that signed the Statement of Principles

Subsidiaries of companies placed on probation include Echlin-Charger Manufacturing of Johannesburg, Precision Valve of Randburg and National Standard Co of Uitenhage The report does not explain what "probation" entails

All companies, except NUS, whose returns were incomplete, were judged to have met the basic standards set by the CAAA These included an appropriate minimum wage — averaging R787 a month

Overall, wages for black employees in the reporting firms averaged R1 434 a month for salaried workers and R1 089 for hourly workers — an increase of 33% and 23% respectively over 1988 levels

Also up dramatically were per capita expenditures on employee training and education — from R187 in 1988 to R323 last year

The firms claimed to have spent a total of R4,2m on non-employee education and community development in 1989, up from R1,6m in 1988

Others on probation are· Wynn's Car Care Products, Air Express, Buckman Laboratories, Consolidated Pneumatic Tool Co, Coulter Electronics, Erierz Magnetics, L & M Radiators, MacDermid, Preformed Mine Products, Salsbury Veterinary, Schenectady Chemicals, Simplicity Patterns, Lohmann & Co, and Wilbur-Ellis Co

COMPANIES

Hoechst sells plastics stake for R22,5m

MARC HASENFUSS

CHEMICAL giant Sentrachem (Senchem) has acquired the 50% interest held by Hoechst in operations of its Mega Plastics division at a cost of R22,5m, a statement released by the group said yesterday

The operations concerned are Megapipe, SA's major producer of high-density polyethylene piping, Megaflex, the leading manufacturer of flexible hoses, and Megapak, which makes packaging and materials handling systems

Hoechst shed its Mega interests as plastic converting is no longer an integral part of its business

Hoechst, however, remains in partnership with Sentrachem in their joint ventures in Safripol, SA's sole producer of high-density polyethylene and a major producer of polypropylene, and Plastomark, which markets Safripol's products to the local converting industry

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Sentrachem directors believe the effect of the acquisition on group earnings will be positive and the production, marketing and distribution of Mega products will not be affected.

Bday 15/11/90

Sentrachem shares which fell from a January high of 710c to 380c bounced up 20c to 400c yesterday

"While Mega has become peripheral to Hoechst's business, it is central to ours and we consequently happily accepted the opportunity to increase our shareholding," said Sentrachem CE Johan van der Walt

"Mega is strategically important to Sentrachem as it provides us with a substantial and secure market for the group's polymers and plasticisers"

In addition, he said, the acquisition gave Sentrachem a window on the converting industry and would help keep the group abreast of developments in one of its major markets

Star 15/11/90 (183)

Sentrachem acquires 50% of Mega from Hoechst

Finance Staff

Sentrachem has acquired the 50 percent interest which Hoechst held in some of the operations of its Mega Plastics division for R22,5 million

The operations concerned are Megapipe, South Africa's major producer of high-density polyethylene piping, Megaflex, a leading manufacturer of flexible hoses and Megapak, which makes packaging and materials handling systems

Hoechst sold its Mega interests as plastic converting is no longer part of its core business. Hoechst remains in partnership with Sentrachem in their joint ventures in Sapripol, South Africa's only producer of high-density polyethylene and a major producer of polypropylene, and Plastomark, which markets Safripol's products to the local converting industry.

The effect of the acquisition of Sentrachem's earnings will be positive and the production, marketing and distribution of Mega products will not be affected in any way

Breakthroughs in environment friendly chemicals

B Day 16/11/90

PRESSURE for pest and rodent control chemicals that are less harmful to the environment, animals and humans has led to a number of breakthroughs

Among the local companies claiming breakthroughs are chemicals manufacturer Ciba-Geigy, while pest control firm Pest Master has obtained the rights to use another new product

In its efforts to provide "environmental friendly" pesticides, Ciba-Geigy reports having ceased all development work with harmful chlorinated hydrocarbons and organo-phosphates — known to cause most repercussions to nature

Ciba-Geigy communications manager, plant protection, Gert van Zyl says the company has withdrawn certain herbicides because their persistence was too long and the danger of pollution existed

Successes achieved by Ciba-Geigy in this field include Larvadex and Vetrazin for the control of flies and blowflies

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In addition, the cattle dip Ektoban is preferred by many farmers against external parasites because it has very little effect on the oxpecker bird

Van Zyl says much research is aimed at producing safer formulations The active microscopic droplets in Promet, for example, are encapsulated in a non-active substance so that it has virtually no effect on animals

Agents active through the use of low doses include Logran, applied at 13 grammes a hectare for weed control in wheat, and Larvadex which is used at five parts a million in chicken feed for the control of flies

Pest Master MD Peter Winspear says his company has the rights to use Insect Killer, an environmental friendly product that does not harm warm-blooded animals and birds

The product, which costs about 50% more than conventional pesticides, is effective on anything up to locusts and is not susceptible to pest immunity because of its residual effect

Spray

"It is also the first product that can be used to spray farm lands which does not necessitate the removal of livestock"

Previously, cattle had to be kept away for about three days from any area sprayed with conventional pesticides

While the Department of Agriculture is still conducting trials before authorising the use of Insect Killer on farms, it is available for urban area applications, says Winspear

Star 17/11/90 (153)

Families want Sabax probe

THE families involved in the Sabax drip scandal have resolved to press ahead with further judicial investigation into the cause of deaths allegedly linked to the contaminated medical supply product.

Attorney Mr Peter Soller, acting for them, said the families have also agreed to co-operate with the Attorney-General to support the Government decision to consider a mass inquest into the deaths.

Mr Soller said that the matter was under investigation by the South African Police at the behest of the Minister of Health Services, Sam de Beer, but was not expected to come before court until March next year

Chemical giant posts decrease in earnings

B/Day 21/11/90

MARCIA KLEIN

PROSPECTS for chemical giant Sentrachem (Senchem) in the near future were dependent on the economic development of SA, chairman A J van den Berg said in the annual report.

The group posted a drop in earnings in the 17 months to August following four years of sustained growth. This reflected the effects of a severe domestic recession, a general softening in world chemical prices, labour problems and reduced demand for group products, he said. In the 17 months attributable income decreased by 12,4% to R111,6m (on a comparative basis) on a 3,9% increase in turnover.

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Exports

Various projects which were started or continued during the year represented capital expenditure of about R250m, the benefits of which would be felt in the next few years.

Many developing countries were concentrating on developing their chemical industries as a prerequisite for growth in manufacturing and exports.

To ensure future growth, aspects that militated against the industry becoming a significant exporter — such as raw materials at uncompetitive prices, high capital equipment costs and the heavy tax burden — needed to be addressed, he said.

Senchem and other parties were investigating the feasibility of building a petrochemical cracker as a private sector initiative, which he said government should be prepared to facilitate.

Van den Berg said in the climate of trade liberalism, adjustments to industrial policy should be prepared in conjuction with the private sector "The SA chemical industry has the potential to become more export oriented and to participate significantly in world chemical markets."

CE Johan van der Walt said areas of future developments included biotechnology, metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides

EXECUTIVE SUITE

WPP Group fortunes nosedive

JOHN CAVILL

LONDON — The share price of WPP Group, the world's biggest marketing services company and parent of J Walter Thompson and Ogilvy Mather, crashed by 72% in two days in frenzied selling after a warning about a slump in advertising.

By yesterday the market value of WPP had collapsed from £156m to £43m.

Only three months ago WPP, whose turnover had more than trebled to £1bn since 1987, taking pre-tax profits up by 430% to £75m, reported sparkling figures for the first half of 1990.

But on Monday CE Martin Sorrell said 1990 profits would not meet expectations after cuts in advertising budgets "across all areas".

The chief concerns are over WPP's financial structure — bank debts of £340m and convertible preference shares of £214m. In addition, WPP still owes £185m for past acquisitions (of which £100m is payable in cash), with goodwill of £800m in the balance sheet and net equity asset value of minus £342m.

Chemical giant posts decrease in earnings

B/Day 21/11/90

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CE Johan van der Walt said areas of future developments included biotechnology, metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides.

EXECUTIVE SUIT

Star 21/11/90

Nivea wins temporary interdict

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Star Correspondent

DURBAN — The Pinetown-based manufacturers of the Nivea skin care product range has been granted a temporary interdict in the Supreme Court, Durban, restricting the sale or distribution of a range of similar products that allegedly infringed the Nivea trade mark

The interdict was brought by Smith & Nephew against MD Frysh International (Pty), a Johannesburg based manufacturer and distributer of cosmetic products, and H Golden and Company (Pty) of Durban, trading as Clicks

Mr Justice Wilson ordered that the two responding companies show cause on January 23 why they should not be barred from infringing the registered trade marks of the Nivea range by using the mark "Viva", or "Viva", and "Creme" or "Liquid Creme" on their products

Foreign trends could be boon for Noristan

BIPOY 22/11/90 MARIETTE DU PLESSIS (183)

JSE-listed health-care group Noristan Holdings could benefit commercially and scientifically from three major pharmaceutical trends emerging abroad, executive director Fritz Snyckers said yesterday.

Snyckers, who recently returned from a business trip to the Far East and Europe, said he was "excited at the long-term prospects for Noristan in the areas of open-ended research co-operation, clinical work joint ventures and dosage optimisation".

Since optimisation of dosages did not require as large an R & D outlay as the development of compounds and new products, significant opportunities existed for Noristan to co-operate with international licensors in terms of "made-to-order" formulations tailored to SA market needs, he said.

The trend away from substance innovation and straight generics to dosage development and formulation optimisation for special applications was particularly evident in Europe, where sophisticated technology was available for patient-tailored dosages and release patterns

This in turn allowed for exact timing of drug release to be predetermined and for side-effects of drugs to be minimised significantly through an optimised administration, he said.

A number of major foreign pharmaceutical firms had expressed interest in research co-operation on some of the compounds identified by Noristan, and Snyckers expected Noristan to enter into such agreements in 1991

"While it would be unlikely for Noristan to fully develop new research compounds, we are flexible enough to develop novel ideas and to identify the lead molecule on which the multinationals can optimise."

Snyckers said foreign interest in Noristan underlined the fact that its credible performance in the R & D field remained an important factor in maintaining a sound image with foreign principals R & D expenditure represented 4% of Noristan's pharmaceutical sales.

NORISTAN FM 23/11/90

LARGER DOSE 183

Activities: *Manufactures and markets pharmaceuticals, cosmetics, medical and hospital equipment, chemicals and computerised information systems*
Control: *Directors 28,5%, W&A 21%*
Chairman: *N Stutterheim, MD H Snyckers*
Capital structure: *53,4m ords Market capitalisation R53,4m*
Share market: *Price 100c Yields 6,0% on dividend, 19,6% on earnings, p e ratio, 5,1, cover, 3,3 12-month high, 120c, low, 65c Trading volume last quarter, 270 000 shares*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	8,7	7,7	2,3	3,5
LT debt (Rm)	4,0	1,3	2,8	4,2
Debt equity ratio	0,19	0,04	0,11	—
Shareholders' interest	0,62	0,71	0,71	0,63
Int & leasing cover	3,0	3,4	6,2	14,5
Return on cap (%)	10,5	18,1	15,7	13,2
Turnover (Rm)	49,2	55,1	62,7	97,1
Pre-int profit (Rm)	3,7	7,1	8,6	12,6
Pre-int margin (%)	9,8	16,7	13,8	13,0
Earnings (c)	7,7	15,4	17,5	19,6
Dividends (c)	2,0	2,4	5,5	6,0
Net worth (c)	64	78	93	104

Noristan has gone some way towards achieving its goal of broadening its activities in the health-care market.

During the 1990 year W&A acquired a stake in Noristan This helped in the acquisition of a number of related businesses and provided the family-controlled group with outside expertise Management expects to invest further in the health-care area, and possibly establish an offshore base in financial 1991 This, with organic growth, should ensure a satisfactory performance

With effect from July 1989, Noristan acquired 94% of listed property vehicle Aurochs and W&A took control of 21% of Noristan's issued share capital

Aurochs' name was subsequently changed to Norimed and its listing was transferred to the pharmaceutical and medical sector.

In June 1990 Norimed started negotiating with Crest Holdings to buy the latter's operating subsidiary, Crest Healthcare Technology (a supplier of patient monitoring equipment and anaesthesia products). The acquisition, for R7m, was finalised after year-end but took effect from October 1989

Crest became an operating subsidiary of Norimed and this division contributed R14,7m to group turnover and R2,4m to operating profit — 13,2% of the total — in financial 1990 Also in June, Norimed's property interests were sold to W&A subsidiary Hunts for R15,7m — the benefit of the properties' income having been enjoyed for a full year.

