MANUFACTURING - Clothing

1988

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Workers try for pay-offs

Labour Reporter

NEARLY 300 workers at Knitwear Industries, Parow, have mandated their union to negotiate retrenchment deals with Teconit (Pty) Ltd, following the transfer of the factory to Claremont.

A spokesman from the Garment and Allied Workers' Union said it was demanding that the company keep the Parow branch open for three months while negotiations were in progress and that workers be given the option of retrenchment.

Most of the workers lived in the northern areas and as far away as Paarl, and had transport problems, he said.

The union said management yesterday gave workers 48 hours to report for work at Teconit, Claremont, or face dismissal.

The managing director of Teconit, Mr Len Keating, said the factory had "transferred", and that the 287 workers had been guaranteed jobs at Claremont. He said workers had not been dismissed. He would review the situation after Friday.

DD .21/11/88

Probe into textile industry rounded off in EL factory

184

by ANDREW AUSTIN

EAST LONDON — The Deputy Minister of Economic Affairs and Technology, Dr T G Alant, and the Deputy Director General of Trade and Industry, Mr A J Myburgh, "rounded off" investigations into the clothing and textile industry yesterday at Da Gama's in East London

Together with the MP for East London City, Mr Peet de Pontes, they visited textile factories here and in Zwelitsha

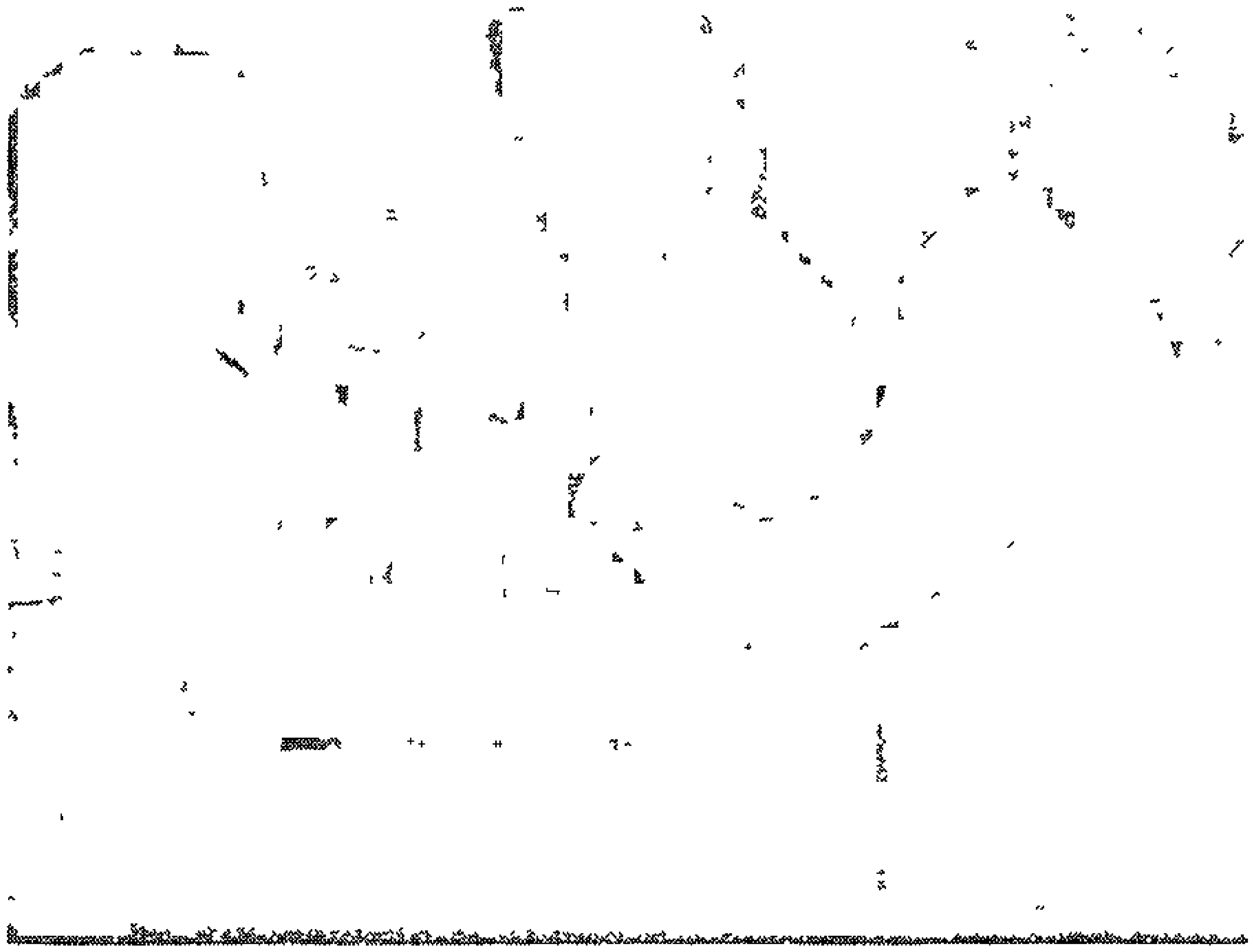
"We decided to undertake this trip, which started in Durban and continues to Cape Town, because we wanted more background information," Dr Alant said

"The Department of Trade and Industry is investigating the cotton industry with a view to further development in the field "

"The export market is the driving force for further development in the clothing and textile industry "

Dr Alant said the Department's investigation would also include the external interests of the industry

Mr De Pontes said that it was important that the government kept an interest in the textile industry in the Border area, because that industry employed the most people in the area



Touring one of East London's textile factories yesterday were (from left) Mr Vic Barinow (weaving manager), Dr Theo Alant, Mr A Greenwood (Da Gama's general manager) and Mr A J.Myburgh

PD 29/1/88 184

Delswa up 70 per cent

JOHANNESBURG — Before-tax profits up 70 per cent, from R975 000 to R1,7 million, in the six months to end-October 1987, compared with the comparable period the previous year were announced by Delswa yesterday

The interim dividend has been lifted 50 per cent from 20c to 30c

P/D 29/1/88

Bank down R342m

PRETORIA — The Reserve Bank's gold holdings decreased by R342 million during December to R4 904 million, according to the bank's monthly statement

Total gold and foreign assets decreased by R327 million to R6 139 million on December 31

Reserves were valued at R841,13 per fine ounce compared with R840,54 the previous month

Foreign investments and other assets increased by R15 million to R1 235 million

Notes in circulation increased to R5 981 million at December 31 from R5 867 million on November 30

Government deposits decreased to R2 234 million from R2 578 million and provincial administration deposits decreased to R224 million from R374 million

Deposits by banks fell by R20 million to R474 million

The ratio of gold reserves to liabilities to the public less foreign assets decresed to 62,5 percent from 71,0 percent — Sapa

P/D 29/1/88

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The interim dividend has been lifted 50 per cent from 20c to 30c

(184) ST 7/2/88

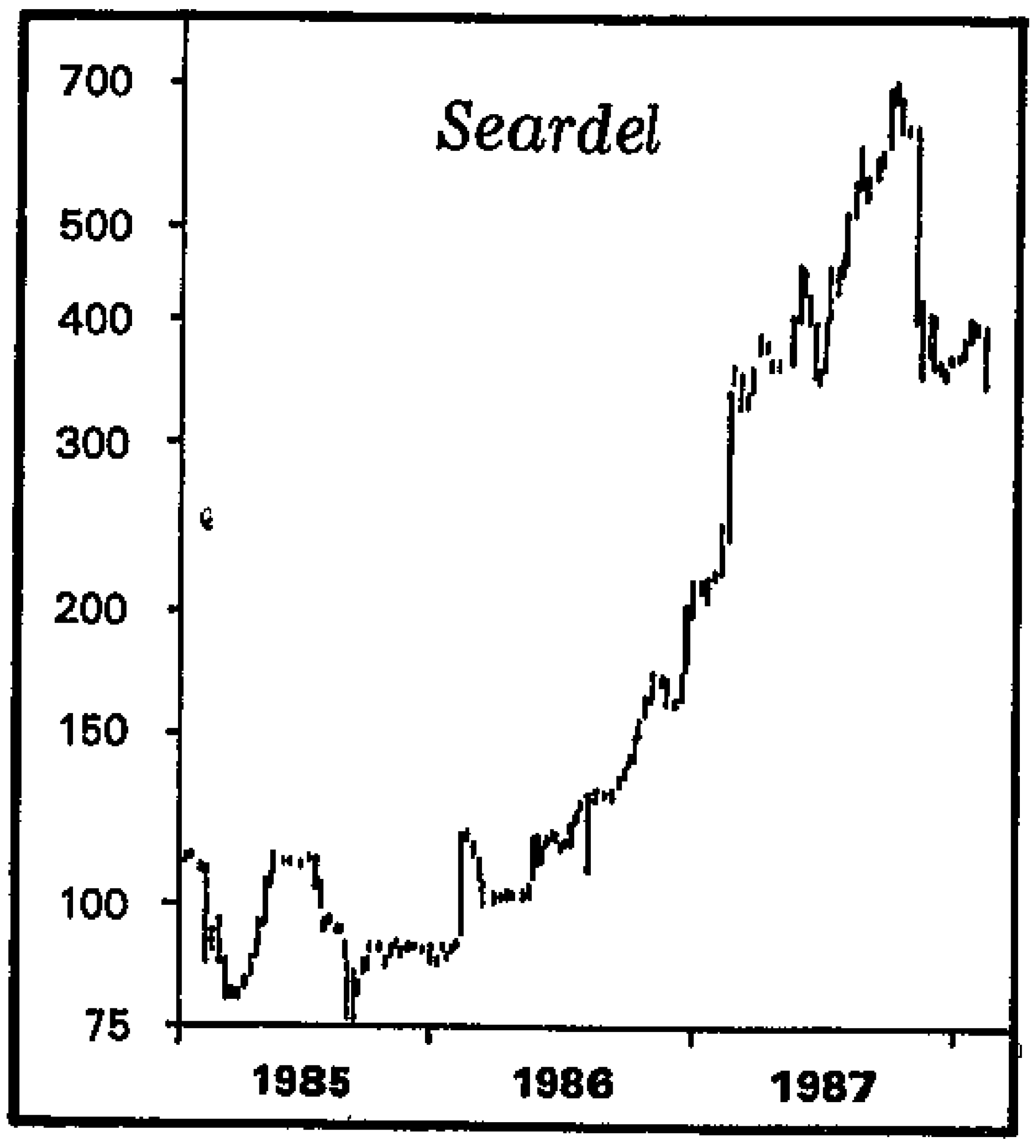
DIAGONAL STREET

Seardel good for the lucky few

SEARDEL Investment Corporation has got its mansion in order and could be a blue-chip company, but is neglected by the market for two reasons.

The Cape-based company manufactures and distributes clothing for men, women and children Its other activities comprise the manufacture and distribution of toys and consumer electronics, and there are travel and property interests

The reasons why it trades on a historic PE ratio of 4,4 and a forward PE of 4 times forecast earnings could be either that the share is not easily tradeable or the rise in interest rates is viewed to have a strong negative bearing on earnings potential



HIGHER

The group's gearing, which is simply a function of financing stocks and debtors, increased from 0,97 to 1,15 This contributed to a higher return on equity in the year in June 1987

However, chairman Aaron Searll puts the rising interest rate into perspective "Based on our current borrowings and including off-balance sheet finance, a 1% increase in interest rates equates to a reduction in earnings of 3c a share annualised "

Although the price of Seardel shares earlier this week was 360c, dealers were expecting the next trade to be higher The price had previously fallen to 340c, but on small volume

It seems likely that the real reason for Seardel's low rating is its lack of tradeability Institutions are unwilling to spend research time and effort on analysing a company in whose shares they cannot trade

PYRAMID

Of the 16,8-million ordinary shares in issue 25% are held by institutions and 61% by pyramid Searcon This leaves few shares for trading — in an average month about 250 000 change hands

Seardel issued convertible preference (CP) shares which carry a coupon of 12%. They yield 21c a year, and may be converted at a premium of 150c when the ordinary dividend reaches 21c

If this does not occur before July 1, 1989, the preference shares may be converted in July 1990 or 1991. The ordinary dividend is currently 13c from earnings of 80c a share.

Searcon also issued convertible preference shares which earn 21c a year and which may be converted on the same terms Searcon should theoretically trade at the same price as Seardel Searcon trades at 310c and the CP at 370c

Searcon therefore looks the cheapest route of entry into the group However it too is not easily traded

He attributes the improvement in results for the year to June 1987 to higher operating margins and a reduction in finance charges

By far the largest contributor to the total return is the apparel manufacturing division The Desiree group, with brand names such as Mr Brian, Speedo, House of Youth and Prestige, achieved growth of 4% in real terms last year and earned 45% of the group's income

Dubin contributed 44%. It makes well-known brands Blue Bell Wrangler, Cambridge Shirt and Man About Town

DOMINANT

Charmfit makes Triumph International swimwear, foundationwear and lingerie, and is the dominant market force. It contributed 15,6% to the bottom line

The Seardel Group employs more than 15 000 people and Mr Searll says it has enjoyed stable labour relations Most of the work force is unionised

"Productivity is carefully monitored and incentive schemes are used throughout the group "

Mr Searll says that earnings a share for the current financial year are likely to be in the upper part of the management forecast of 85c to 100c, assuming no change in trading conditions The current net asset value is about 400c a share He expects the rate of tax for the 1988 financial year to be 35%

The market rates Seardel, with a market capitalisation exceeding R80-million, forecast sales exceeding R500-million and a sound track record of growth, at a low PE of only 4,3 only when compared to the clothing sector average of 8,8

It offers good growth prospects especially for the smaller invetsor, who is not looking to buy shares by the thousands

However, Seardel has an ace up its sleeve in the prospective joint listing of two of its companies, the proceeds from which will be used to reduce gearing. The companies are Prima Toys, which last year contributed 9% to the group's return, and Sharp Electronics SA, which contributed 18%

Prima Toys increased its sales by 46% in the year to June 1987 and operating profits rose at an even higher rate However, customer demands for shorter lead times has caused Prima to replan its production to balance stocks

Sharp increased its turnover to R74,8-million, but pressure on margins remained high It notes however, that "the consumer is increasingly becoming prepared to pay a small premium for quality, branded products"

Mr Searll says it seems unlikely that the listing will take place in the first half of this year

Apparel accounts for 76% of income

Seardel lifts earnings, div

Cape Times 12/2/88

By LAWRENCE TOTHILL
Investment Editor

THE results of Seardel for the six months to December 31, 1987 show that the company is in great form with earnings per share up 26,1% at 60c (47,5c) and the interim dividend up 30% at 6,5c (5c)

Seardel's turnover for the six months rose 19,5% to R294m (R246m), operating income was up 29,2% at R22m (R17m), after-tax profit attributable to ordinary shareholders was up 26,1% to R10m (R8m)

Dividend cover

With earnings of 60c and a dividend of a modest 6,5c, dividend cover is a massive 9,2% times.

A breakdown of the various divisions of the group shows that apparel accounted for 76% of both turnover and operating income, consumer electronics for 16% of turnover and 17% of income, toys accounted for only 8% of turnover but 15% of income

It must, however, be remembered that toys do extremely well in the first six months of Seardel's financial year

Presenting the figures last night, chairman Aaron Searll said trading conditions were satisfactory and things are looking good for the current six months

"Provided that the political and socio-economic factors which have a major bearing on economic activity in the country improve, it is anticipated that economic growth will continue

"Subject to the above, earnings could approximate between 85c and 100c per ordinary share for the year to June 30, 1988"

Interest rates

The hope is also expressed that the monetary authorities will ensure that the trend of interest rates increases is not allowed to gain momentum This is a logical hope since Seardel is relatively highly borrowed and financing costs are considerable

A big hike in the final dividend should not be anticipated in spite of the improved profits as the company says dividend cover will remain consistent with past policy

In the case of the pyramid company, Searcon, whose major asset is its shareholding in Seardel, earnings per share amounted to 6,5c and the dividend is 6,4c

There are no comparative figures because the company was only incoporated in March 1987.

BUSINESS

COMPANIES

Argus 15/2/88 (184)

Seardel buys Bonwit in R9-million deal

By TOM HOOD, Business Editor

WOOLTRU is moving out of clothing manufacturing and selling the Bonwit group of 13 clothing factories to Seardel in a R9-million-plus deal

Bonwit, established in the early 1940s, is the manufacturing arm of the Wooltru group

It employs more than 1 800 workers and has a reputation of being one of the most efficient manufacturers, winning national productivity awards.

The group concentrates on women's and children's wear and has factories around Cape Town and at Atlantis, Darling and Malmesbury

Effective date of the transaction is July 1, subject to the approval of shareholders of both companies

The purchase price is expected to be about R9-million, based on the net asset value of the company on July 1, plus an amount for goodwill dependent on profits in the next two years, says a joint announcement today.

Wooltru chairman Mr David Susman said changes in the nature of the fashion clothing industry in recent years meant that the dedicated manufacturing service provided by Bonwit to group companies had become less relevant

At the same time Bonwit's position within a retail group inhibited to some extent the company's ability to expand its customer base

Seardel's chairman, Mr Aaron Searll, commented "We are delighted with the acquisition. The addition of a manufacturer of high-quality fashion women's and children's wear will complement our existing business.

"The deal makes sense if one considers the opportunities available to Bonwit as part of a group with a specialist manufacturing focus."

The management team at Bonwit was held in high regard in the industry and this was an important factor in the decision to go ahead, he added

The team, headed by managing director Ron Malcolm, would continue to run the operation under its present name

● Supermarket group **JAZZ STORES** achieved a 69 percent increase in net profit in the six months to December, with earnings of R2,5-million against R1,5-million a year ago.

This translates into 7c (5,3c) a share and brings an interim payout of 2c (1,5c) a share for shareholders

The group acquired supermarket and general dealer group Frasers on July 1 last year and the directors say the 169 percent increase in turnover to R167-million was mainly attributable to this acquisition, which brought 100 outlets into the group to make a total of 152 outlets

RETAILING

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Bonwit
CCo

Wooltru's R9m deal

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CAPE TOWN — Seardel Investment Corporation is to purchase the Wooltru group's manufacturing arm, Bonwit, both groups announced in a joint statement yesterday

The transaction will go through on July 1, while the purchase price will be in the region of R9 million

Wooltru chairman, Mr David Susman, said that the dedicated manufacturing service provided by Bonwit to group companies had become "less relevant because of changes in the nature of the fashion clothing industry in recent years" — Sapa

D/D 16/2/88

Seardel to acquire Wooltru clothing

Star 16/2/88

(184)

By Tom Hood

Wooltru is moving out of clothing manufacturing and selling the Bonwit group of 13 clothing factories to Seardel, in a R9 million-plus deal.

Bonwit, established in the early-1940s, is the manufacturing arm of the Wooltru group

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The purchase price is expected to be about R9 million, based on the net asset value of the company on July 1, plus an amount for goodwill, dependent on profits in the next two years, says a joint announcement from the companies.

Wooltru's chairman, Mr David Susman, said changes in the nature of the fashion clothing industry in recent years meant that the dedicated manufacturing service provided by Bonwit to group companies had become less relevant.

At the same time, Bonwit's position within a retail group inhibited to some extent the company's ability to expand its customer base. An important connsideration was that Wooltru had no basic objective of being a clothing manufacturer

Seardel's chairman, Mr Aaron Searll, commented "We are delighted with the acquisition The addition of a manufacturer of high-quality fashion women's and children's wear will complement our existing business The deal makes sense if one considers the opportunities available to Bonwit as part of a group with a specialist manufacturing focus."

Bonwit's management team, headed by managing director Ron Malcolm, would continue to run the operation under its present name.

Star

D

17240 bus, which is more than 85 percent locally sourced; the Leyland Tiger luxury bus; new models in the Range Rover Vogue, which have electronic fuel injection; a diesel model Land Rover and a long-wheelbase Land Rover.

Says Mr Szymonowicz. "I find the situation here incredibly exciting and rewarding in terms of job satisfaction. It is a greater hands-on operation than I have experienced before. Naturally, it has its own share of difficulties which we have to overcome.