The group also expanded its Noridata division which supplies custom-developed computer systems to the medical, dental and

Noristan's Snyckers *more acquisitions planned*

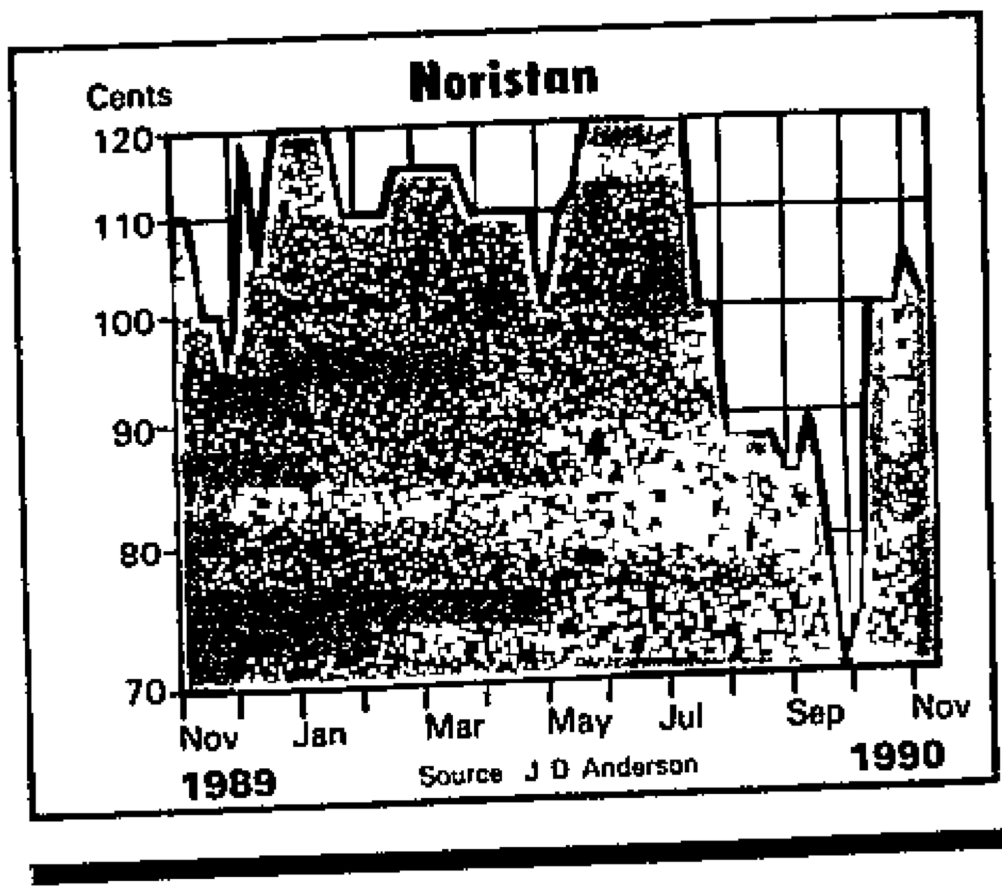
FM 23/11/90 183

related sectors Three businesses were acquired, and sales rose 80% to R6,3m, but problems were encountered with these operations which resulted in an operating loss of R500 000 for the division.

Group turnover jumped by 55% and operating profit by 46%, reflecting the acquisitions and the good performance of the core pharmaceutical division — which still accounts for more than two-thirds of operating profit MD Hugo Snyckers says the division's profits were buoyed by a shift in sales from the cut-throat tender business towards contract work for major pharmaceutical companies This resulted in better asset utilisation — and an excellent performance by the OTC (over-the-counter) Salusa division comprising products such as Prohep, Redupon and Calmettes

Exports of pharmaceuticals and chemicals were strong but a deterioration of marketing conditions inhibited their profitability This year, the establishment of an offshore base to promote exports is possible.

Snyckers says further acquisitions in related health-care markets are also on the cards The group was ungeared and had cash of R17,9m at year-end Cash is mainly in Norimed and will be used to fund acquisitions and the expansion of Crest The pharma-



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ceutical division will introduce new products and is expected to increase market share, but price resistance is putting pressure on margins Still, Snyckers expects satistactory growth this year

Noristan's 6% yield is better than the 8,2% sector average but lags Adcock's 2,1% and SA Druggists' 4,8% Both have longer track records

Pam Baskind

Another Tubby plastic for JSE

183

ST Times 25/11/90

By DAVID CARTE

TUBBY Gericke, founder and chairman of Sun Packaging (Sunpack), one of the stars of the 1986 listings boom, is coming to the JSE with another novel listing

At a capital cost of R12-million, Mr Gericke, together with the IDC, has built SA's second polystyrene producer 400 metres away from Sunpack's Atlantis plant.

The plant is the only one in the Western Cape and competes with Sentrachem's Styrochem, until now the only supplier of polystyrene, which is used in many packaging applications but most commonly in trays for fresh foods

Products made by new company Biopolymers will be biodegradable and will not use CFCs

The plant is working, but biodegradable product has still to be produced. It will also make synthetic paper. Products will go not only to Sunpack but to rival companies. Sunpack will take about half of capacity Biopolymers will export to West Germany and the US

Managing director is Ko Eigenhuis, formerly of Bakke and Sasol

Value

The new company has yet to earn a profit and will be listed on the Development Capital Market

Shareholders in Sunpack and holding company, Sun Packaging Investments (Sunvest), will be offered 5,9-million shares at 50c each. The IDC will subscribe for 2-million shares Sunvest will hold 8,6-million shares (52%)

There will be 16,5-million shares in issue, valuing the company at R8-million.

Biopolymers (to be abbreviated Biopoly on the JSE) expects to lose R963 000 in 1991, but to achieve a pre-tax profit of R937 000 in 1992. In 1993, the pre-tax number is forecast at R3,5-million and in 1994 at R4,9-million

Chemical distributors merge their operations

B Day 27/11/90

183

ZILLA EFRAT

AECI Explosives & Chemicals and Chemical Services will merge their respective chemical distribution subsidiaries into a new company in a move towards the further streamlining of an overtraded market.

The first move towards rationalisation of the competitive chemical distribution market was the merger of Holpro and Lovazs last year.

The new company Crest Chemicals will come into being through the merger of Spectrum Chemicals and Chemserve Trading on January 1.

It will rank as SA's third largest chemical distribution company, behind Protea Industrial Chemicals.

AECI and Chemical Services will each have a 50% share in the new venture which will be managed by Chemical Services, which is also held by AECI.

Dave Stewart has been appointed MD of Crest Chemicals and Lex van Vught of Chemical Services will be chairman.

Van Vught says the merger will result in various savings to both groups.

In addition, the product ranges of both companies are complementary as a large proportion of Spectrum's range is produced locally and Chemserve's products are mainly imported.

Crest Chemicals will operate out of Kramerville, Sandton in the Transvaal, Prospecton and Durban in Natal, and Epping and Cape Town in the western Cape. It will have also branches in Port Elizabeth and East London.

Hoechst SA plans major expansion

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HOECHST SA, a subsidiary of chemical giant Hoechst AG in Germany, is investing more than R100m in expansions as part of a major strategy to secure its position in SA

The first stage of its strategy is a R60m expansion programme at its BOPP Film Plant in Chamdor, Krugersdorp The finance for this is locally sourced

Hoechst SA MD Reinhard Traub says the move, which represents the single largest investment ever undertaken by Hoechst SA, will ensure its position as a leading supplier of packaging film to the SA industry. B Day 27/11/90

Capacity

He says the decision to expand the BOPP plant was prompted by growing demand from local customers for the latest generation films used for packaging in the food and cigarette manufacturing industries

Through the commissioning of a second line, capacity at this plant will double to more than 10 000 tons a year, enabling the group to meet market requirements throughout the decade

The local production of industrial adhesive tape is also expected to grow, and the new plant will cater for specific requirements of this industry.

ZILLA EFRAT

In addition, a more than R100m investment programme has begun at Safripol — SA's only manufacturer of high density polyethylene and polypropylene — a joint venture between Hoechst SA and Sentrachem

This investment is expected to safeguard supplies to a growing local and export market, says Traub

With a view to redirecting its activities towards its core businesses, Hoechst SA will sell its 50% stake in Mega Plastics, one of SA's largest plastic convertors, to Sentrachem for R22,5m. Traub says this business is no longer of strategic importance to Hoechst, and the funds generated by the sale will be optimised in Hoechst's expansion programme

Hoechst is to move its head office from Industria to Midrand during March next year.

Traub says "A number of other manufacturing projects and new ventures are also under consideration, all of which will form part of the company's long-term development plans, based on our confidence in SA"

STAR 27/11/90 (183)

Chemsve and AECI merge distribution interests

Finance Staff

AECI Explosives and Chemicals and Chemical Services will merge their respective chemical distribution interests in a new company on January 1

On that date, Spectrum Chemicals (Pty) Limited and Chemserve Trading (Pty) Limited will merge into a new company to be known as Creast Chemicals (Pty) Limited

AECI and Chemical Services will each have a 50 percent share in the new venture which will be managed by Chemical Services

Dave Stewart has been appointed managing director of Creast Chemicals and Lex van Vught of Chemical Services will be chairman.

"Although Spectrum Chemicals and Chemserve Trading are relative newcomers to the chemical distribution market, both have met with considerable success in establishing themselves as reliable and efficient suppliers," says Dave Stewart.

"We are confident that the merged operation will benefit industry by offering a more comprehensive product range through its national branch network."

The merger is a move towards rationalisation of a market which has become overtraded.

Crest Chemicals will operate out of Kramerville, Sandton in the Transvaal, Prospecton, Durban in Natal, Epping, Cape Town in the western Cape and will have branches in Port Elizabeth and East London.

Vadek buys rights to 'green' formula

(183)

Cit 28/11/90

PAINT manufacturer Vadek has bought rights to produce environmentally-safe cleaning chemicals in SA.

The formula, invented by Econoclean of the US, will be marketed in SA under the Earth-Rite label Products include shampoos, household cleaners, and heavy industrial detergents.

The products are non-toxic, unperfumed, and packaged in recyclable containers.

"There are some regulations relating to what non-toxic means, and we adhere to those, but I don't know any that define 'environmentally safe,'" Vadek marketing executive John Vadas says. "Our definition is that it must not poison the environment and must be biodegradable"

Vadas says the presence of phosphates in some detergents has a serious effect on water resources In rural areas clothes are washed in rivers, and the absence of phosphate in detergent would help protect organisms in natural water sources

The products will not be expensive as they are made from agricultural products such as soya bean, maize or citrus. Vadas feels the "environmentally safe" aspect of the new products will be a selling point

Contract business boom for Noristan

MARIETTE DU PLESSIS

PRETORIA-based health-care group Noristan Holdings increased its contract manufacture business during the past 12 months, with sales up by 53%, pharmaceutical business unit director Fritz Snyckers said yesterday. B Day 27/11/90

In a statement, Snyckers said contract manufacture accounted for half of the company's unit output, with external contract sales, making a substantial contribution to the division's overall performance.

This performance, however, was underpinned by substantial real unit growth, tight financial and operational controls and new manufacturing contracts, the most recent being with Knoll Pharmaceuticals SA and Propan Pharmaceuticals. (183)

But the introduction of an additional half-shift at Noristan's Waltloo factory, necessitated by an overall 18% unit growth, would significantly improve asset utilisation and productivity, he said.

The upgrading and reopening of a modernised sterile manufacturing area and the manufacture of sterile products for Propan would further strengthen its existing contract manufacturing abilities, he said.

With effect from July 1989, Noristan acquired a controlling interest in Aurochs and refocused it from property development to health care.

Aurochs, renamed Normed, subsequently acquired a 100% interest in Crest Healthcare Technology, enabling it to manufacture and distribute medical equipment.

In financial 1990, group turnover jumped by 55% and operating profit by 46%, reflecting the acquisitions and the good performance of the core pharmaceutical division.

New-look Farm-Ag positioned for rosier days

B Day 29/11/90 (183)

MARCIA KLEIN

RALE Holding subsidiary Farm-Ag — which reported a net loss of R7,7m in the year to end-February from an R11,2m profit in the previous year — would return to profitability in financial 1991 following the disposal of its major loss-contributing operations, says its annual report.

Directors said the firm — which manufactured and distributed agricultural chemicals, machinery, heaters, lawn mowers, patent medicines and toiletries — would become profitable despite the large financing cost incurred early during financial 1991 to finance accounts receivable of the businesses it disposed of.

Borrowings at year-end amounted to R96,6m.

In major rationalisation during the second half of the year, poorly performing operations and those with high working capital requirements were disposed of.

Farm-Ag acquired a controlling interest in Rale subsidiary Staalchem — an agricultural and chemical wholesaling and retailing business — following a rights offer. Staalchem was disposing of two businesses and its head office.