"The gratifying aspects of this venture are that I can bring in new ideas, and that my colleagues are having their ideas listened to for a change. Of course, while we want to create our own identity as quickly as possible, we have to balance this with our available resources. We want to create a se-

BUSINESSWOMAN OF THE WEEK

At the helm of a big outfit

184

W/Argus 27/2/88

By MARTIN WELLS
Business Staff

DI BERILL, always one for a challenge, remained firmly at the helm as Riviera Fashions weathered a blue patch and sailed back into the purple

Riviera Fashions has enjoyed special success in the past two years — in the clothing industry where a few ill-chosen ranges can bring business to an end

Mrs Berill was born in Latvia and came to South Africa as a young girl

Her first love was theatre, but her motor engineer husband Isador persuaded her to join him in business They made coats and suits for ladies

Mr Berill made sure the machines and production line ran perfectly, Mrs Berill did just about everything — the typing, the accounts, answered the telephone, she even modelled some of the ranges

Riviera has since become a big outfit Over 500 people are now employed at the company's Maitland factory

The company's lines are evening wear, daywear and co-ordinated sportswear — all for ladies

About 60 percent of the garments are sold to the chains — Woolworths, Truworths and others — and the company's biggest market is the Transvaal

Mr Berill, a keen yachtsman, has since retired But Mrs Berill is still going strong

Her son Ian has filled Mr Berill's place Their other son, Brian, now works in Los Angeles, also in the clothing industry

Each of them, Mr and Mrs Berill and their sons, is a director

Mrs Berill now sees herself mainly as the fashion director

Riviera employs a number of designers. The company produces widely differing ranges, from jeans to stunning evening dresses

Co-ordinating the designs is enormously difficult because the designers have to have a large degree of freedom, yet a few flaws in range could result in a costly loss

Riviera makes clothes for the middle price market Its quality is "in line with the best" says Mrs Berill

The styles are of great importance to the company as women are highly selective about the clothes they buy

"A woman will look first at a garment's colour, then the style and then at the price," says Mrs Berill

She searches for exciting colours and is deeply proud of the many beautiful garments made by Riviera

Mrs Berill speaks French, German, Russian, Yiddish, English and Afrikaans, so she can more than get by on her twice-a-year overseas trips

Mrs Berill is confident that the "outstanding" quality of South Africa's clothing industry is among the best — better than in America or Britain and on a par with Germany

Riviera is a member of the Seardel Group, but it enjoys autonomy along with the other clothing companies under the umbrella

1985 was a particularly bad year for the company, but since then the "recipe" appears to be working again in the six months to December last year Riviera's profits were up 160 percent

Di Berill ... "outstanding" quality of clothes made in South Africa.

Longmile ahead of forecast

Star 2/3/88

184

By Ann Crotty

The Longmile Group, which was listed on the main board of the JSE last November, has reported earnings of 12c a share for the six months to end-December and looks well on the way to beating its prospectus forecast of 41 percent growth in earnings for the full financial year to end-June

The company is due to pay a maiden dividend of 4,6c a share after the end of financial 1988.

Turnover is not quantified for the six months but it is indexed and shows a 37 percent advance on the previous interim period This compares very favourably with the 23 percent turnover growth for the full year that was forecast in the prospectus. Operating income was up 40 percent at just over R20 million, while the interest bill was up marginally to R2,4 million Attributable profit rose 53 percent to R6,1 million

Longmile, which came to the market just weeks after the October crash, is an industrial conglomerate which combines the manufacture and distribution of clothing, vehicle silencers, fasteners and the retreading of vehicle tyres in its activities

Its issue price of 230c put the share on an historic price/earnings ratio of 13,5 times. Apart from the collapse in the market there was some concern that the wide spread of its activities would lead to some investor resistance.

However the large size of the company, and therefore of the issue, attracted good institutional support.

Since last November's issue it has reached a low of 175c and is currently trading at 190c which puts it on a forecast price/earnings rating of 12,6 times and an historic of around 11 times.

Management envisages no difficulty in achieving the performance level forecast in the prospectus.

Star 4/3/88

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Rex Trueform shows healthy profit rise

Clothing group Rex Trueform has shown a healthy profit increase in the six months to December, with net earnings improving by 25 percent

On turnover which was 14 percent up on the comparable period, operating income improved 16 percent, amounting to R6,5 million Attributable income was R5,5 million, equivalent to earnings per share of 133,1c (106,1c)

"The sustained demand for our products and continued tight control of assets and expenses has resulted in a further increase in earnings during the period," the directors comment.

"Production capacity is booked for the remainder of the financial year and present indications suggest the likelihood of moderate growth in the economy during 1988

"Provided the present trend is not disrupted, earnings for the second six months are expected to exceed those for the corresponding period of 1987."

Net income of Rex Trueform's holding company African and Overseas Enterprises was 28 percent higher in the half-year to December, with earnings per share of 122,3c (95,6c) Turnover was up 15 percent and operating income was R6,8 million (R5,7 million) — Sapa

BUSINESS

D/D. 4/3/88

Earnings up for Rex Trueform

184

CAPE TOWN — Rex Trueform Clothing Co has reported a further substantial improvement in results for the six months to December

Earnings have risen to 133,1c (106,1c) a share, and the outlook for the rest of the year seems good.

Operating income is up by 16 per cent to R6,4 million (R5,5million)

Because of an assessed loss from previous years, the company was not liable for taxation and the interest bill was down to R408 000 (R593 000).

Net income was R6 million (R4,9 million), and income attributable to holding company, African and Overseas Enterprises R5,9 million (R4,9 million)

Turnover was 14 per cent higher than for the same period the previous year, and the directors report "a sustained demand for our products".

They say continued tight control of assets and expenses has helped to push up profits.

"Present indications suggest the likelihood of moderate growth in the economy in 1988

"Provided, therefore, that the present trend is not disrupted, earnings for the present six months are expected to exceed those for the corresponding period of 1987 "

● African Overseas Enterprises reports operating income of R6,7 million (R5,7million) Pre-tax income was R6,3 million (R5,1 million) and net income R6,2 million (R5 million)

Attributable income was R3 million (R2,3 million) and earnings at share level 122,3c (95,6c). — Sapa

ADONIS

184

Cautious forecast

Activities: *Manufactures men's and children's knitwear*

Control: *Directors hold 76,9%*

Chairman and managing director: *J Bencen*

Capital structure: *3,3m ords of 50c each. Market capitalisation R3,5m*

Share market: *Price 105c. Yields 11,4% on dividend, 23,2% on earnings, PE ratio, 4,3, cover, 2,0 12-month high, 170c, low, 90c Trading volume last quarter, 45 000 shares*

Financial. *Year to September 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	0,36	0,46	0,86	0,66
Long-term (Rm)	0,52	0,63	0,46	1,44
Debt equity ratio	0,30	0,36	0,34	0,28
Shareholders' interest	0,58	0,57	0,57	0,50
Int & leasing cover	2,5	2,3	2,4	3,9
Debt cover	0,71	0,51	0,91	0,87

Performance

	'84	'85	'86	'87
Return on cap (%)	15,8	16,4	19,7	23,8
Turnover (Rm)	107	131	151	185
Pre-int profit (Rm)	0,78	0,86	1,15	1,79
Taxed profit (Rm)	0,34	0,29	0,51	0,82
Earnings (c)	10,1	8,8	15,1	24,4
Dividends (c)	5,0	5,0	7,0	12,0
Net worth (c)	83	87	98	111

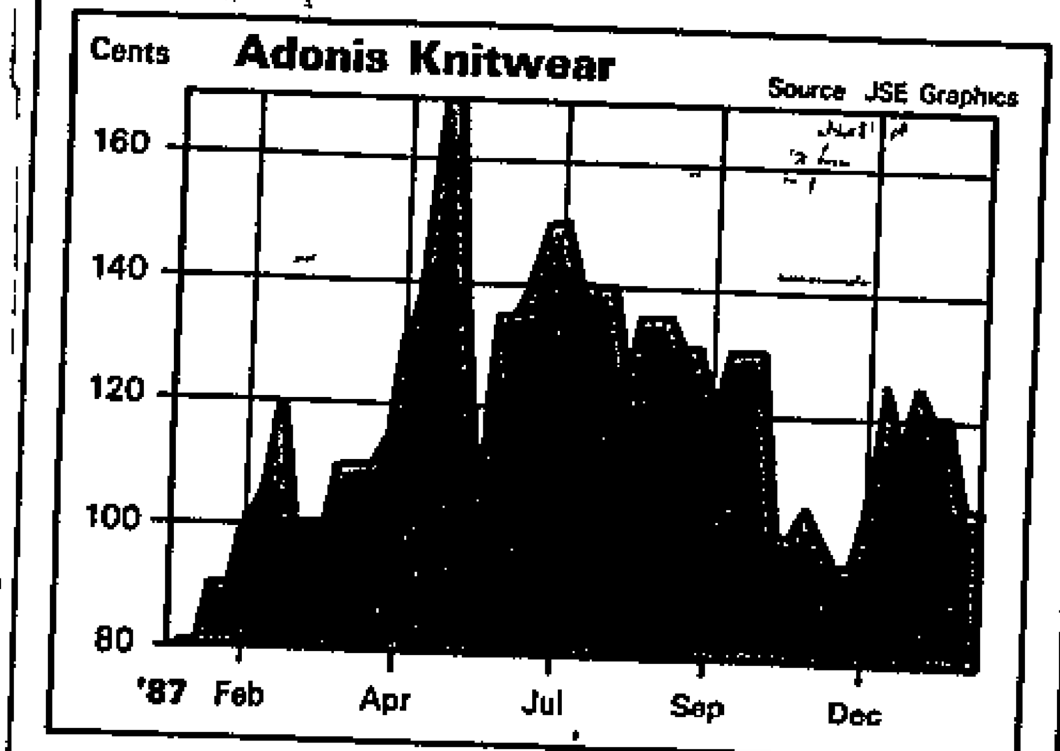
Though Adonis had a relatively good 1987 year, when EPS rose 61%, financial director Steven Chaitel says only that unit sales should be maintained this year, and chairman and MD Joe Bencen forecasts earnings will at least be maintained

An important reason for last year's better results was a rise in unit sales combined with a sharp improvement in margins, indicated by turnover growth of 22,5% while operating income escalated 81,7% A sharp reduction in interest and finance charges, as well as a considerably smaller foreign exchange loss write-off helped the pre-tax climb, but the tax rate jumped from 44,9% to 51,1%, as the forex loss provision was not allowable by the Receiver.

Chaitel suggests that Adonis's market will not grow in real terms this year, but says the company will raise prices by at least the inflation rate This means there will be no real increase in turnover though margins could again improve if price rises exceed inflation

Even though the share is on an earnings yield of 23%, with little or no real growth in prospect there seems no reason to rush to invest in the company

Pat Kenney



Star 7/3/88

Jaguar betters forecast

184

A 118 percent increase in earnings a share from 7,1 cents to 15,5 cents was achieved in the year to end-December compared with the same period in 1986, Jaguar Holdings report

The 1987 earnings were 29 percent ahead of Jaguar's forecast in its prospectus in July last year.

Attributable earnings rose by 135 percent to R5,8 million.

Commenting in the report on the figures, Jaguar's chief executive, Mr Roy Eckstein, says the company's growth was entirely organic and was achieved "without benefit from any acquisitions, other than a wholesale operation in Johannesburg whose profits contributed marginally to the group's figure."

Jaguar has declared a final dividend of 4,0 cents — no interim was paid last year as the company was only listed in August. The final "Equates to a 6,0 cent dividend had the company been listed for the entire 1987 year."

Under a share bonus scheme, shareholders are being given the opportunity of either receiving the dividend, or converting it into additional shares.

Mr Eckstein says that production capacities have been increased to meet higher demand.

"More specifically, the group's divisions in the low labour cost areas of Lesotho and Qwa Qwa were expanded to enhance Jaguar's ability to compete profitably, with low priced imported footwear products

"In order to stimulate local footwear production, the Board of Trade imposed higher import duties on imported footwear late last year. I see this as a stimulus to local industry to take up the challenge and produce additional pairage to take the place of imported footwear. Jaguar is fully prepared to meet the challenge.

"The creation of a separate division to manufacture the Puma range of clothing has reached an advanced stage. The tremendous demand for Puma sports and casual clothing has given impetus to Jaguar to look at manufacturing themselves, in addition to having Puma clothing made for them"

Mr Eckstein says Jaguar's order book is "particularly well booked for this time of the year."

He is confident that the results for 1988 "will continue to manifest the growth pattern displayed to date." — Sapa

D/D 12/3/88 (8)

Foschini flair (184)

JOHANNESBURG — Clothing retailer Foschini increased earnings by 31 per cent in the year to December, with dividends up by a similar amount

The results show an increase in earnings a share to 332,6 cents, compared with 253,6 cents

The company declared a final dividend of 118 cents a share (90,2 cents), bringing the total for the year to 141,4 cents (107,7 cents)

Turnover was up 23 per cent to R406,7-million and pre-tax profit rose 43 per cent to R65-million (R45,5-million)

Net income was R32,3-million

Holding company Lewis Foschini Investment Company (Lefic) had earnings of 168,7 cents (129 cents) and declared a final dividend of 59,8 cents per share (46 cents), making a total of 71,5 cents (54,75 cents) — Sapa

210 19/4/88 (184)

Clothing jobs up

CAPE TOWN — Sixty-seven new clothing factories opened in the Western Cape last year while employment strength grew to 53 639.

Thirty-six factories closed or were absorbed and the total increased from 390 to a record 412 manufacturers.

Employment, however, was well below the peak of 58 800 of 1984 — Sapa

SA puts Turkish trade deal on ice

By Udo Rypstra

SOUTH Africa has suspended its trade agreement with Turkey because of complaints that the deal would hurt the textile and clothing industry.

A spokesman for the Board of Trade and Industries, which has been hearing appeals from the Textiles Federation of SA and the National Clothing Federation, said the cancellation of the 3% customs tariff rebate on Turkish imports was only a temporary measure "pending the outcome of further talks with Turkey" He declined to elaborate

Free ports

SA has been accused of using free trade ports in Turkey for beating sanctions and this could be one reason for the board's action

The industry, however, believes that the Government has realised that by granting the huge rebate, it acted contrary to its White Paper on the Kleu Commission which reported on a new industrial strategy for SA

Instead of taking a shotgun approach to formulating a strategy, each industrial sector will be dealt with separately. Being the most labour-intensive, the textile and clothing industry was the first sector to be subjected to the rifle approach. A report on how the industry should be reshaped is expected to be published soon.

Both federations feared that the rebate could harm SA industry. Importers would have been able to bring in Turkish clothing at a cheaper price than it could be made in SA

Several importers went to Turkey this week to seek supplies.

A A Ramazanoglu, a senior consultant at International Business Services (IBS), said from Istanbul this week that the rebate would mean that Turkish goods of all descriptions would cost much less than those of SA's other trading partners

He said the IBS advertising campaign in SA to promote trade and to reduce Turkey's unfavourable position had drawn favourable response The IBS planned to set up a Turkish-South African Chamber of Commerce

Favourable

"We have received several inquiries from South African importers, mainly for tiles and textiles, and it looks as if we can provide these at lower cost than Spain and Italy."

SA is estimated to have exported more than R400-million worth of goods to Turkey last year, importing only R10-million in return. The imbalance led to the rebate's being introduced under the 1965 protocol of the General Agreement on Tariffs and Trade (Gatt)

Turkey exported R6-million worth of goods to SA in 1985, mostly prepared food and base metals

IBS advertised in SA's Financial Mail that were the rebate in force SA exporters would be able to export to their existing markets through Turkey's two free ports at Mersin and Adana This possibility had been picked up by the London-based African Business magazine, which referred to the two ports as "bases for the relabelling of South African goods" for re-export to Europe and North Africa

Some traders suggested that conversely, the tariff reduction could tempt Turkey's neighbours to cash in and SA could become the target of relabelled goods from Middle Eastern countries, including textiles

Opening a R1,5-million factory in Maritzburg this week, Stanley Shlagman, executive director of the Textile Federation, warned that if only 10% of present Turkish textile exports were diverted to SA, they would make up nearly a third of demand

Hennie van Zyl, executive director of the National Clothing Federation, confirmed this threat, saying the rebate would not only hurt the industry, but be damaging in terms of regional development and job creation — ideals set forth in the White Paper

At stake, was the future of a textile and clothing industry with an annual turnover of R3,5-billion

Only modest rise in number of workers

Local clothing industry expands

Cape Times 16/x/88 (18.4)

By LAWRENCE TOTHILL
Investment Editor

THE number of manufacturers in the Cape's clothing industry increased in 1987 to a new record level, and, while there were also more clothing workers, the rise in their numbers was only modest and far fewer are employed now than in 1983 and 1984

The 1987 annual report of the Industrial Council for the Clothing Industry (Cape), released yesterday, says that during 1987, a total of 67 new factories opened, but 36 closed or were absorbed, meaning there was a net increase in the number of manufacturers

There were a record total of 421 manufacturers at the year end against 390 a year earlier

The number of employees, while also rising, hardly suggests that business has picked up all that much

The number of employees in the industry subject to the Council's agreements increased from 52 105 in 1986 to 53 639 in 1987 — an increase of 1 534, or 2,9%

Chairman A M Rosenberg acknowledges that there has been some greater liveliness in manufacturing activity, hence the small rise in employment, adding, "whilst this is nothing to crow about, it has given the industry more confidence and a hope of more stability"

The numerical strength of the industry is, however, way below its levels of earlier years.

The latest figure shows a good rise on the 51 286 employees reflected in 1985

But the numbers are still well below the 59 825 employed in 1984 or the 57 866 employed in 1984

Inter-factory movements

There does appear to have been more stability in the industry

Rosenberg notes that the number of employees involved in movement into and out of the industry continued at a lower level

"Inter-factory movements, that is to say the movement of employees from one factory to another within the industry, has declined significantly

"Labour turnover amounted to 45,3%

"The number of movements in relation to the industry's total employment strength is, in my opinion, still too high."

In broard terms, the Industrial Council's job is to prevent disputes and to keep the peace within its sphere of jurisdiction.

Rosenberg notes that the end of 1987 saw a change in the even tenor of the council's activities

"A mechanism had to be set up to handle the number of disputes from alleged unfair dismissals of employees by employers

"1987 has seen a programme of 35 cases of dispute, of which 16 were privately settled, one withdrawn from the Industrial Council's Disputes Committee agenda, 10 settled through the offices of ther Industrial Council, six still under the Council's dispute committee and only two referred to the Industrial Court

Looking at other aspects of the industry, Rosenberg notes that absenteeism has been a factor mitigating against increased productivity

He recommends that employers should solicit the support of shop stewards in attempting to ascertain individual causes of absenteeism

He says the council has attempted to comply with the policy of deregulation, adding "whether further deregulation measures can be applied as debatable"

FM 15/4/88 (184)

Avoiding the blanket approach

Sir — Your editorial "Protectionism — Turning off the Tap" (March 25) hits the nail squarely on the head in stating the direct need to reduce inflation. However, in attempting to formulate "how" we could guarantee lower prices ("let the imports flow"), you fall into the same trap as government!

In the recent White Paper on its new industrial strategy, government acknowledged its folly of the past in having followed a shot-gun approach to industrial growth and expressed its intention to deploy a "rifle" or sector-by-sector approach in future. (This approach, incidentally, implies a consequent need for structural change.)

The imminent and eagerly awaited report by the Board of Trade and Industry on the whole clothing pipeline will test government's earnestness of intent towards its professed sector-by-sector approach to industrial strategy.

The following brief points should assist you in regaining perspective:

☐ From a total industry and economic point of view, we agree that protection *per se* is inflationary (at least in the short term); and

☐ However, the net cost of protection differs from industry to industry, inasmuch as certain industries are able to provide more jobs while requiring smaller investments and are inherently more competitive and hence less inflationary. They also have a bigger export potential and play a more prominent role in regional developments than others.

Such differences are fundamental and constitute the cornerstone of, and underline the absolute necessity for, an industry-by-industry approach to industrial development, an approach successfully adopted by various other high-growth countries in giving "preference" to certain industries.

The implication of this reasoning is beyond challenge, certain industries deserve less protection (or less encouragement) than others and, conversely, only through such selective action would "structural adjustments" come about and make it possible to reduce the overall cost of protection.

Against this background, you should realise that you were wrong in implying that the clothing industry asked the authorities for a total withdrawal of the earlier Turkish trade concession.

Our main criticism was that the blanket concession to allow all Turkish industries to export to us at 3% duty resembled the old shot-gun approach, so disregarding the new industrial strategy of selectivity.

Hennie van Zyl, executive director, National Clothing Federation of SA

Mickey Mouse approach

Sir — Your article on SAA (Flying their way — *FM* April 1987) errs on the side of kindness.

You do not mention that the administration had alienated their pilots (without whom they are grounded), nor that they have succeeded in sloughing off two major routes — Australia and the USA. If Gert van der Veer had been a Japanese manager, he would have had the decency to resign.

Nor does his amanuensis, Francois Louw, elevate their communications above their paltry service. Send him (as I did) a structured complaint, within six weeks you will receive a postcard of a small boy wearing a captain's hat, a month thereafter a standard letter identical to those we sent to irate passengers when I worked for London Transport in the Sixties.

Nothing would induce me to fly with them internationally. Why do I not have a choice locally?

DD 21/4/88 (184)

Frame Group to retrench 1 850 workers

Director: cuts will affect East London

Daily Dispatch Correspondent

JOHANNESBURG — The Frame Group is to retrench 1 850 employees — about nine per cent of its 21 000-strong workforce — as part of a programme of reorganisation to become competitive in local and international markets, according to a statement released yesterday.

The human resources director, Mr Peter Richardson, said the need for the layoffs arose out of a legacy of benign neglect in which the Frame Group lost its ability to perform efficiently.