The group's net asset value at year-end was 231,4c a share against 336c a share in February 1989.

re-rating

Brian Thompson

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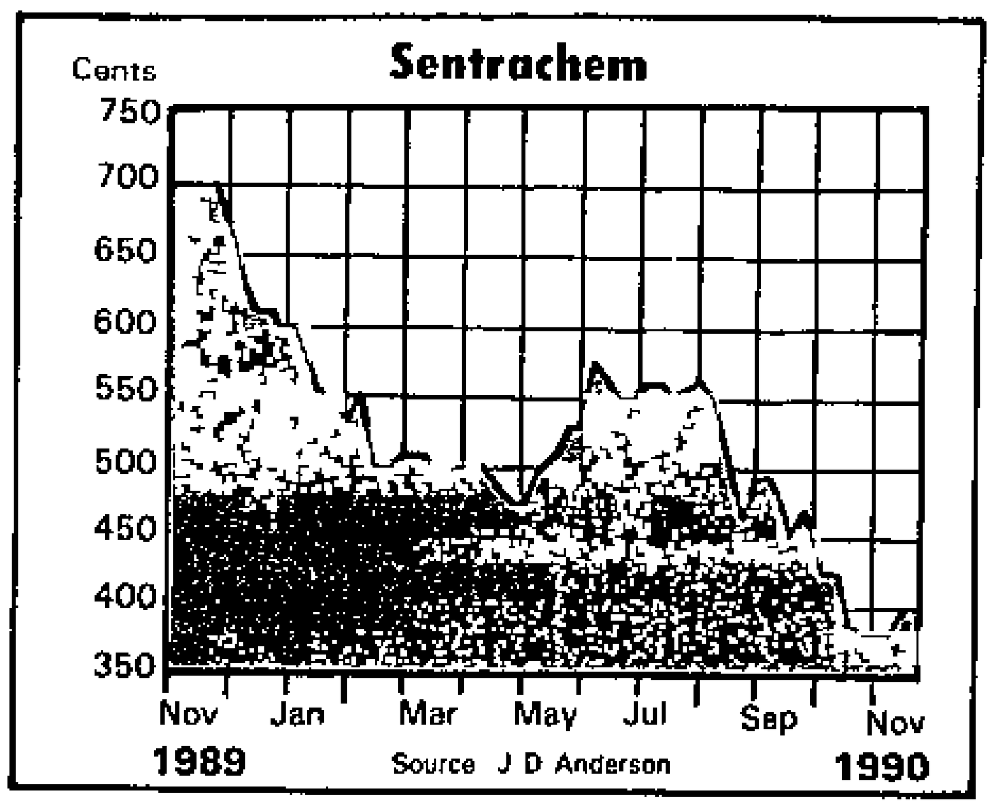
SENTRACHEM FIM 30/11/90

FAILED MISSION (183)

This giant states its mission as being in the chemical business "for the ongoing benefit of stakeholders" But, with 2,4% compound

COMPANIES



EPS growth over the past 10 years, "benefit" seems a misnomer, at least for investors

Activities: *Chemicals manufacturing* (183)
Control: *Sankorp 37,5%*
Chairman: *A J van den Berg, MD J H van der Walt* FIM 30/11/90
Capital structure: *115,5m ords Market capitalisation R462m*
Share market: *Price 400c Yields 9,1% on dividend, 24,2% on earnings, p e ratio, 4,1, cover, 2,6 12-month high, 710c, low, 380c Trading volume last quarter, 984 000 shares*

Year to Aug 31	•'87	•'88	†*'89	*'90
ST debt (Rm)	179	98	116	150
LT debt (Rm)	541	414	340	414
Debt equity ratio	0 92	0,56	0,35	0,65
Shareholders' interest	0,31	0,43	0,35	0,35
Int & leasing cover	1,42	2,90	3,18	2,29
Return on cap (%)	3,6	8,7	17,9	17,9
Turnover (Rm)	1,14	1,25	2,88	2,99
Pre-int profit (Rm)	64	160	355	341
Pre-int margin (%)	5,6	12,7	12,3	11,4
Earnings (c)	47,1	64,7	86,8	96,7
Dividends (c)	nil	20	27,5	36,5
Net worth (c)	439	582	469	473

* 17 months
† Pro-forma
• Year to March 31

The venture into producing synthetic rubber and clinging to the overtraded fertiliser market for too long caused financial strains Turnover fell in two of the past 10 years and

Sentrachem's Van den Berg
shedding the deadwood

FIM 30/11/90 (183)

in 1985 the group made a R50,4m attributable loss Free cash flow was negative in five of the 10 years

Economic slowdown did hit performance but most problems seem to have come from involvement in the Afprene synthetic rubber plant at Karbochem in Newcastle and the fertiliser market through Fedmis

Since 1979, when it was decided to build Afprene, it has been a millstone round management's neck The R430m capital cost was way ahead of estimates and since start-up in 1982 it has operated in the red The sale of ex-subsidiary Fedmis five months into last year limited year-on-year turnover growth to 15% With Fedmis stripped out, turnover grew by 39% and pre-tax income by 42%

Management realised that to achieve better and more sustainable returns on assets the group would have to move away from commodity chemicals and focus more on the lighter and more specialised end of the market This train of thought perhaps eased the decision to mothball the Afprene plant

The R250m capex last year went into expanding facilities to service niches in the chemical market Some projects, like the R68m high-density polyethylene plant at Sasolburg, will start kicking in profits this year

Actions taken by MD Johan van der Walt in the past two years could improve growth in the Nineties With Afprene and Fedmis out of the system the group could well again earn 25% on capital employed The new focus to add more value to products, and thereby also profits, will add to the share's recovery potential when the upturn comes

Gerhard Slabber

ENGEN FM 30/11/90 (183)

RE-RATING SHOULD BE EXTENDED

Activities: *Exploration, production, marketing and distribution of petroleum products*
Control: *Gencor and Genbel 93%*
Chairman: *B A Smith, MD R J Angel*
Capital structure: *110m ords Market capitalisation R3bn*
Share market: *Price 2 730c Yields 3,6% on dividend, 9,7% on earnings, p e ratio, 10,3, cover, 2,7 12-month high, 3 250c, low, 2 625c Trading volume last quarter, 621 000 shares*

Year to August	'88	'89	*'90	†'90
ST debt (Rm)	4 2	2,8	292,7	292,7
LT debt (Rm)	—	—	264,7	264,7
Debt equity ratio	—	—	0 13	0,13
Shareholders interest	0,58	0,48	0,45	0,45
Int & leasing cover	n/a	n/a	17,9	7,7
Return on cap (%)	14 7	15,1	8 2	13,1
Turnover (Rbn)	0,74	1,0	3,17	5,08
Pre-int profit (Rm)	42,2	50,6	203 0	322,6
Pre-int margin (%)	4,4	3,6	6,3	6 3
Earnings (c)	127	182	321	264
Dividends (c)	75	83	97	97
Net worth (c)	810	779	1 007	1 007

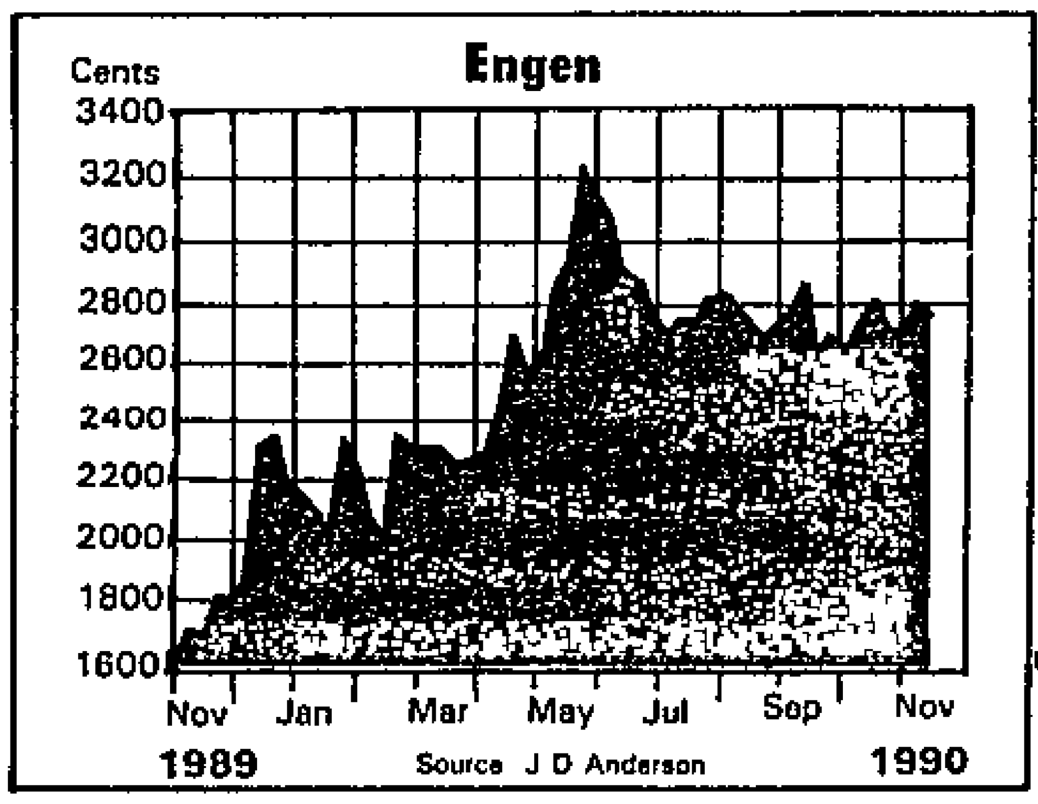
* 1990 — Actual results for 12 months for Trek Beleggings and six months for interests acquired from March 1

† 1990 — Pro forma results assuming a full 12-month contribution from all interests which now make up the Engen Group

Maiden results leave little doubt that the first stage of the transformation of what was Trek Beleggings from a relatively minor player into one of the leaders of the energy industry has been accomplished The question now is whether momentum in the successive stages can be maintained, enabling the enlarged group to achieve target levels of profitability

Though Engen ended the financial year comfortably ahead of its transmuted listing statement forecast — and without in any way trying to minimise achievements to date — two points should not be overlooked One is that the new Engen is less profitable than the old Trek in terms of return on capital employed The other is that EPS were probably lower than they would have been had additional assets not been injected into Trek

The latter is impossible to quantify with any accuracy, but the fact that 1990 pro forma earnings — assuming that Engen operated in its present form throughout — were 7c (3,5%) below the actual results suggests that the 5,4% dilution foreshadowed at



Engen's Angel ...
elated at progress with exports

the time of the deal was close to the mark

The reconstruction midway through the year creates a number of problems when it comes to analysing the financial statements, because the income statement cannot be related directly to the balance sheet For this reason, the accompanying table includes a column based on pro forma 1990 results Unless otherwise indicated, all comment here relates to the pro forma position

Though trading margins widened considerably, mainly thanks to the inclusion of refining profits, this was more than offset by the higher funds employed, so that pre-interest return on total assets fell significantly from Trek's 15% in 1989 to only 12,5%

Possibly even more to the point is that even if the ratio is calculated on net capital employed (excluding cost-free liabilities), it still amounts to only 19,3%, or roughly three quarters of what it should be if Engen is to remain within its own financial targets

Two key targets are the ceiling on borrowings at 50% of permanent capital and minimum interest cover of five times Putting these together, and on the present effective cost of debt of 14%, implies a target return on net funds employed of about 24% That, in turn, implies that Engen can push operating profit well above 1990's pro forma figure

That obviously won't happen overnight But, as a medium-term prospect, the outlook is encouraging for a number of reasons Firstly, the income statement has yet to feel the full impact of rationalisation at Mobil, Trek and Sonap So far, rationalisation has been confined mainly to product distribution, but could be taken further if, for example, it is decided to bring the three marketing chains under a single umbrella when Engen gives up the Mobil trademark — as it must after June 1994

Also on the rationalisation front, but a separate issue, is the additional revenue that will be generated once Trek's refining contract with Shell-BP expires in 1992 — coinciding with the completion of the first phase of the expansion of Engen's Genref refinery

This expansion, whose second phase is due for completion in 1994, should offer benefits as well For one thing, yields of refined product, especially higher value-added products, are expected to improve, for another, Engen will then have capacity to generate additional sales through exports which, though less profitable than domestic sales, help maintain high plant loadings with beneficial effects on unit costs

SA's improved political image could not have come at a better time for exports MD Rob Angel is obviously elated at the progress that the group, divorced from Mobil US, has already achieved

Continued improvement in the political climate would also significantly enhance the development of a meaningful exploration programme with considerable potential benefits if, at some stage, Engen can own-source some of its crude oil requirements.

Against all this, there are few apparent negatives About the only one of any consequence is the impact of higher fuel prices on demand and the related consideration of a potential increase in fuel taxes — a possibility that cannot be discounted given that SA fuel taxes are low by international standards and that a cash-hungry State is forever seeking additional sources of revenue

There is also the possibility that a withdrawal of the oil embargo as part of a general softening of sanctions could trigger deregulation of the oil industry, with a consequent intensification of competition

But the balance of probability favours strong profit growth in the next few years

Over the past year, the price rose from 1 700c to a high of 3 250c shortly after the listing of Engen, before settling back to the present 2 750c On yield considerations, the market has done little more than recognise that Trek, previously unable to derive full benefits from its strong cash-generating ability and, therefore, underrated, has been catapulted on to a new growth path As this translates into earnings, the share should continue to outperform on further upward re-rating

Brian Thompson

SENTRACHEM FM 30/11/90

FAILED MISSION (183)

This giant states its mission as being in the chemical business "for the ongoing benefit of stakeholders " But, with 2,4% compound

Plate Glass begins to emerge from woods

Star 30/11/90 (183)

By Ann Crotty

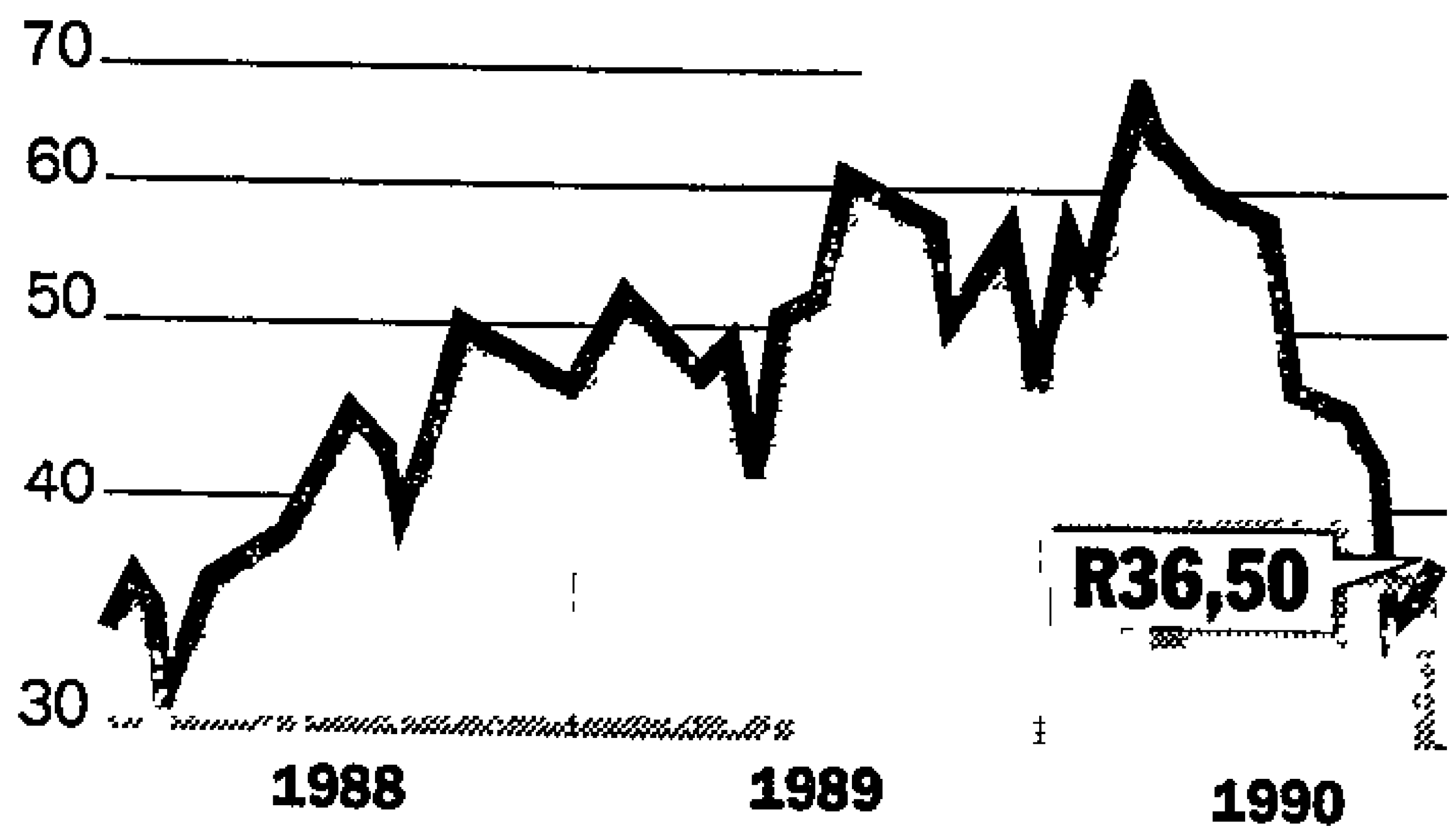


Plate Glass share price

A drastic programme to dispose of the bulk of its international wood operations at a loss of R74 million enabled Plate Glass & Shatterprufe Industries (PGSI) to exceed market expectations and turn in a marginal increase in nominal earnings at the interim stage

For the six months to September, PGSI reported earnings per share of 213,1c (211,9c) and has declared an unchanged dividend of 65c.

The cost of the disposal of the overseas wood interests was taken below the line and was netted out against the profit earned on the sale of PGSI's UK-based building glass subsidiary to St Gobain.

If the R74 million loss had been treated as an abnormal item and not an extraordinary (non-trading) item and had therefore been taken above the line, it would have been equivalent to 454c a share.

Group financial director Mike Read says PGSI's treatment of the loss is in line with normal accounting practice "Once a decision is made and steps are taken to dispose of assets, the losses incurred in that disposal are treated as a non-trading item."

This means PGSI's income statement was saved from what would certainly have been significant operating losses on the international wood side.

In financial 1990, the international wood division lost 208,8c a share.

Much of this was taken in the second half — with an estimated 50c a share loss suffered in the six months to September 1989

If this 50c loss were stripped out of the comparative interim earnings figure, the review earnings performance would show a 23 percent drop on the previous interim.

On the balance sheet side, the combined effect of the profitable sale of building glass assets to St Gobain and the costly disposal of the wood interests saw a sharp reduction in gearing — down from 78 percent at end-March to 38 percent at end-September

Reflecting the impact of the streamlining, the review figures show turnover down 14 percent to R1,35 billion (R1,57 billion) and operating profit up nine percent to R162,4 million (R148,4 million)

Interest charges were down 13 percent to R19,5 million (R22,3 million) A reduction in income from associates and a hefty increase in preference dividends meant attributable income was virtually unchanged at R35,1 million (R34,9 million)

The directors say the wood division accounted for earnings of 43c a share, compared with 2,4c in the previous interim (which includes the 50c international loss)

The glass division's interim contribution was down to 170c (208c), mainly as a result of heavy offshore development costs

There was an extraordinary profit of R25 million, reflecting the balance of the R115 million net profit on the European glass deals (equivalent to 688c a share), the R74 million loss on the disposal of wood interests and R15 million goodwill costs attached to various acquisitions

At a current trading level of R36,50, the share is well down on its 12-month high of R68

In early May, just before the announcement of the problems suffered by the international wood operations, the share was at R59

For the full year, the 208,8c a share "timber" loss will not be repeated Shareholders must weigh this benefit against the R74 million loss that had to be taken to ensure its non-recurrence

New Vaal housing scheme launched

By KENOSI MODISANE

A Johannesburg-based pharmaceutical and a housing company this week launched a new range of corporate group scheme housing in Evaton's North Oasis Gardens.

The scheme, which involved Adcock-Ingrams Laboratories and Minrav International, was hailed as "positive step for companies to be involved in group housing schemes for their employees".

"This is not only a step forward in the building industry, but it is a triumph that senior officials from companies should inspect houses built for their employees before they move in," said Mr Phillip Nicolau of Minrav.

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"It is also a good social exercise that senior members in a company should know where their employees retired to at the end of every working day," added Nicolau.

Sowetan 30/11/90

About 11 executive officials from Adcock inspected the houses built at the new surburb. And they were later treated to a braai as a "roof wetting party".

More for export

(183)

ST Times 2/12/90

CG SMITH Chemicals is investing R7,5-million in the expansion of its plant for the production of furfaral at Sezela on the Natal South Coast

CG Smith supplies the entire SA market for furfaral and the expansion will increase production for export, says development manager Brian Goswell.

Furfural is a chemical produced from sugar mill by-product bagasse and is used as a solvent in oil refineries and in the production of furfuryl alcohol for the foundry industry

Cherry for Royal

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S/Times 2/12/90

Business Times Reporter

CHEMICAL and confectionery group Royal Corporation has picked a cherry with its latest acquisition.

It has bought the entire shareholding in the South African Preserving Co (Sapco) for an undisclosed amount from its international parent, Del Monte Foods International.

Sources in the industry believe the price is high — R50-million to R100-million

Sapco is a byword in the Tulbagh area of the Western Cape and the world's preserved-fruit industry. It is the primary supplier of canned fruit to Del Monte and the deal is believed to guarantee the long-term continuation of the agreement.

The Del Monte label will also appear on SA supermarket shelves

The deal is subject to certain formalities and approval by Royal shareholders. Details will be announced soon

Engen off to flying start and better to come as wells flow

S Times 2/12/90.

By IAN SMITH

ENGEN'S transmuted listing through Trek Beleggings in May was a milestone for the JSE, providing investors with an opportunity to get into SA's only comprehensive oil-based fuel group.

Straddling exploration, refining, distribution and retail sales, Engen must benefit as the economy expands and matures

Looking further afield, the door will open to opportunities as other countries in Southern Africa focus on the development of their own economies

Then there is always the chance of a windfall breakthrough in oil and gas exploration

The first move in the birth of Engen came with Gencor's coup in buying US oil giant Mobil's Southern African operations for R650-million when the parent gave in to disinvestment pressure.

Stake

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This provided the Genref refinery in Durban and Mobil's huge distribution network throughout Southern Africa It fitted in well with Gencor-controlled Trek, a strong force in the marketing of petroleum products and a producer of re-refined lubricants and greases, and Sonap, with its strong distribution network in the Transvaal

Gencor also has a 30% stake in the Mossgas oil-from-gas project which is due to start deliveries late next year.

The final element came from Gencor's 20% option in Soekor's promising drilling operations in the Bredasdorp Basin and its interests in the North Sea's Alba and Kilda fields.

The formation of the R5-billion-a-year Engen culminated in the reverse listing through Trek Beleggings in May.

It has started in fine style, producing earnings and dividends well ahead of the transmuted listing document's forecasts for the year to August 30.

Attributable income, forecast to be R200-million, hit R213-million and the final dividend of 62c was 7c ahead of forecast. The payout for the year was 97c.

ROB ANGEL Risk management vital

Managing director Rob Angel, who elected to stay with Engen in spite of attractive offers from Mobil when his handover year ended, is confident that earnings will improve as expansion and "de-bottlenecking" projects are completed and rationalisation benefits, particularly in distribution, arrive

Forces

Engen has started a R1,2-billion upgrading and expansion programme which will increase efficiency and refining capacity at Genref by the end of 1992

It has joined forces with chemical groups Sentrachem and AECI to investigate the possibility of building a R4,5-billion chemical complex based on the infrastructure and by-products of either Mossgas or Genref

The investigation is expected to be completed by the end of the year and a decision to go ahead could be made two years later

The 50% increase in refining capacity at Genref will come on stream at a time when refineries around the world are expected to be stretched by demand It will enable Trek refining, currently done by Shell-BP, to be brought in-house.

The expansion will also enable Engen to increase exports to African and Indian Ocean countries Representatives are exploring opportunities

"We are pre-investing in selected areas to secure a share of these rapidly growing markets once the expanded refinery is on stream," says Mr Angel

Funded

The group is also examining oil exploration ventures outside Southern Africa. A likely target area is West Africa, says Mr Angel.

Engen is manager of the Mossgas project and has 30% of the present equity investment of R100-million. Offshore and onshore work is about 80% complete.

Six months after commercial production begins, Mossgas will be recapitalised and funded 40% by shareholders, 40% by the Central Energy Fund in special loans, interest and redemption terms being based on profitability, and 20% by commercial loans, largely in foreign export credits on imported components.

Agreements with Soekor give Engen the right to take part in up to 20% of exploration wells in an area of 6 000 sq km.

Various levels of interest have been acquired in 17 prospects since 1987 and potentially commercial flow rates have been recorded in six of them.

Mr Angel says that because of the high cost of exploration, risk management is a critical factor

"Spreading risk, both through geographical diversity and by reduced exposure through minority interests is the rule more than the exception

"A key element of Engen's strategy will be rigorous management of risk," says Mr Angel

Engen tipped to unveil R600-m expansion plan

183

Star 3/12/90

By Magnus Heystek

Engen is expected to announce today a major expansion plan, rumoured to be in the vicinity of R600 million over a period of time, at its Genref refinery in Durban.