"We know it will create hardship and it's not an easy decision to make, but unfortunately there is no viable alternative

"The group's operating company, Consolidated Frame Textiles, has an abysmally low return on capital compared to other industries and competitors," Mr Richardson said

A spokesman for the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) said retrenched workers would receive compensation of at least one week's pay per year of service, or part thereof.

In addition, they would receive both their employer contributions to the company's provident fund, plus interest, he said

The retrenchment programme has been discussed with Actwusa. No date has been set for the implementation of the job cuts.

Mr Richardson said the cuts would affect staff at Jacobs, Mobeni New Germany, East London and Ladysmith

The retrenchments follow restructuring of the group since new management took over in 1986.

A complete reorganisation has simplified the complicated system of cross holdings and interlocking minority shareholdings of the various companies making up the group

The group's return on capital is 10,3 per cent at historical costs, or 5,7 per cent allowing for depreciation of plant and machinery.

This compares unfavourably with competitors' returns at 34,3 per cent for Mooi River and 33,9 per cent and 31,8 per cent for Da Gama and Romatex respectively.

The financial director, Mr Stephen Leggat, said yesterday the group aimed to achieve a 25 per cent return on capital in the next two years

Given Frame's R300 million property portfolio, this would enable it to compete effectively, as property tends to hold or appreciate in value compared with as opposed to machinery.

The intention is to produce the lowest priced cloth in the country, Mr Leggatt said.

Tight cost controls and the introduction of a new management team in 1986 have already been showing benefits

"At the interim stage for the 1988 financial year pre-tax profits were up 27 per cent to R14,9 m.

Mr Leggatt says the group is looking for pretax profits of R55 million for the current year

21/4/88 385

1 800 to lose jobs

DURBAN — About 1 850 employees of the giant Frame Group are likely to lose their jobs as the company embarks on a retrenchment drive as part of a programme of re-organisation.

The cuts will affect employees at mills in Jacobs, Mobeni, New Germany, Ladysmith and East London.

This was announced in Durban yesterday by the company's human resources director, Mr Peter Richardson, who said the staff cuts were necessary to enable the company to become competitive in local and international markets. — DDC

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Full report page 13

DD 22/4/88

Frame group says 390 will lose jobs in EL

184

Daily Dispatch Reporter

EAST LONDON — The Frame Group has revealed that 390 workers at the East London plant will lose their jobs as part of a move to retrench 1 850 employees nationwide

The group's director of human resources, Mr Peter Richardson, said the figure represented approximately 9 per cent of the 4 100 people employed at the Chiselhurst plant

He said the move was intended to reorganise work practices at Frame factories all over the country without affecting production

Discussions would be initiated at a local level with the Amalgamated Clothing and Textile Workers Union of South Africa (Actwusa) within the next two weeks, in accordance with agreed retrenchment procedures, Mr Richardson added

The general secretary of Actwusa, Mr John Copelyn, confirmed that formal notice of retrenchment had been served on the union.

He said some discussion had taken place with Frame management, although no agreement had been reached on severance packages, selection criteria or the date of implementation of the purge

"We are obviously extremely disturbed by the plans and have made proposals which we believe will best serve our members' interests

"Our first priority is to our members and it is our duty to protect their continued employment," he said

Mr Copelyn said a national meeting of Frame Group shop stewards had been arranged for Saturday, April 23, to "determine Actwusa's position in respect of Frame's plans and to adopt a plan of action"

Meanwhile, the Amalgamated Clothing and Textile Workers Union of South Africa is convening a meeting of all Frame group shop stewards at the weekend to discuss the company's retrenchment plans

Mr John Eagles, a spokesman for the union, said yesterday that the union's position in respect of the Frame Group's plans would be determined at the meeting and a plan of action would be adopted

Retrenchment decision rejected as fraudulent

DD 25/4/88

184

Daily Dispatch Correspondent

DURBAN — The Amalgamated Clothing and Textile Workers Union of South Africa (ACTWUSA) has slammed the Frame Group's decision to retrench 1 850 workers as "fraudulent".

Shop stewards rejected the retrenchments at a national council meeting at the weekend and resolved to oppose the plan

The workers to be retrenched represent about nine per cent of the Frame's 21 000-strong workforce.

The group's human resources director, Mr Peter Richardson, was reported as saying that the need for the retrenchments arose from a legacy of benign neglect in which the group had lost the ability to perform efficiently.

However, ACTWUSA's General Secretary, Mr John Copelyn, said the problem was not that Frame was not making profits but rather that they were not making sufficient profits

"It is not a matter of life or death for Frame. It is a matter of them being jealous of the position of other manufacturers

"It is a typical case of tightening the screws on workers who are already over exploited "

Mr Copelyn said that Frame had threated to conduct the retrenchments without notifying the union

"That will be Frame's biggest mistake," he said "They do not realise the anger and bitterness which is boiling up "

Vednesday April 27 1988

NEWS 27/4/88 (184) (B2) 189

Garment union gets big strike mandate

Labour Reporter

REX Trueform workers have given their union a mandate for the first legal garment industry strike in decades.

A Garment and Allied Workers' Union (Gawu) spokesman said workers at the company's three factories yesterday voted 1 990 to 34 for a strike

He said workers at the factories in Atlantis, Salt River and Wynberg went back to work today following stoppages which started on Thursday at Salt River and then spread to the other two plants.

"We are still trying to get management to negotiate over the workers' demands, but we have now had a mandate for a legal strike," he said

Workers demanded plant-level negotiations, a R15 across-the-board wage increase, increased travelling allowances and a service award of R1 a week for every year of service.

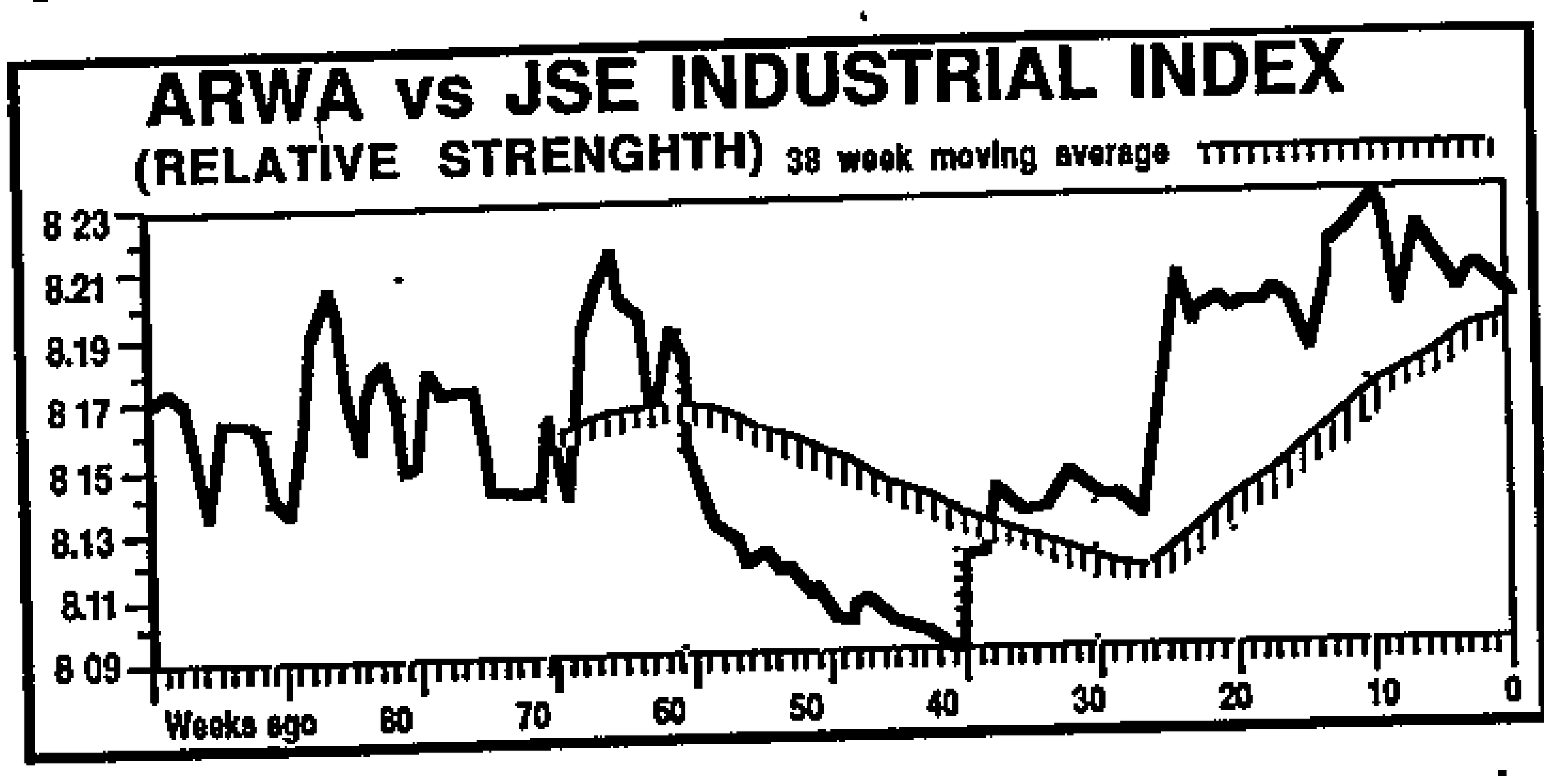
SHARESPOT

Str 30/4/88 (184)