The Engen board is meeting later today when the go-ahead is expected to be given to the project, industry sources say

On Friday chairman of Engen Bernard Smith told shareholders at the AGM in Cape Town he expected Engen to increase earnings in the current financial year

Despite the downturn, which has been further exacerbated by the Gulf crisis, Mr Smith felt confident that Engen, SA's only totally integrated energy company, would better the past year's earnins of 194c a share

Mr Smith said that as was evident towards the end of the last financial year, the economy in general was not buoyant and that it had since continued to decline

This, combined with higher fuel prices, could adversely affect volume sales, he said

"However, no serious evidence of such a deterioration in sales has been seen to date

"We are encouraged to see the Government responding quickly to the recent fall in world product prices by reducing pump prices," he said

"This will protect the SA economy from further pressure"

Commenting on the longer-term outlook for oil and fuel prices, Mr Smith said that should the Gulf crisis escalate into war, it would undoubtedly cause wild price fluctuations in the short term

"However, unless Iraqi troops are able to occupy and mine neighbouring oil fields in Saudi Arabia or other Gulf states, there is unlikely to be any real medium-term shortage of crude," he told the meeting

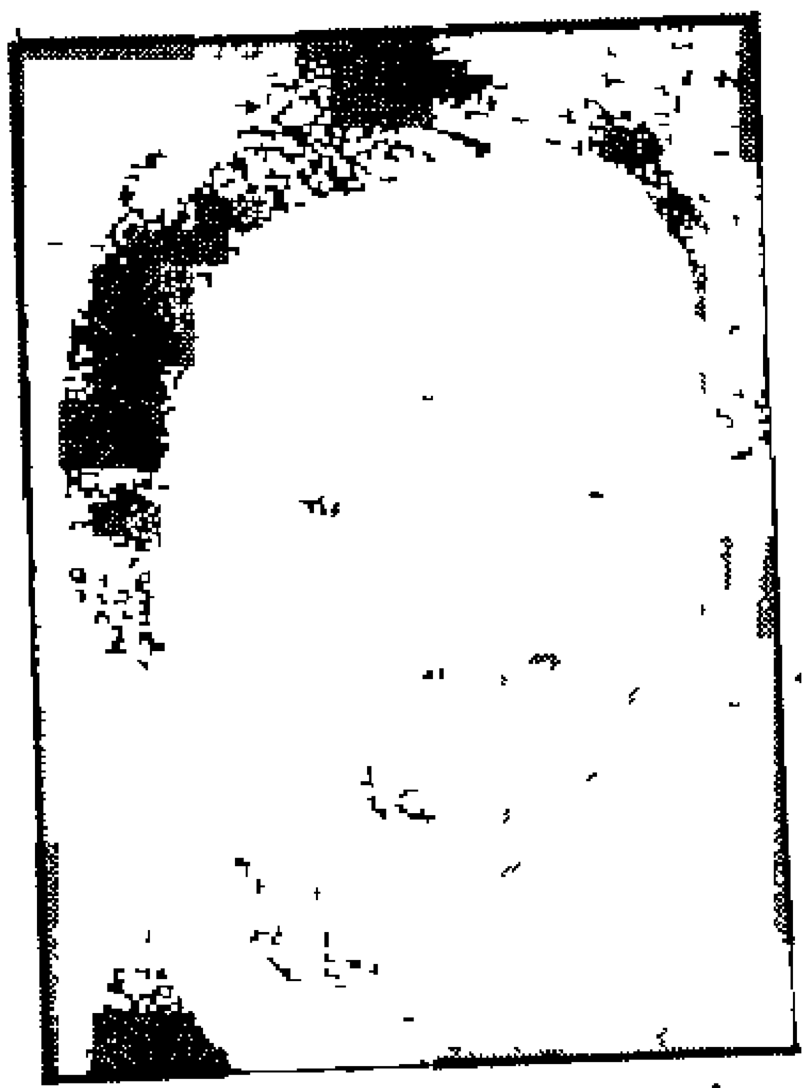
Mr Smith, however, noted that the disruption of shipping in the Gulf was a potentially serious short-term risk.

He said that Gulf refineries were more vulnerable and if any were hit by missiles or bombs, the supply of fuel products could tighten further

This would place further upward pressure on refining margins

He said the escalating tension in the Gulf, in conjunction with long-term tightening of refinery capacity worldwide, highlighted the importance to Engen of the Genref refinery in Durban.

The refinery, which had been shut down for planned major maintenance, had been successfully restarted, he said.



Bernard Smith . . . expects earnings to increase in current financial year

Engen approves R670m first-phase expansion of Genref refinery

(183)

BDay 4/12/90

NEIL YORKE SMITH

THE Engen board yesterday approved the R670m first-phase expansion of its Genref refinery in Durban, which is expected to increase production by 30% once the extra capacity comes on stream in late 1992.

Engen also announced that, together with Soekor, it had discovered oil in the Bredasdorp Basin.

Engen MD Rob Angel said the reservoirs appeared small and commercial development was unlikely in the near future, but could occur if further exploration yielded positive results. Engen and Soekor have been exploring the basin since 1987.

In an interview Angel said that, spread over five years, "the three-phase expansion project will make Genref a world-class refinery in terms of its complexity and physical size".

The oil companies do not release figures for total physical output or relative market share, but the expansion is expected to make the Genref plant SA's biggest in terms of output capacity.

It will also enhance its position in relation to competitor refineries such as Caltex in Cape Town, Shell-BP's Sapref in Durban and the inland Natref, a Sasol-Total joint venture.

Expected payback time of the project is five years. The expansion would derive major financial benefits in a number of key areas, Angel said.

"By boosting capacity 30% we expect a significant increase in Genref revenues. Also gasoline and diesel yields should improve by about 2%.

"Simultaneously we expect to reduce Genref's energy consumption by 5% which will generate big savings."

Trek, which falls into the Engen stable, terminates its refining contract with Shell-BP in 1992. The expanded Genref plant will then handle the Trek refining business.

Savings would be achieved as Engen would no longer pay a refining margin to Shell-BP's Sapref refinery in Durban.

Air, water and noise pollution would also be minimised, Angel said.

The R670m investment includes escalation and capitalised interest.

Retained earnings and borrowings will be used to finance the expenditure, but Engen chairman Bernard Smith has confirmed the company is considering avenues to raise capital.

Gencor and Genbel hold 93% of Engen's equity. An Engen rights issue might dilute this stake but is unlikely to take control out of Gencor's hands.

Engen's maiden results exceeded forecasts. The group earned 194c a share for the 12 months to end-August. Real growth was likely in the current financial year, Smith said.

The shares were bid at 2 925c last week. At this price they yield 6,5% on earnings and 3,3% on dividends.

SA Druggists 'will maintain earnings'

B Day 4/12/90

MARIETTE DU PLESSIS

ALTHOUGH difficulties experienced during 1990 interrupted SA Druggists' (SAD's) consistent 24% compound growth in profits of the past seven years, earnings would be maintained in financial 1991, MD Tony Karis said in an interview

While interim results did not meet expectations, Karis was confident that when SAD's two-year period of consolidation came to an end in March 1991, profit growth would be possible.

He regarded marketing, productivity, exports and asset management as the four main criteria of growth, and expected improved management of stock and debtors during the latter half of the year to ensure improved profitability

Despite growth in earnings in the first six months, reduced trading margins and lower exports saw SAD's earnings falling by 1% in the year to end-March 1990.

Direction

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Operating margins during this period were also cut in view of problems both in its distribution division's LPA Johannesburg operation and on the manufacturing side, where large volumes of unprofitable state tender business hammered margins at the Lennon Pharmaceutical factory.

Although LPA came back on stream during August, additional turnover was needed to return to the previous year's profitability levels

In addition, Lennon was "moving in the right direction and operations are up and running at expected growth levels", Karis said.

While state tender business amounted to about a quarter of Lennon's turnover, reduction in the tender sector would be made up in the private sector, together with other private sector growth, he said

Problems at LPA were also seen as the main factor which resulted in the 7% drop in attributable income in the first six months of the current financial year

Karis also saw exporting as a major growth area and expected to regain lost overseas customers to boost export revenue

Engen gives go-ahead for R670-m expansion at Durban refinery

(183)

Star 4/12/90

By Jabulani Sikhakhane

The board of Engen, Gencor's energy arm, has authorised a capital expenditure totalling R670 million to increase capacity by some 30 percent at the Genref refinery in Durban.

The amount includes escalation and R70 million capitalised interest

Chairman Bernard Smith said yesterday that the first phase of this expansion, which will start early next year, will allow Genref to take over the production of Trek volumes in 1992, accommodate anticipated increases in Mobil, Sonap and export volumes

The increased capacity will reduce the costs of production per unit due to increased volume output, lead to energy savings of about five percent and an increase of about 2,4 percent in gasoline and diesel yields.

The first phase of the project, which is expected to pay for itself within five years, is due for completion by August 1992.

Exports

Chief executive and managing director, Rob Angel told a media briefing yesterday that Engen will be setting up infrastructure in neighbouring African countries to prepare for exports into these countries when the first phase of Genref's expansion is complete by mid-1992

The second phase of the expansion programme, which will be taken to the Engen board by about June 1991, will cost an estimated R500 million. The third phase is still in a conceptual engineering stage, Mr Angel said.

Mr Smith said the R670 million can be financed out of retained earnings and borrowings At end August 1990, Engen had retained earnings of R227,751 million.

However, he said consideration was being given to raising additional capital in the future

On top of the expansion programme at the Genref refinery, Engen will need another R200 million to take eight percent of Gencor's 30 percent stake in the Alba oil fields in the North Sea.

The fields have in-place oil reserves in excess of one billion barrels

Engen will also need extra capital should it decide to increase its participation in Mossgas when it comes on stream

Sapref oil refinery will 'easily make up' lost Trek business

NEIL YORKE SMITH

SAPREF, the Shell-BP oil refinery in Durban, will easily make up lost throughput after the 1992 termination of its refining contract with Engen-controlled Trek, Shell MD John Drake said yesterday.

"With demand increasing steadily, the reduction in throughput will be easily accommodated," Drake said. (183)

"Current growth will more than compensate for any loss as a result of the termination of the contract."

On Monday, Engen announced a R670m first-phase expansion of its Genref refinery in Durban. The expansion will enable Genref to bring the Trek refining in-house, so the Shell-BP refining contract will not be renewed. B/Day 5/12/90

The oil companies do not release physical volume figures. The Genref first phase expansion will boost capacity by 30%. Most of this is expected to be used to handle the refining needs of Trek.

Termination of the Trek refining contract would boost available capacity at Sapref, effectively deferring the next major refinery expansion, Drake said.

He confirmed that Shell was studying the possibility of expanding its refinery operations. "We are doing technical analysis but expansion is likely to occur only towards the mid-1990s," he said.

Demand for petrol remained strong, despite higher prices resulting from the Gulf crisis, Drake said.

"There is some inelasticity in demand for petrol in SA. This is partly because we do not have a good public transport system. Rapid urbanisation and the growth of the the black taxi industry have contributed to continued strong demand," he said.

Demand for diesel products had been flat, he said. This was attributed to the slowing economy and reduced demand

Sabax wins top SA safety award

Star 8/12/90 (183)

SUE OLSWANG

SABAX, a division of Adcock-Ingram, recorded a 24 percent increase in turnover during the past financial year.

Sabax recently admitted contamination was found in a number of units in two batches of an admixture prescription medicine prepared by its admixture pharmacy and which may have caused the deaths of many new-born babies.

The admission came after press reports about a number of infant deaths at exclusive private clinics and a Johannesburg hospital. The infants died from the klebsiella infection, which might have been passed on in contaminated potassium drips manufactured and distributed by Sabax.

Adcock Ingram's 1990 annual report reveals that Sabax experienced a 24 percent growth in turnover and received the National Productivity Institute's Gold Class award and NOSCAR award — SA's supreme safety award — during the 1990 financial year.

The annual report states that Sabax's "successful inventory reduction programme, manufacturing efficiencies and productivity improvements favourably impacted on earnings growth."

The infant death scandal is mentioned in the annual report under "Sabax investigation".

In his chairman's statement, Robert Albert Williams said: "Investigations have revealed that units in two batches of an admixture prescription medicine prepared in the Sabax admixture pharmacy were contaminated.

"Detailed investigations by ourselves and independent third parties are still being conducted in order to determine the precise cause of this contamination. I would like to reassure our shareholders that we are fully aware of our responsibilities and will continue to investigate thoroughly the entire matter."

Mr Williams said the Sabax admixture pharmacy operation has been closed pending the outcome of investigations.

He said all other sterile products manufactured by Sabax — such as large volume sterile intravenous infusions, dialysis solutions and irrigation fluids and blood packs — are "not implicated".

Chemicals see threat of dumping

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ST Times

9/12/90

By DIRK TIEMANN

THE SPECTRE of dumping haunts the R10-billion-a-year chemical industry because the Government has reduced tariff protection to international norms.

One of the biggest fears is that international producers will dump chemical products in SA as the world economy enters recession, says Sentrachem director Roy Pithey

Mr Pithey says SA is a small but sophisticated and attractive market

"We have a good infrastructure and when the softer international demand begins to bite, chemicals will be dumped in SA

"Anti-dumping measures are not easy to install and it is difficult to prove dumping The onus should be on the exporter to prove that goods have not been dumped"

Mergers

The Lambrechts committee report, a joint effort by the Department of Trade and Industry and the chemical makers, recognises this problem

The report says protection should be reduced gradually to improve the industry's competitiveness It admits that less protection means lower prices, with the result that not all companies will survive.

Mr Pithey thinks it unlikely that mergers will take place, or that any of the major producers will disappear He says the chemical industry agrees with what the Government is trying to do

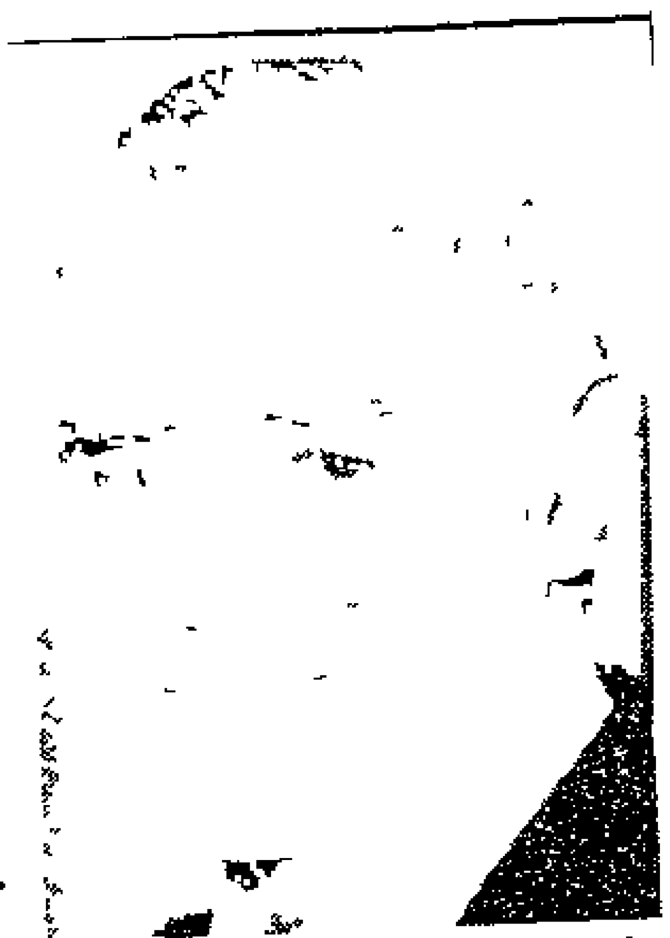
"Our industry developed under a policy of supplying only the home market Exporters face several disadvantages, not the least being SA's geographic and political isolation

"Raw materials often have to be imported at relatively high cost. Volatile gases, forming the basis of the petrochemical industry, are difficult and expensive to transport"

Mr Pithey says the industry cannot grow without exporting, but access to raw materials at world prices is essential The removal of protection must allow the industry to get its foreign distributorships in place and to identify markets

Mr Pithey regards a naphtha cracker as essential for growth Naphtha is a derivative of crude oil and is used as feedstock to produce ethylene, propylene and other hydrocarbons The cracker would cost about R2,5-billion and R2-billion would be needed for downstream plants

Mr Pithey believes the cracker would supply world-price raw materials and provide all the chemical building blocks, which are not readily available in SA.



ROY PITHEY· Cracker nedeed

S/Times 9/12/90

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Rubber hopes

By DON ROBERTSON

KARBOCHEM, a Sentrachem subsidiary, is investigating the manufacture of an advanced form of butadiene rubber at its under-used Newcastle plant.

In the past, this quality of butadiene rubber, made in only two other countries, has been imported.

Part of the plant will be modified at a cost of between R10-million and R15-million in the second quarter of next year and production could start early in 1992.

When in full production three years later, about 20 000 tons of rubber will be available for export. It could earn about R80-million at today's prices, says managing director Ben Schoeman.

Production will be about 36 000 tons of which about 12 000 will be used in SA.

The Newcastle plant has not been fully used since polyisoprene rubber production was stopped this year. Production was ended because of a sharp drop in the price of natural rubber, which the synthetic polyisoprene rubber replaces. SA synthetic rubber prices were based on natural rubber and this section of the plant became unprofitable.

Tyre manufacturers have tested the technical specifications of the product and have indicated that they will support it if pricing is competitive. It can also be used in the manufacture of industrial rubber products.

Mr Schoeman says. "Tests in Europe have convinced us that this rubber will be ideal for SA use and export.

"It is so versatile that it could replace virtually any other butadiene rubber used in tyre manufacturing."

The rand's world value

	R1 equals		One foreign unit equals (R)	
	7/12/90	7/12/89	7/12/90	7/12/89
US $	0,3977	0,3871	2,5148	2,5833
UK £	0,2051	0,2458	4,8762	4,0687
Deutschemark	0,5921	0,6826	1,6889	1,4649
Japanese yen	52,64	55,79	0,0189	0 0179
Swiss franc	0 5057	0,6148	1,9775	1,6265
French franc	2,0094	2,3336	0,4977	0,4285
Canadian $	0,4621	0,4499	2,1640	2,2227
Italian lira	446,32	503,46	0,0022	0,0019
Zimbabwean $	1 0268	0,8768	0,9739	1,1405
Australian $	0,5156	0,4941	1,9361	2,0239

Trade weighted value of rand, % change against 1974 base 39,65

Domestic interest rates

MONEY MARKET

	Friday 7/12/90 %	Friday 30/11/90 %	Friday 23/11/90 %
SARB accommodation rediscount rate TBs	18,00	18,00	18,00
Treasury bill tender rate	17,41	17,50	17 59
Basic call of discount houses	17,79	18,25	18,00
Three-month banker acceptances	17 80	17,90	17,90
Three-month NCDs	18,40	18 65	18,75
Three-year RSA stock	16,30	16,34	16,45
Prime overdraft rate	21,00	21,00	21,00
All-in yield of finest acceptance credits	18,84	18,85	18,95

CAPITAL MARKET

SECONDARY MARKET — RATES ON MOST TRADED STOCKS

	Average Previous Month	As on Friday
Long-term RSA stocks	16,45	16,05
Long-term Escom stocks	16,21	15,88

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Tobacco and Match	6,5+	4,6	11,1
Venture Capital	5,4+	0,0	1,1
Banks and Fin Serv	4,6+	7,7	18 0
Steel and Allied	4,6+	6,7	19,9
Insurance	4,3+	6,0	12,5

Overall market this week

Afrox chairman hits at overregulation

B Day 10/12/90 (183)

MARIETTE DU PLESSIS

PERSISTENT overregulation reduced market-related activity and inflated healthcare costs to unacceptable levels, Afrox chairman Peter Joubert said in the annual report

This, combined with a weak currency which added enormously to the cost of many imported items of capital and consumables, as well as the under utilisation of hospital beds run by the public sector, were matters of grave concern, Joubert said

No progress had been made in this respect, or in the general overregulation of health services, the multiplicity of health authorities and the restraint placed on suppliers, the medical profession, medical schemes and pharmacies

Curtailment of state subsidies for nursing training in private hospitals during the year would also exacerbate the nationwide shortage of qualified nursing staff

While Afrox's earlier decision to deviate from medical aid tariffs determined by the Representative Association of Medical Schemes had proved advantageous, medical aid funds insisted on paying patients the amount due to the hospital This resulted in the onus being placed on the hospital to obtain a deposit from a patient on admission If it did not do so it risked increased levels of bad debt, he said

Afrox's healthcare division consisted of, among others, 10 hospitals and a day clinic as well as its clinical pharmaceutical subsidiary, Home and Hospital Dispensaries

In the year ending September 1990, returns from the healthcare division increased significantly with the completion of several expansion projects

Overall group performance was in line with expectations, with earnings 27% higher at 216c (170c) a share

Although 1991 was expected to be a difficult period in which interest rates would remain high, Afrox was well positioned to maintain positive growth, though at a lower level than achieved during the 1990 financial year, Joubert said

Adcock is poised for growth after changes

B104 10/12/90

MARIETTE DU PLESSIS (183.)

PHARMACEUTICAL group Adcock Ingram is poised for growth and its recent restructuring bodes well for increased earnings in financial 1991, CE Don Bodley said in a recent interview.

The economic downturn could affect consumer products and proprietary medicines, he said.

However, he expected Adcock to maintain a reasonable level of organic growth in 1991 because of new products in the pipeline as well as the fast-growing self-medication market.

Adcock experienced another year of strong growth in 1990, with attributable income reflecting a 29% increase to R49,4m (R38,3m).

Its current dividend yield and earnings yield of 2,12% and 5,68% respectively, compared favourably with the sector's 4,3% and 8,3%.

The restructuring programme necessitated the reorganising of Adcock Ingram Laboratories in Industria and Saphar-Med in Durban.

During 1990, Adcock acquired the assets of and rights to market existing and future products of Leo Laboratories, a Danish company, and those of Bi-Bern Tool and Products, a specialist plastics mould and dye manufacturer.

The Sabax drip affair, being investigated by the Department of Health, could affect this year's performance, but Bodley was confident this would not happen since the admixture pharmacy involved represented less than 1% of Sabax's business.

In the annual report, a 25% return on ordinary shareholders' equity was forecast for 1991.

Royal building up investor confidence

183

Star 12/12/90

Diagonal Street

Jabulani Sikhakhane

Investor doubts about the wisdom of Royal Corporation's (formerly Lovasz Chemicals) acquisitions of Royal Beech Nut last year and the price paid appear to have been dispelled.

Royal's latest acquisition of fruit canner, SA Preserving Company (Sapco) and certain SA trademarks from Del Monte Foods International has raised no such doubts. Analysts believe the price paid to be around R100 million.

Royal's share price has been rerated strongly, surging 46 percent from 160c at the end of November to the current price of 235c. At this price level Royal is trading on an earnings multiple of 12 and a dividend yield of 2,6, compared with the industrial holdings average of 8,1 and 4,9.

Management maintains that while Royal is listed in the industrial holdings, its activities are more comparable with those in the food sector which has an average P/E of 12,8 and dividend yield of 3,4.

Investor interest in Royal is also being spurred by speculation of another acquisition and the fact that Royal will probably soon announce a separate listing of its food and chemical interests.

Analysts believe that Royal will probably go for a rights issue through the separate listing of Royal Beech—Nut, which houses the group's food and confectionery, in order to fund the acquisition of Sapco.

Managing director, Doug Johnston said recently that RBN will list when it makes an acquisition or when the market is right for a listing.

Analysts say that Royal's rerating is also justified in line with the group's perfomance In the six months to ending August, Royal showed a 20,4 percent increase in earnings, at a time when most companies were reporting falling earnings.

Sapco cans fruit for export under long-term contracts (said to be over 25 years) to Del Monte Foods International, which is one of the biggest canners in the world.

Sapco's canning plant operates from November to end-April, leaving six months of spare capacity for Royal to use

One analyst notes that although the purchase price might appear high, Sapco could double Royal's profitability

All the current Sapco production is for export. Export allowances should lower Royal's already-low effective tax rate. In financial 1990, Royal's effective tax rate was 11,5 percent.

Royal, previously Lovasz Chemicals, was reconstituted in March 1989 to incorporate the acquisition of Royal Beech-Nut from its disinvesting US parent Nabisco for R45 million

Although Lovasz was critisised for offering more than other bidders were willing to pay, RBN now contributes about 67 percent of the group attributable profits and has justified the price paid.

Other acquisitions included Manhattan Confectionery for R4,5 million and two brands from the Kellogs Corporation.

After a R60,5 milliom rights issue, Lovasz changed its name to Royal Corporation and moved from the chemical and oils sector to the industrial holdings board of the JSE.

It had RBN as its food and confectionery arm and Lovasz housing the group's chemical and pharmaceutical business.

The successful integration of all these acquisitions and their subsequent good performances is sufficient vindicationof Vivian Immerman (executive chairman of Royal Corporation) aim to build a solid and focussed industrial group.

Overall, Frankel, Marx Pollak, Vinderine analyst, Teigue Payne says the market has gained confidence that Vivian Immerman can achieve his ambition to build Royal into a major, dynamic group.

He adds that Mr Immerman generally acquires businesses with which he is thoroughly familiar

Court costs may cripple farmers

B'Day 13/11/90 (183)

MARIETTE DU PLESSIS

SEVEN Natal Midlands farmers might have to sell their farms to pay about R1,5m in legal costs incurred by losing a protracted court battle against 17 chemical companies, Natal Fresh Produce Association chairman Roger Evans said yesterday.

The Tala Valley farmers claimed they had suffered millions of rands in damage to their vegetable harvests caused by vapour drifting from the hormone herbicides used by sugar farmers in the area

Vapour drift arose from the evaporation and subsequent condensation of herbicides which deformed crops and, in cases of extreme exposure, could kill entire harvests

Evans alleged the use of hormone herbicides manufactured and produced by the companies had over the past five years resulted in the percentage yield of the farmers' first-grade tomatoes declining from 70% to 15% a year

The average lettuce yield had dropped from 85% to 32% and that of cabbages from 80% to 45%

Last month the farmers were refused leave by the Natal division of the Supreme Court to revive their legal case, with costs being awarded in favour of the chemical companies.

The court ruled that the farmers had failed to show they could adequately amend their particulars of the claim alleging that the hormone herbicides were in fact responsible for damage to their crops and that their use was wrongful.

The companies, among others Sentrachem, Staalchem Chemicals, FBC Holdings and Starke Ayres, did offer to cover the legal costs which the farmers were ordered to pay, on condition the farmers forfeited their right to take legal action, refrained from public campaigns and apologised for any inconvenience caused in 17 national newspapers.

Evans, also one of the plaintiffs in the case, said the farmers had refused to apologise for something which they could substantiate with scientific evidence.

He said the case was rejected on legal technicalities before the evidence could even be tested in court.

Evans said the farmers were convinced that investigations into the matter by themselves, the University of Natal, the Department of Agriculture and the Sugar Association could still turn events in their favour.

Government had since declared a wide "cordon sanitaire" around the Tala Valley in which the use of any phenoxies was forbidden and in addition had enforced a ban on all applications of such products by aeroplane for the whole of Natal.

Titanium project should come on stream next year

(183)

JOHN CAVILL and PETER GALLI

THE R925m project to expand titanium production of Richards Bay Minerals (RBM) by a third is expected to start coming on stream during 1991

The Financial Mail reported yesterday that construction on the project began earlier this year

Gencor is the largest local shareholder of RBM, with a 25% stake Rio Tinto Zinc owns about 50% RBM produces titanium slag as its primary product, with secondary products such as iron, rutile, zircon and monazite.

About 85% titanium dioxide is yielded from the titanium slag produced by RBM Most of this is exported, as it is a raw material used in the manufacture of titanium pigments.

Rio Tinto Zinc had said previously that its titaniferous slag capacity at RBM was being increased from 750 000 tons a year to 1-million tons This increased production was expected to come on stream in 1993

RBM was also expanding zircon output from 140 000 tons a year to 300 000 tons and rutile from 60 000 tons to 115 000 tons RBM produces 900 tons of monzanite, but what this will be increased to is uncertain.