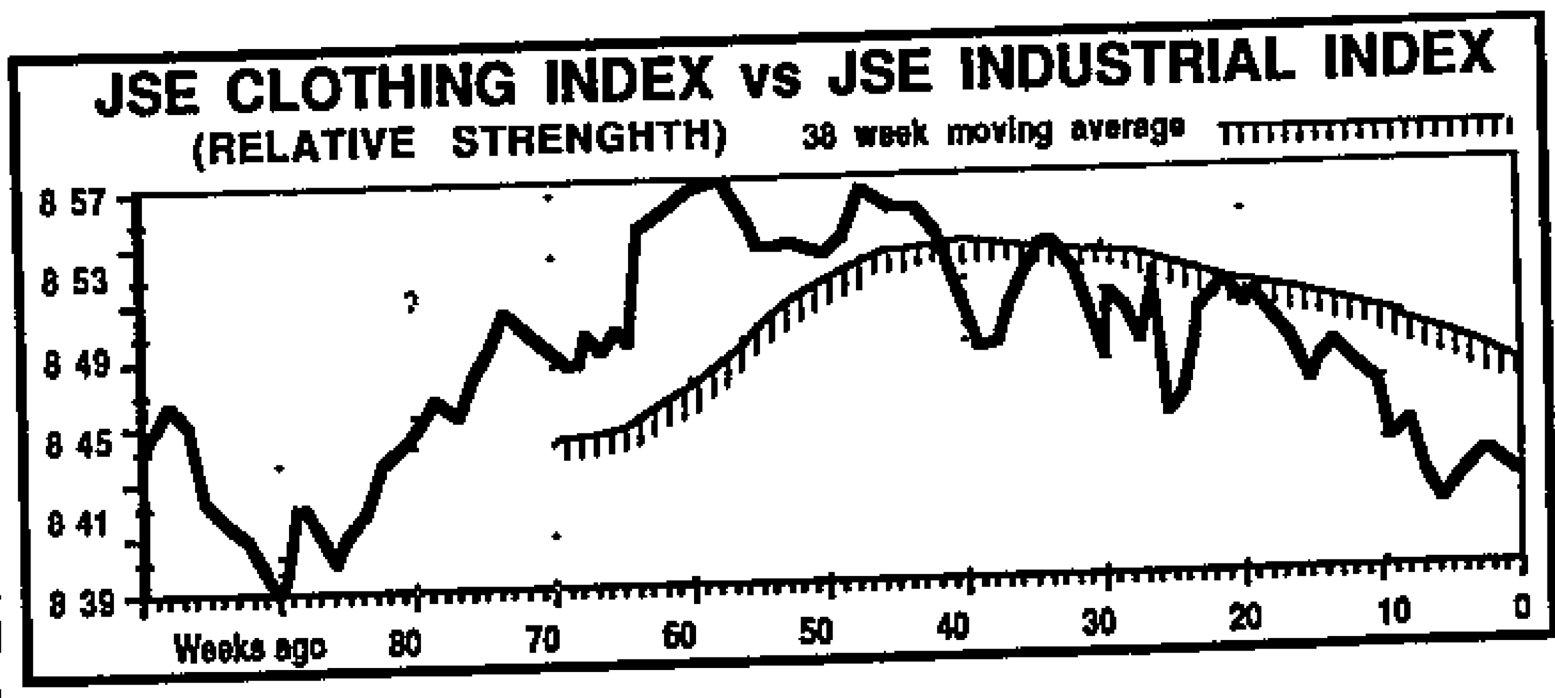
Arwa bucks the trend

LYNNE PEACH

Arwa (formerly Hendlers), has been achieving better share-price appreciation than most other clothing and textile companies For the past six months, the JSE clothing index has been steadily declining against the JSE industrial index. Arwa has mostly outperformed these indices. The technical conclusion is that Arwa's price will tend to fall less in adverse circumstances and appreciate more in good times



These charts show that while clothing companies have tended to appreciate less than most other industrial companies, Arwa has gone against the trend with its superior performance against the industrial index. Although it has recently shown some weakness, this is expected to be temporary.



Arwa was listed in July 1987 and is trading at 310c, or 24 percent above its low of 250c The P/E ratio is 10,9, somewhat less attractive than the sector average of 6,5 Nonetheless, this high rating reflects the market view that the group has above-average growth potential.

In March 1987, Hendlers was suspened. The company ran into trouble mainly because of debt losses, obsolete stock and extensive idle capacity. A reverse-takeover involving Arwa followed. Hendlers acquired 100 percent of Arwa (effective from January 1 1987) for which it issued 15 million ords at 43c each. The deal also involved.

- Conversion of all prefs into ordinary shares
- Consolidation of ordinary shares on a 1-for-100 basis
- The sale of Hendlers' assets and liabilities, effective from January 1987.
- A change of name to Arwa.
- Transfer from the engineering board to the clothing sector.

Fingers burned

Hendlers shareholders were offered 1 Arwa share for every 100 shares they held This resulted in fingers getting burned as shareholders currently have only about 3c worth of Arwa for every Hendlers share they exchanged.

Arwa makes pantihose, ladies' underwear and fabrics Pantihose sales are important to group performance, usually accounting for 50 percent of turnover. Fabrics contribute approximately 30 percent while underwear accounts for the remaining 20 percent

Arwa supplies major retal chains under its own name as well as housebrands It also exports pantihose to Europe Executive Direcor, Finance, Mr D van As says the group has had to decrease its supply to European markets in order to accommodate the growing local market The factories are operating at full capacity and work a 6-day week, 24 hours per day.

Foreign exchange losses caused the group to suffer taxed losses between 1982 and 1985. Arwa has now adopted a policy to take forward cover on all foreign loans

Arwa has a significant percentage of the South Africn market It has approximately a 35 percent to 40 percent share of the pantihose market The newer underwear division is fast increasing its market share The share of the textile market is unknown

Interim results to June 1987 disclosed earnings of 12,4c per share After greater impact on performance from the newly acquired Capelon Yarns and Zaklian Dyers in the second half of the year, earnings represented more than the expected 55 percent proportion The total for the year was 28,5c, with a dividend of 7c

The pro-forma balance sheet revealed a high gearing of 112 percent, largely due to a bank overdraft of R3,5 million Mr van As says the position at end-December 1987 showed some improvement, with gearing retreating to below 100 percent. Stock levels, however, remain high These constitute about 55 percent of current assets Mr van As says that while high stock levels are necessary because the group has a lot of product lines and many sizes, management are currently working on a programme which will enable the levels to be reduced

With effect from January 1 1988, Arwa acquired Venus Knitting Mills and Westex Manufacturing These deals involved the issue of 1,3 million Arwa shares and cash payments of R4,7 million Mr van As estimates that these will contribute approximately 6,7c to group earnings in 1988 In addition they have increased the net asset value from 63c to 73,5c Mr van As informs us that these businesses are currently doing very well

After the restructure there were 15,6 million shares in issue. By December 1987 this was increased to nearly 17 million The current year is expected to have more than 18 million shares in issue In spite of this, and a greater tax burden due to the proposed introduction of minimum company tax, management projects earnings per share will rise by 30 percent in the year to December 1988

The cash flow position is strong, says Mr van As He explains that this will deteriorate in April/May because of major winter buying, but will regain strength in September/October/November

If Arwa performs as expected, earnings to December 1988 could be about 37c. This places the share on a forward P/E ratio of 8

Amrel benefits from the upturn

KAY TURVEY

AMALGAMATED Retail (Amrel), benefiting from the upturn in consumer spending, has increased earnings a share a pleasing 51% to 231c.

A feature of the result is the improved performance resulting from stringent asset management focusing particularly on a high quality debtors book, given the expectations of rising interest rates and possible measures to curb credit demand.

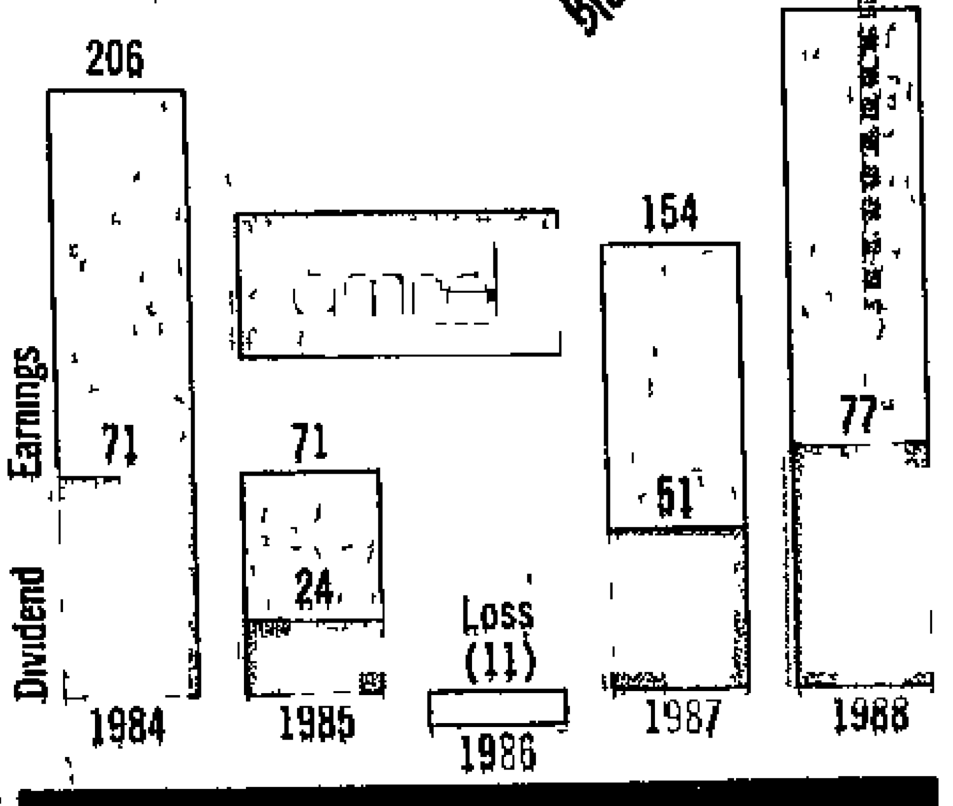
A final dividend of 52c has been declared, making for a total distribution of 77c, well up on the 51c for the previous period.

Group turnover grew 19% to R694,3m, after adjusting for the sale of Uniewinkels in March last year.

Pre-tax income rose 36% to R36,5m. Providing fully for current and deferred tax, Amrel's tax rate is more in line at 49,5% than the 52,3% for the previous year.

The lower tax charge combined with negative real interest rates and positive sales growth allowed for a 51% increase in attributable earnings to R21,2m. Largely as a result of the turnaround in Uniewinkels, now owned by Boymans in which Amrel has a 36% stake, Amrel's attributable income from associated companies climbed from R1,2m to

Amrel
Earnings and dividends
Cents per Ordinary Share



Source: JSE Graphic: JOHN McLAREN

184 4/5/88 Bday

● To Page 2

Increased consumer spending helps Amrel

● From Page 1

R2,8m

MD Stan Berger says the disciplined asset management and stricter credit controls can be seen in the decline of the group's interest bearing debt from 169% to 127%. This drop arose from limited asset growth, revision of the structure of their financing company Amretfin and improved creditor funding.

Berger said the group was very conscious of the rising interest rates pattern and subsequent to the year-end had negotiated fixed rate borrowings at favourable rates.

The furniture division, the main contributor to group earnings, benefited from improved consumer spending in the middle income group. However, the results from companies selling to the lower income groups was disappointing.

In the lower income sector Triangle reported a loss due to industrial unrest

184 Bday 4/5/88

Edgars ups its dividend by 50%

(184) BDay 10/5/88

KAY TURVEY

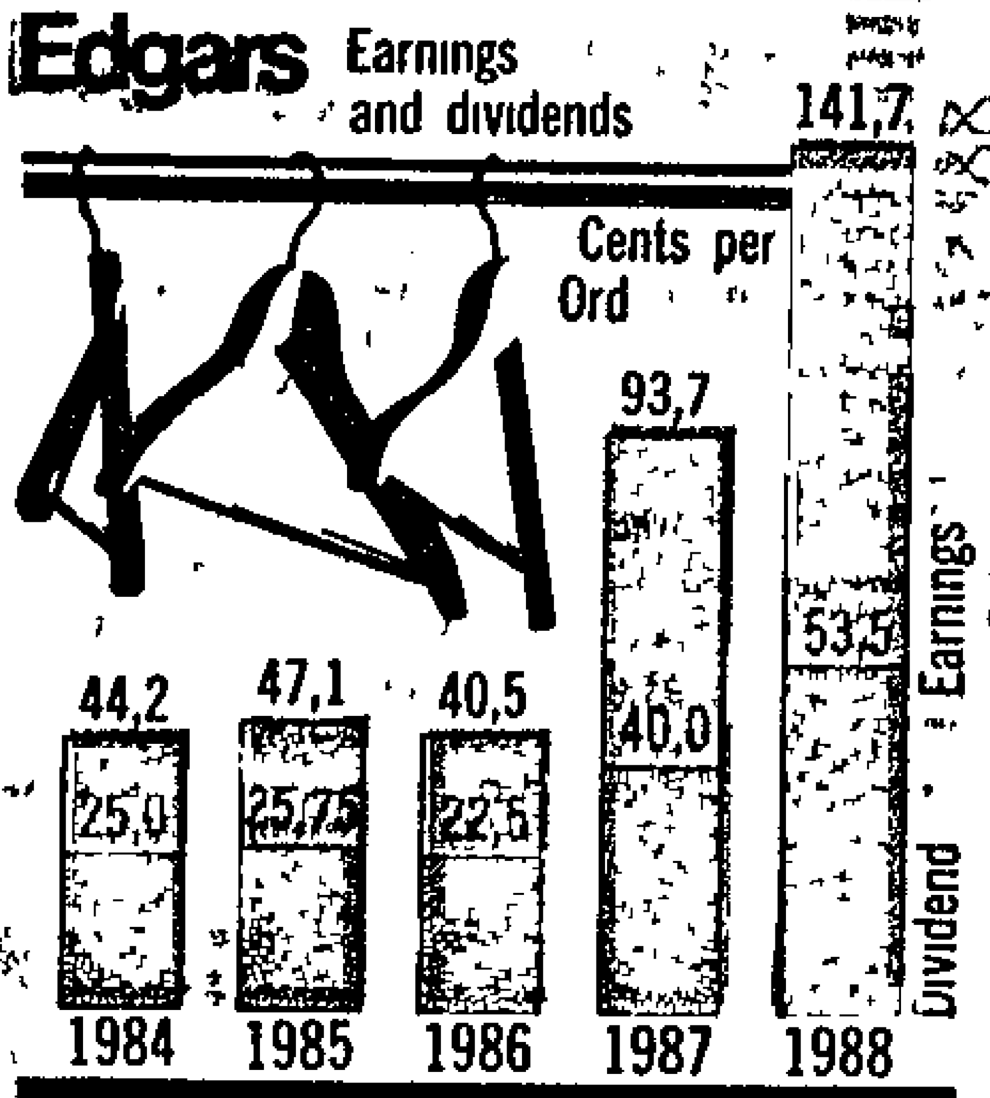
EDGARS has entrenched its position as a leader in the retail clothing market by posting a 50% increase — to 141,7c — in earnings a share for the year-end to March

Coming off an already strong base, these results are in line with the market's high expectations of the group.

A buoyant Christmas season and increased market share resulted in a 27% rise in turnover to R1,2bn, benefiting margins which rose from 9,7% to 11,1% as operating income climbed 45% to R130,8m.

The 27% growth in sales was once again ahead of the estimated national sales growth of 23% for clothing, footwear, household textiles and accessories (CFTA). This growth in market share was achieved with only a 2% increase in space, showing Edgar's drive to increased productivity.

CE Vic Hammond attributes the performance to the group's aggressive and ongoing promotions, sharp lifestyle merchandising and the drive to strengthen the account base.



Source: JSE & REUTERS Graphic: JOHN McCANN

Lower average interest rates and tight control of borrowings resulted in a 51% hike in pre-tax profits to R117,7m, with bottom-line earnings of R61m.

A final dividend of 37,5c has been de-

● To Page 2

Edgars lives up to its market expectations

(184) BDay 10/5/88

clared, taking distribution for the year to 53,5c, slightly short of analysts' forecasts, as dividend cover has been increased to 2,6 times

Financial director Kevin Brewer says this is in anticipation of the dilution in earnings that will occur upon the conversion of automatically convertible debentures to ordinary shares when the dividend hits 65c

Debenture holders also have the option to convert to ordinary shares in July 1989.

Hammond says they are looking at a 25% increase in sales growth for the current year — given that clothing inflation is expected to ease from 20% to 18%, this represents 7% real growth

● From Page 1

However, he says, the surge in consumer spending and growing demand for credit experienced in the second half of the financial year will be tempered by the monetary adjustments announced recently

The group's balance sheet is strong, showing exceptionally low gearing with debt to equity including convertible debentures at 14% against 21% last year.

However, the phasing out of the debtors allowance by April next year is expected to cost the group R22mn, given its huge debtors' book The group, with 1,7-million accounts, has the largest debtor base in the country

Wooltru management restructured

Star 11/5/88 (184)

By Finance Staff

The board of Cape-based clothing group Wooltru has announced changes to the group's top management structure, which will see the chief executive function of the group reside with present executive chairman David Susman from the beginning of August this year.

His right-hand man will be Colin Hall, who will fill the newly created position of deputy chairman, and who will become chairman of the group's management subsidiary, with the corporate directors reporting to him.

Mr Hall, will also become non-executive chairman of the group's trading companies "These changes are in line with the group's policy of maintaining the autonomy of its operating companies within the broader group structure," according to a company statement.

Retiring chief executive Tony Williamson will retain his seat in a non-executive capacity.

Cape Times 27/5/88

Garment workers get rise

Staff Reporter

WESTERN Cape garment workers have been granted an interim weekly increase of R14 across-the-board following the conclusion yesterday of protracted negotiations.

The increment, affecting some 55 000 workers, was announced yesterday by Mr A M Rosenberg, Chairman of the Industrial Council for the Clothing Industry (Cape).

The wage increases followed a call by the Garment and Allied Workers Union (Gawu) that the increases due for July 1 be brought forward and increased above the existing rates to grant financial relief to workers, an Industrial Council statement said.

Qualified machinists, the bulk of the industry's workforce, will be paid a weekly wage of R108 from Friday, June 3 or retrospectively if implemented later.

The parties will be negotiating increments for country areas next week.

A Gawu spokesman confirmed the signing yesterday.

Wooltru names 4 for new operation

Star 2/6/86

184

By Tom Hood

CAPE TOWN — Four more directors have been appointed to the new Wooltru operation, The Speciality Group.

Mr Arnold Sloshberg, MD of Topics, joins the board of Truworths as an executive director with responsibility for mrchandising and management information systems.

Mr Roy Lishman, becomes a director of Truworths, responsible for finance and administration. He was previously manager of finance and administration

Mr Barry Todd, becomes a director of Truworths responsible for merchandise.

Mr Michael Mark takes over as MD of Topics. He was previously with another retail chain

Chief executive is Mr Eddie Parfett, who continues as MD of Truworths, with Mr Colin Hall as non-executive chairman

The new group comprises Truworths, Topics, Espirit, Chez Brigitte and Mans Shop. It is to operate side by side with Woolworths and Makro.

It would be concerned with strategic planning and examine opportunities for acquisitions, Mr Parfett said yesterday.

Rich harvest as Trimtex sews it all up

5/6/88 S Times (184)

TRIMTEX stitched together two neat acquisitions on its way to fine results

Trimtex was listed in September last year when shares were pitched at 75c The group reports earnings of 14c a share at the March yearend — an 84% increase on the previous year and 43% beyond the prospectus forecast.

The Durban-based company makes things like interlinings, shoulder pads and bones for collars and brassieres It has expanded its product range and client base

Shortly before listing Trimtex bought Tricot, the sole SA manufacturer of hook and loop fasteners — a double strip which sticks together and pulls apart readily

The growth potential of hook and loop fasteners is high At present Trimtex has only 10% of the market, the balance being sourced outside SA It has won contracts to supply SA companies which previously imported the goods.

NEW PLANT

Capacity to increase production is being installed and should be ready by August Tricot also manufactures embroidered elastic, webbing and other specialised products

Six-million shares at 75c each were issued in payment for Tricot.

The acquisition of Procare has put Trimtex products on supermarket shelves They include cotton wool, nappy liners and disposable medical products The major buyers are hospitals, which account for 70% of turnover

Managing director Issy Goldberg said at the time of listing that non-woven products offered much potential Procare was bought for a bargain R1,3-million cash — replacement costs for the plant alone exceed R4-million, and the waiting list for imported equipment is up to two years.

There have already been synergistic benefits Since gaining a piece of Trimtex equipment, Procare has shown a 40% increase in productivity

Trimtex has declared a 5c dividend for the seven months since listing On an annualised basis this yields 11,4% on the current share price of 80c However, shareholders have been offered the option of seven bonus shares for every 100 held instead of the cash dividend

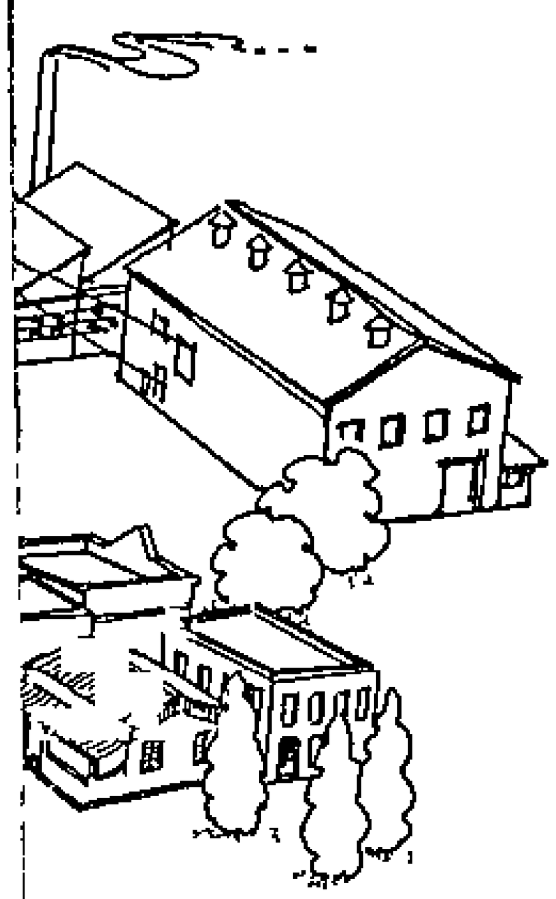
The holder of 100 shares can either accept R5 in dividend which is taxable, or seven shares at 80c each

Mr Goldberg says the move is not to conserve cash The money saved will be used for expansion Major shareholders have signalled their intention to accept shares

Mr Goldberg is looking for at least 25% growth in earnings in the current year, during which the acquisitions will contribute

Trimtex has stuck to its textile-based knitting, but has found new clients to which it can sell by expanding its product range

The management is competitive and the share should be a steady performer.