The project will require an expansion at each of the three main operations at RBM — dredging, separation and smelting. The capital programme includes a fourth dredging operation, a new dry mill and a new furnace.

The Metals and Minerals Annual Review shows that the three big producers of titaniferous slag in 1989 were Canada (1-million tons), SA (650 000 tons) and Norway (200 000 tons)

Titanium dioxide pigment, which is mainly used in paint, paper and plastics, accounts for 90% of consumption of titaniferous feedstocks

Titanium metal is the next biggest market, where it is used by the aerospace industry, chemical plants and other applications where light weight and corrosion resistance is required

While demand was buoyant in 1989, supplies were tight. Pigment production was up 6% in the US and Japan, while sponge output (for metal) was 13% higher in the US and 30% up in Japan

However, the general economic slowdown, especially in the US, with the construction and car industries in recession, points to a softer market this year and next year

According to the Financial Mail, the zircon market has weakened substantially, because of the impending oversupply of materials from new suppliers and expansions.

However, long-term demand for titanium slag has grown by about 3% annually, with the trend expected to continue RBM is a major supplier of a high grade product

Strikers receive ultimatum

Cape Times 13/12/90 (187)

ABOUT 15 workers at a chemical company in Paarden Eiland have been given an ultimatum to return to work by 8am today after they went on an "illegal" strike yesterday morning

A spokesman for the SA Chemical Workers' Union, Mr Peter Roman, said the workerswent on strike over a demand for an R80-a-week across-the-board wage increase

A spokesman for Albion Chemicals, Mr Sam Druck, said the company had offered the workers a 20,5% wage increase — Sapa

COMPANIES

Farm-Ag gearing improves

MARIETTE DU PLESSIS

RATIONALISATION and disposals improved Rale Holdings subsidiary Farm-Ag's gearing materially in the six months to end-August with net income from continued operations rising 54% to R5m (R3,3m) on a 46% drop in turnover to R40,4m (R74,5m).

Results published today show a 55% rise in taxed profit to R3,1m (R2m) but the R3,6m loss from discontinued operations resulted in net income of R1,5m (R4m)

The disposal of Farm-Ag's agricultural seed distribution business, previously conducted by its Staalchem division, together with the costs of collecting and financing trade debtors of disposed businesses contributed to these losses.

Earnings a share before losses increased by 46% to 35,3c (24,2c) while earnings after losses showed a 57% drop to 10,2c (24,2c). No interim dividend has been declared.

Directors said a comparison of the results with those of the corresponding period in 1989 was of little value because of the substantial reorganisation and disposal of many component businesses

"These results compared favourably with those achieved for the 12-month period ended February 1990 where net income from continued operations amounted to R3,5m and the loss from discontinued operations amounted to R11m," they said

A major reorganisation of the Potter and Moore toiletries division should curb losses by financial year-end, directors said.

They added that losses arising from discontinued operations were expected to be lower in the last six months, and forecast a substantial rise in attributable income from associated companies which were seasonal and heavily biased towards the second half of the financial year

Similar trend

183

Progress had been made on the acquisition of suitable assets to enable Farm-Ag to retain the listing of Staalchem which became a cash shell in October

Since holding company Rale Holdings' only investment is its 65% shareholding in Farm-Ag, its results also reflected a similar trend. BDay 14/12/90

Taxed profit more than doubled to R2,8m (R1,36m), but ordinary shareholders' attributable income dropped 70% to R605 000. Earnings after losses from discontinued operations also decreased by 70% to 0,65c (2,17c) a share

SA pays high price for gas

(183)

MARC HASENFUSS

SA's average gas price is 76% higher than the combined average for major industrial countries, a National Utility Services (NUS) international gas price survey shows.

The survey, covering the year to end-September, showed SA gas users paid an average of R23,44 a gigajoule (a measure of energy), while Italy paid R17,34, the US R10 and Canada R8,74. BDay 14/12/90

NUS SA marketing director Peter Cornelius said SA did not have a natural gas supply, and this distorted price comparisons. But he agreed that while gas was traditionally an inexpensive commodity, "in SA's case this is clearly no longer so".

The high price South Africans paid for gas was a reflection of a lack of volume, but was also an indication of the small number of dominant suppliers and the consequent lack of competition, Cornelius said.

Holdings

Adcock is showing strong organic growth

183

Star 14/12/90.

Diagonal Street

Jabulani Sikhakhane

Adcock Ingram's continued strong growth justifies this health care group's premium rating by investors

In the past five years, Adcock has achieved a compound dividend growth of 30 percent, while earnings have grown in the same order.

At yesterday's closing price of R32, Adcock yields 2,1 percent on dividend, representing a premium rating of 43,24 percent over the industrial index dividend yield of 3,7 percent.

This strong growth pattern continued in financial 1990, despite a contracting economy. Adcock beat an increase in the tax rate to 46 percent (39,7 percent) to chip in with an earnings growth of 22,5 percent. Dividends were up 24,8 percent.

Chief executive Don Bodley writes in the group's annual report that this perfomance was due to strong organic growth from all subsidiaries as a result of improved marketing strategies.

All group divisions showed strong growth. E J Adcock upped its turnover 40 percent to R230,1 million. But Mr Bodley notes that margins from this division were lower because of pressure from medical aid schemes for larger discounts and increasing competition from dispensing doctors

Adcock Ingram Laboratories's turnover rose 30 percent to R171,7 million, Sabax 24 percent to R139,3 million and Saphar-Med chipped in with a turnover increase of 23 percent to R74,6 million.

The group's stated aim is to increase exports to 10 percent of turnover in the next few years. Mr Bodley says the group has made progress in developing exports, with considerable potential to expand in Africa, the Far East, Europe and the Indian Ocean Islands.

The group has established an export department to co-ordinate group export activities and develop distribution networks In financial 1990, export sales rose nine percent to R6,813 million.

Despite high interest rates, Adcock managed to reduce gearing to 12,3 percent from 18 percent. Interest bearing debt was R21,085 million (R26,143 million) being made up of a bank overdraft of R3,318 million and call money and other loans totalling R17,767 million.

Management attributes this feat to improved profitability (margins up to 15,3 percent from 14,3 percent) and a positive net cash flow.

After investment activities and dividends paid, the group showed a cash inflow of R3,25 million, compared with a cash outflow of R10,06 million in financial 1989.

Cash generated by operations improved 39 percent to R97,77 million. This was due to improved operating income and efficient working capital management.

The group implemented an inventory reduction programme. Working capital per rand of turnover fell 11 percent to 14,1c from 15,8c. Also stock turn showed a slight improvement to average 6,8 times from 6,3.

Mr Bodley says to achieve the group's key strategic objective of growth, Adcock has restructured its division and now has six market-focused strategic business units.

Group capital expenditure for the current year is budgeted at R54,5 million and major projects include the upgrading of a tablets facility to increase capacity and manufacturing flexibility.

Despite the number of challenging issues facing the health-care industry, chairman Robie Williams forecasts a reasonable level of organic growth in the current financial year, with earnings showing a satisfactory increase

Blueprint for new AECI plant

(183)

ZILLA EFRAT

AECI Explosives and Chemicals is to build a new 130 tons a day carbon dioxide liquifaction plant, costing R7m, at its Modderfontein factory near Kempton Park. B/Day 17/12/90

The plant will use an "environmentally friendly" process, developed locally, and its cooling unit will not use chlorofluorocarbons (CFCs).

An AECI statement says the plant will replace AECI Explosives and Chemicals' existing 50 tons a day plant and is expected to come on stream by the end of 1991. Production at the existing plant will be phased out to avoid interruption in supply.

The new plant will be able to supply the expected 5% to 10% annual growth of the local market for the next decade, with surplus capacity to stimulate the development of new applications.

AECI says the current SA market is about 140 tons a day, with the majority of the product used in the food industry in applications like soft drink carbonation. Carbon dioxide is also used in the foundry, mining, steel, welding and fire extinguisher industries.

The plant is expected to enhance AECI Explosives and Chemicals' competitive position as a carbon dioxide supplier.

AECI Explosives and Chemicals business development manager Chris Davidson, who championed the development and justification of the plant, has been appointed project manager.

AECI Explosives and Chemicals marketing manager Eddie Bodbyl will assume responsibility for the new business on completion of the plant.

AECI gives go-ahead for R7-m C02 plant

Star 17/12/90

Finance Staff

(183)

AECI has approved the expenditure of R7 million by operating company AECI Explosives & Chemicals to build a 130-ton per day carbon dioxide liquefaction plant at its Modderfontein factory, near Kempton Park.

The plant uses an innovative and environment-friendly process, developed locally

The cooling unit in the plant will not use chlorofluorocarbons

It will replace the existing plant and is expected to come on stream by the end of 1991

Production at the existing plant will be phased out in order to ensure that there is no interruption in supply.

Revamped Farm-ag still battling odds

Star 17/12/90

(183)

By David Canning

DURBAN — Revamped Farm-ag's interim figuree do not bear much comparison with those of 1989.

On turnover of R40,4 million (R74,5 million) in the six months to August, it achieved net income from continued operations of R5,07 million.

But the loss from discontinued operations rose to R3,6 million — leaving net income of R1,47 million.

Gearing has been materially reduced thanks to the collection of money flowing from discontinued operations

Earnings a share before losses rose to 35,3c (24,2c) and after losses dropped to 10,2c (24,2c) The interim dividend has been passed.

Holding company Rale saw earnings after losses from discontinued operations fall to 0,65c (2,17c) a share.

Tax takes a big bite of Darmag's profits

183

MARC HASENFUSS

CISKEIAN rubber and plastics producer Darmag posted reduced interim earnings for the six months ended September after a hefty increase in its tax bill.

The group's 42% boost in pre-tax profit to R1,1m (R771 000) was transformed by a R110 000 tax bill (previously a R337 000 tax credit) into a 13% decline in attributable earnings of R989 000 (R1,14m) or 4,5c (5,2c) a share

Directors said profitability had improved mainly as a result of attention to cost saving and an improved performance in the plastics division.

Turnover showed a slender 5% increase to R14m (R13,4m). B/Day 21/12/90

An interim dividend was not declared although directors said tight control on capital spending during a period of increasing financing costs had stabilised the previously deteriorating cash position.

More demand

The group's ability to resume dividend payments would be reviewed at the end of the year, the directors said.

Darmag reported significantly increased demand for its plastic products as the division took advantage of the previous year's investment in new equipment moulds and design facilities to obtain additional business and increase plant utilisation.

Turnover in the rubber division was maintained by improved sales of rubber battery products coupled with the discontinuance of low margin products and reduction in overheads.

New entrants into the battery separator business depressed group performance in this sector.

The group expects second half performance to be similar to that of the first half.

Petrol cut welcomed but 'need to save'

183

Argus 21/12/90

By ESANN van RENSBURG
Staff Reporter and Sapa

REACTION and praise from various quarters for the petrol price cut has been tempered by a National Energy Council (NEC) warning that the risk of war in the Gulf is increasing daily — with the probability of a major fuel shortage.

National Energy Council group executive Dr Robert Scott said although the fuel price reduction would be welcomed by motorists and the transport industry, it did not signal a relaxed attitude towards the need for fuel saving

"We are observing developments in the Gulf with concern War would almost certainly mean a disruption in world oil supplies A very likely scenario is that a country like South Africa, to which an international oil embargo still applies, would be affected by such a crisis."

He said a major fuel-saving effort by motorists and fleet owners would ease the effects of an oil crisis and could postpone the introduction of mandatory fuel savings.

But for this warning, reaction to the petrol price reduction has been postive.

Checkers group managing director Mr Serio Martinengo said it was well-timed

"The food industry, which is very sensitive to the fuel price, will start to renegotiate the bulk of food merchandise prices for 1991 within weeks

"The price increase of September/October 1990 would not have been brought into account in these negotiations, the reason being that Checkers did not accept any petrol price related increases over the past three months.

"Consumers will therefore most definitely benefit from this," he said.

Consumer Council director Mr Jan Cronje said the decrease in the petrol price was a welcome Christmas gift to consumers but appealed to consumers to use fuel sparingly

Mr Cronje also appealed to businesses to use the reduction to stabilise prices

The South African Chamber of Business, in welcoming the move, said the decision was in line with its previously stated view that the fuel price should be lowered when circumstances permitted.

South African Airways has said it would not review its prices until the middle of January as the price of jet fuel was fixed on the 15th of each month

A spokesman said they were not in a position to alter it until the January price was known

The petrol price reduction was welcomed by the managing director of the OK Bazaars, Mr Gordon Hood, who appealed to all suppliers to help pass savings to the consumer.

The reduction should boost morale and would bring some relief to businesses that were experiencing high transport costs, he said

The SA Chamber of Commerce said in a statement that the price drop would have a ripple effect on the economy and might even reduce unemployment and inflation However, because of the unresolved crisis in the Gulf the decrease could be only temporary and all fuel-users should continue to save fuel

New IRA victim?

LONDON — Gunmen shot dead a police reservist in Northern Ireland early today as he was driving home in his car. The 46-year-old reserve constable in the Royal Ulster Constabulary was shot several times — Sapa-Reuter

Royals in purple

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S Times 23/12/90

By JULIE WALKER

ROYAL companies reigned this week on speculation that the chemical and food interests might be listed separately.

Large bookovers by the same broking firm in Royal began a week ago, the share price adding 10c with each deal The price climbed from 250c to a year's high of 280c The March low was 110c Holding company Royhold picked up 30c to 270c on Friday afternoon

The week was quiet, absorbing the effects of a finrand which rose from 350c to the dollar to 338c, drifting back 2c on Friday

Gold bucked up a little on Middle Eastern warmongering, but the dollar's midweek gains reduced the net rise to about $10 for $383

But institutions were not interested, many having gone fishin' A rise in gold the size of a tidal wave, not a ripple, will be required to bring the earnings potential of the mines in line with their current share prices

Liberty Life added 50c to R25 on big volume at the lower price FIT gave up 20c to 1 265c, but Richemont was hurt by the finrand, shedding 140c to 2 110c De Beers was up and down, closing 100c off at R68,25 after touching R67

Rainbow brightened on announcing negotiations It added 40c to 340c on speculation of a deal with ICS, possibly involving Festive Chickens ICS added 50c to 1 050c

Heavy trade was evident in Iscor about 188c It lost 3c to 187c A total of 750 000 Da Gama shares changed hands at R7 and nearly 2,4-million McCarthy at R3 Caxton added R50 to R150

Gilt rates eased and gold futures firmed

Never-ever bridal pair

(183)

ST Times 23/12/90

By IAN SMITH

INTRIGUING as it may be, a marriage between Gencor and international trading combine Lonrho is unlikely to be read in the banns

A London report that Lonrho chairman Tiny Rowland is pondering a merger with Gencor set analysts speculating about the benefits of the move — but many of their conclusions are wide of the mark

Chairman Derek Keys admits that he is disturbed that Gencor's share price stands at a 33% discount to its net asset — denying shareholders R5,4-billion of their real wealth

The opportunities in a Lonrho deal could do something to redress that, given the multinational's exposure in Africa and its presence in Europe, the Middle East and the US

There are also synergies in mining, in oil operations where Gencor's Engen is keen to get into exploration, particularly on the west coast of Africa, and in some trading operations

The opportunities were examined in a preliminary document prepared some time ago — the London Sunday Telegraph based its report on this — but nothing more has happened

More co-operation between the two groups, particularly in mining, is a more likely prospect, sources say

The companies are already linked through last year's merger of Impala's Karee mine and Lonrho's Western Platinum Impala has a 25% stake in the enlarged company

Mr Keyes has said the two groups will not merge He says "At divisional level there are discussions from time to time aimed at possible synergies between business in the two groups"

A full merger does have attractions for Lonrho, hugely enhancing its assets and earnings base, the SA operations helping to counter more problematic operations in black Africa

London broker UBS Philips & Drew this week reduced its pre-tax profit forecast for Lonrho's current year from £290-million to £280-million Investors have frequently questioned the formula used for the valuation of assets, particularly in African states, and there is no succesor in place for the 73-year-old Mr Rowland

Sentrachem moots ferro-alloy project

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ZILLA EFRAT

SENTRACHEM is investigating converting its Newcastle carbide furnace, at a cost about R25m, to process ferro-alloys for exports in a project which could bring in an international partner

Executive director Glen Carter confirmed at the weekened that the chemical group had had talks about a project to produce ferrochrome for exports in conjunction with People's Republic of China partners It was recently reported that Sentrachem had met a visiting Chinese delegation about a possible joint venture

However, Carter said Sentrachem had also had discussions about partnerships with other international parties

The carbide furnace was part of the loss-making isoprene producing plant which was mothballed earlier this year at a cost of R120m Sentrachem was examining modifying it to produce either ferrochrome, ferrosilicon or ferromanganese for world markets

Carter stressed Sentrachem was still involved in the investigation, but expected a decision by early next year

Bday 24/12/90

COMPANIES

Second half could be brighter — Prochem

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BDay 24/12/90

ZILLA EFRAT

PROTEA Chemicals is not expecting improved earnings in the first half of the current year, but there could be some improvement in the second half, says chairman Hugh Brown in his annual review

In the year to August, Protea Chemicals' (Prochem's) attributable earnings fell 61% to R4,1m or 8,9c a share.

Prochem was affected by the economic downturn, greatly increased competition, high interest rates and lower international chemical commodity prices. Stringent cost reductions were applied but these did not compensate for the decrease in margins.

On the held group's prospects, Brown says the prevailing economic climate makes it difficult to forecast even a few months into the future. "An upward movement in commodity chemical prices arising from the Gulf crisis will assist the trading group, but this will be offset by the continuing cutback in demand from a host of industries serviced by the group"

Brown says the self-contained, self-rescuer project has been successfully completed with the Government Mining Engineer approving the use of the device after stringent SABS and Chamber of Mine tests This project was developed by Gencor and taken over by Prochem.

The Government Mining Engineer has ruled that the unit, which is the only locally designed and manufactured approved self-rescuer, must be installed by gold mines engaged in the trackless method of mining.

In addition, Brown says the electronic sequential blasting project has made progress It is hoped this will be marketed during the current year.

With effect from September 1, Prochem sold the Chemplast Marc Etter, which incurred losses during the year It is active in the supply of corrosion resistant pumps, valves, piping and components

However, the group will retain Chemplast's electroplating, electronic chemicals and automotive chemicals divisions

Chemical industry looks beyond 1991

BDay 27/12/90 (183)

ZILLA EFRAT

THE 1991 prospects for SA's chemical industry, estimated to be worth R20bn a year, are not rosy But the longer-term outlook appears brighter.

The industry could be hard hit by a war in the Gulf because a jump in the price of crude oil, from which many inputs into chemicals are derived, could place severe pressure on margins.

This would come at a time when many commodity prices and demand for chemicals, which are used in almost every facet of industry, are soft in the wake of economic downturns in SA and the OECD countries

Dented

AECI MD Mike Sander adds that SA's chemical industry is also being affected by the lower gold price, poor agricultural conditions and the unrest situation

Most of these factors are expected to leave their mark on the chemical industry in 1991

They have already dented the earnings of chemical companies in 1990

For the nine months to September, AECI's attributable earnings were 15% down on the previous comparable period and Sentrachem's fell 12,4% in the 17 months to August

But, Sander says, SA's chemical industry will have shown a better 1990 performance, with a smaller drop in earnings, than chemical industries elsewhere in the world

At the moment the local chemical industry is pulling in its belt and cutting costs, with much capacity being shut down

AECI Explosives & Chemicals and Chemical Services are merging their respective distribution subsidiaries in a streamlining move in an over-traded market

But, Sander says, following the rationalisation of the fertiliser business a few years ago, very few other opportunities exist

However, in the wake of tough market conditions local companies are increasingly looking to produce specialist products and becoming far more outward looking

Sander says for SA chemical companies to be successful in the future, they need to see themselves as global players and build world-scale plants for exports.

Despite the economic downturn, large investments are planned or being investigated Sasol plans a programme of 20 new projects which have a capital value of R3bn, and Sentrachem has embarked on a R200m expansion programme aimed at substantially boosting its exports.

Sander says AECI has large plans under consideration, but he will not elaborate at this stage. An announcement could be made in mid-1991.

AECI, Sentrachem and Gencor's energy group Engen are investigating also the building of a naphtha cracker, which could cost up to R4,5bn

But, Sander says, to be truly internationally competitive, the industry requires some government support, not in the form of subsidies but in the creation of a more favourable investment climate.

Essential

While SA producers have some raw material cost advantages, they are put at a disadvantage by taxes, GST, surcharges and accounting methods for depreciation For example, Sander says, it will cost between 35% and 40% more to build a chemical plant in SA than in the US Gulf, because of SA's tax structure

Call for changes to medical schemes

MARIETTE DU PLESSIS

PHARMACEUTICAL companies and doctors are clamouring for changes to SA's health-care legislation, especially with regard to medical aid schemes

In Adcock Ingram's annual report, chairman Robbie Williams called for the deregulation of medical aid schemes to offer members a more broadly based series of options, ranging from all-inclusive cover to disaster cover, in line with other forms of insurance

At Gresham Industries' AGM chairman Gordon Utian also questioned the credibility of the medical aid system, in terms of which pharmacists were being pushed by medical aid societies to assume the role of a discounter

Dispensing Family Practitioners (DPF) chairman Robert Rapiti issued a statement saying "Medical schemes are failing to deliver the goods and have abused the archaic state of present legislation governing health care in the private sector "

He also questioned the manner in which the 5% to 10% was used for administration since "medical aid contributions were public funds"

Department of Health director-general Coenie Slabber said requests were made to all interested parties to submit their suggestions regarding the present health-care situation and the matter was receiving attention

He said it was out of step with the government's policy of deregulation to legislate for the control of either the remuneration or the income levels of health-care providers in the private sector

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Slabber emphasised that government's health-care policies were not only formulated to be in the interest of all its citizens, but administration costs of medical schemes were under constant scrutiny

Costs were audited annually and reported to members and the Registrar of Medical Schemes, he said

Festive season boosts 'hangover industry'

(98) MARIETTE DU PLESSIS (183)

THE "hangover industry" is not suffering from the ill-effects of the current recession, with sales of medication for overindulgence substantially higher during the festive season, pharmacists say

Pharmacists expect sales of Prohep, Essentiale and Guronsan C tablets to increase by nearly 50% in December and over the New Year period compared with the rest of the year B Day 27/12/90

Prohep, which is used to counteract the aftereffects of overindulgence, appears to be favoured by most customers, pharmacists say This is because people do not always plan to "go overboard"

In cases where excessive intake is planned well in advance — and one may add with some deliberation — medication such as Guronsan C and Essentiale will be used to prevent hangovers

"This is the festive season when parties are taking place every day and not only over weekends People consume more alcohol than usual and this trend is definitely reflected by sales of so-called hangover tablets," a pharmacist says.

Most pharmacies were also offering special prices for these tablets, with a pack of 20 Prohep and Essentiale tablets retailing at R9,80 and R7,95 respectively — 20% less than normal — while 30 Guronsan C tablets are selling at R13,99.

SA Druggist (SAD), which manufactures Guronsan C, projects sales to rise by 35% in the October to December period, compared with the average 25% increase in sales during the rest of the year, SAD MD Tony Karis says.

He says there is an a direct correlation between a higher alcohol consumption and the rise in purchases of hangover tablets.

Advertisements such as the Prohep advertisement on television — which shows a person drinking beer and then using the medication — strengthens the assumption that alcohol and these tablets are related, Karis says.

Health-care group Noristan, which manufactures Prohep, expects sales to equal 1989 figures, which were 14% higher during this period, a spokesman says

The pharmaceutical industry weathers recessionary elements

B Day 31/12/90. (183)

MARIETTE DU PLESSIS

THE pharmaceutical industry has achieved an element of stability in spite of recessionary conditions and the intense competition which has prevailed in the fragmented sector

But mixed 1989/1990 year-end results indicated things could change if the downswing were prolonged

A number of challenging issues faced the health-care industry as a whole, and the downturn in the economy could affect consumer products and proprietary medicines, Adcock Ingram CE Don Bodley said

He added that preventive medicine and primary health care in both the public and private sectors should receive more attention, together with the promotion of responsible self-medication and deregulation of medical aid schemes

Because consumers also traded down on drugs during recessions and competition intensified as a result, the pharmaceutical industry, like any other industry, suffered from the effects of inflation and increased costs, he said However, every attempt was made to contain medicine prices through increased productivity and efficiency

Pharmaceutical Manufacturers' Association president Hugo Snyckers said the industry's competitive nature ensured the price of medicine was kept as low as possible, but in view of high manufacturing costs and the current economic climate, costs were unlikely to be reduced

In the local pharmaceutical industry, individual companies held at most only 6% of the market and competition in this rapidly changing scenario was on the increase, he said

While several major players in the JSE's pharmaceutical and medical sector were holding their own against a general background of recession-hit profit figures, others were stagnating or consolidating to some extent

Difficulties

The sector's average earnings yield and dividend yield trailed industrial sector averages

SA Druggists' (SAD) pedestrian results in the year to end-March, due mainly to difficulties in its pharmaceutical and distribution divisions, brought to an end its seven-year achievement of 28% growth in compound earnings, MD Tony Karis said

In the six months to September, SAD also failed to improve on its 22% increase in operating income achieved in the corresponding period last year However, Karis said SAD's two-year period of consolidation was nearing its end and taxed profits for financial 1991 should equal this year's R75m, while "some" earnings growth was possible

The Premier Group's Twins Pharmaceuticals raised earnings by 14,4% in the year ended March, followed by a 23% rise in attributable income in the six months to September

But in view of the economic recession, directors did not expect a significant increase in earnings for the 1991 financial year

Industry leader and Barlow Rand subsidiary Adcock Ingram posted a 29% increase in attributable income in the year to end-September, to achieve a 32,5% compound growth in earnings over the past five years

Despite the downturn, Adcock forecast a reasonable level of organic growth in 1991, with the self-medication market offering the greatest potential for growth, Bodley said

Health services group President Medical Investments (Presmed) posted a 89% rise in attributable income in the year ended February, followed by a 96% jump in the six months to end-August 1990 over the comparable period