Trimtex earnings surge up

Star 6/6/88

Improved trading conditions and increased activity from an expanded operating base resulted in Trimtex Group Holdings posting a 241 percent increase in earnings to R2,164 million, 132 percent ahead of forecast

Earnings per share rose by 84 percent to 14c on a higher number of attributable shares in issue, 43 percent ahead of forecast

Turnover rose by 74 percent to R26,557 million, 47 percent ahead of forecast

Trimtex has announced a maiden dividend of 5c, representing an annualised dividend of 8,6c Trimtex shareholders have been offered the option of seven bonus shares for every 100 held, in place of the cash dividend

Since new acquisitions were made relatively late in the financial year, the group will only experience the full benefits in the new financial year

Trimtex is trading at 75c, which represents a P/E ratio of 5,4 times based on a declared EPS of 14c — Sapa

Woolworths MD Stakol in shock resignation

184

Star 7/6/88

Finance Staff

The Wooltru group suffered its second sudden resignation at senior level in recent weeks when the managing director of subsidiary Woolworths Mr Michael Stakol resigned yesterday.

Wooltru lost the services of its chief executive Mr Tony Williamson just a few weeks ago. At that stage it seemed that management wanted to change the group's strategic emphasis from the development of systems to one in which marketing took prominence.

Mr Williamson, who is seen as a systems man, is believed to have been behind the acquisition of Truworths in the early eighties. An acquisition which many analysts felt dampened group performance for several years.

Mr David Susman, who had built up the group with his strong marketing flair and had remained on the board as chairman during Mr Williamson reign as CE, resumed executive control of Wooltru on Mr Williamson's departure.

The reasons given for Mr Stakol's resignation, which is effective immediately, were irreconcilable differences with the Wooltru board.

Market speculation is that Mr Stakol's resignation may have been on the cards following the removal of Mr Williamson from the top slot in the holding company. Mr Stakol, who was trained at Marks & Spencer in the UK was appointed MD in early 1984 andwas the youngest MD at Woolworths.

The feeling now is that Mr Sydney Muller, who in the early Eighties looked as though he was in the running for the position as MD of Woolworths, may be more receptive to any change in corporate strategy that follows Mr Susman's resumption of executive control.

Sources at Wooltru last night were tight-lipped about Mr Stokal'sresignation saying only that they "had heard rumours in recent weeks", but were not prepared to elaborate.

Neither Mr Stakol nor the chief executive of Wooltru Mr David Susman were available for comment last night.

Mr Stakol(41) has been with Woolworths since 1971 and was appointed managing director of the R800 million-a-year turnover Woolworths in 1983.

The role of chief executive of Woolworths will for the time being be filled by Mr Sydney Muller (38), who was appointed to his present position as deputy managing director last year.

COMPANIES

Mews 7/6/88

Meritex beats forecast

By MARTIN WELLS
Business Staff

MERITEX, the Parow-based clothing and textile manufacturer, has increased turnover 11 percent ahead of forecast in the first quarter. Exports were also substantially ahead of budget.

The group's chief executive, Mr Ed Gordon, said unaudited after-tax earnings were even better than 11 percent due to improved manufacturing recoveries.

"Our fabric division (Tide Fabrics) has been up on budget by 20 percent for the first quarter and we expect turnover for the current financial year to be some 10 percent ahead of budget," Mr Gordon said after the annual meeting in Cape Town yesterday.

He said Meritex as a matter of policy was not prepared to make major capital investments in textile manufacturing equipment until the Board of Trade and Industry had completed its textile and clothing "pipeline" study and the Government had given clear long-term policy guidelines for the textile and clothing industries.

Steps were, however, being taken to augment Tide Fabrics' productivity and output.

"While 1988-89 exports are expected to be about 30 percent ahead of budget, they will nevertheless be contained at under eight percent of total group turnover," said Mr Gordon.

The future policy on exports also hinged on the Government report and possible support for foreign selling.

First quarter profits from the commission printing division, Ital Print, were also ahead of budget.

A rotary printing facility is to be installed and Mr Gordon said this would lead to further improvements in the second half of the year.

The company's staff share incentive scheme was a success.

More than 200 staff members had acquired nearly 600 000 ordinary shares in Meritex Holdings Ltd.

About 40 percent of Meritex's budgeted capital for 1988-89 (beginning February 1) had been committed. An annual sales increase of more than 10 percent was anticipated, Mr Gordon said.

● Earnings of the Trans Hex group rose 43 percent from 54,3c to 77,8c a share in the year to end-March.

The final dividend is being raised to 15c (11,5c) making a total for the year of 27c (20c).

Net profit before tax rose 36 percent to R18,8-million and attributable profit was R11,3-million, up 43 percent.

● Wankie Colliery's dividend has been held at 12,5 Zimbabwean cents a despite a drop in earnings from 47,5 cents to 36,6 cents.

In the year to end-February, coal sales jumped to a record 4,5-million tons (3,4-million) but coke sales were down almost 70 percent at 51 914 tons.

Pre-tax profit declined to ZD17,5-million (ZD21,5-million) and attributable earnings were llower at ZD11,8-million (ZD15,0-million).

Wooltru's management changes

Star 8/6/88

184

Finance Staff

The Wooltru group suffered its second sudden resignation at senior level in recent months when Michael Stakol, managing director of subsidiary, Woolworths, resigned yesterday.

In January this year Tony Williamson (50), chief executive, Wooltru, announced his early retirement from the company, but was persuaded to stay on until the end of July

He will remain a director on the Wooltru board

His responsibilities as chief executive were taken over by chairman David Susman

Speaking from Cape Town yesterday morning, Mr Williamson denied any link between his departure and the resignation of Mr Stakol, saying it would be "grossly irresponsible"

"There was a major difference of opinion between Mr Stakol and the rest of the board concerning a major issue Mr Stakol felt that this amounted to the board losing confidence in his abilities and he offered his resignation which was accepted," Mr Williamson said

The reasons given for Mr Stakol's resignation, which is effective immediately, were irreconcilable differences with the board

CAPE TIMES
13/6/88

Clowu decides to disband

Staff Reporter

THE Clothing and Allied Workers' Union (Clowu) dedided to disband at a special conference in Woodstock on Saturday

The outgoing union urged its former members to "devote their energy to supporting the Garment and Allied Workers' Union (Gawu)"

Gawu had adopted a "more progressive worker and community-orientated stance", the resolution of dissolution noted

Three years ago Clowu and Gawu were locked in a bitter dispute which eventually reached the Supreme Court.

But on Saturday former Clowu members agreed that their old-time rival was now "a like union", so their union's position had become untenable

W/E Argus 1 84

Gawu launches campaign for living wages

WITH negotiations for a new main agreement in the garment industry due to start soon, the Garment and Allied Workers' Union (Gawu) has started a living wage campaign

As the garment industry is the largest in the Western Cape and it's estimated that about one out of four workers is employed in that industry, what happens there is likely to influence the climate of industrial relations in other sectors

The union, and in the Western Cape this refers to what was the Garment Workers' Union (GWU), has adopted a more aggressive stance towards employers since GWU amalgamted with the Garment Workers' Industrial Union (Natal) to form the 102 000-member Gawu

In recent months there have been a series of small worker actions and a major four-week strike at Rex Trueform, often over a fresh question for the industry — plant level bargaining

LABOUR AFFAIRS

DICK USHER

Gawu claims that the Rex strike "forced the entire Clothing Manufacturers Association to the negotiating table", which seems to be a likely assessment

The same week the Rex strike ended interim wage increases of R14 across-the-board were announced, pending the negotiation of a new main agreement It was estimated that this increase would add R750 000 a week and R39-million a year to wage bills

Preliminary demands put forward by Gawu for the main agreement are for

- R35 a week across-the-board,
- The main agreement to be reviewed annually instead of every two years,
- March 21, May 1 and June 16 to be paid holidays,
- The learning period to be reduced to 12 months,
- Annual leave to be increased by five working days;
- 12 months' maternity leave, 15 days paternity leave and health and safety provisions,
- A 15 percent shift allowance,
- A 40-hour week,
- Grievance, disciplinary and retrenchment procedures,
- Reasonable access to factories for Gawu officials, and
- Access to employers' audited financial accounts

At a shop stewards' council meeting last weekend, about 400 Gawu shop stewards discussed these proposals and agreed they be the starting point for discussions in all factories and local general meetings.

After years of compliance, this new attitude of the union might prove uncomfortable for employers, especially the concern for plant-level bargaining This has produced murmurings from some employers about the utility of having an industrial council if they're going to be faced with fresh demands over and above the main agreement.

This was for some time the attitude of the industrial council for the metal industry which for several years refused to contemplate plant-level bargaining But the process seems to be inevitable

If some employers can afford to pay more than the rates laid down in the main agreement, then why not?

Listing for Monatic

Star 13/6/88 (184)

By Tom Hood

CAPE TOWN — Leading menswear manufacturer, House of Monatic, is one of three companies Lenco Holdings plans to list on the JSE

Monatic, formerly the listed IL Back group, was taken over with Rich Rags and Budget Footwear in a R50 million deal with Pepkor last year

Budget has already been listed and chairman DB de Jager says the directors are examining opportunities of listing the three remaining operating units

This might involve mergers or acquisitions leading to Lenco having either a controlling or a strategic stake in the listed company, he says in his annual review

The report discloses that after previous losses, Monatic traded profitably in the second half of last year and has generated more than R11 million since Lenco took control in 1987

Although now a smaller business, Monatic is still large enough to be listed on the JSE or in a merger with another unlisted manufacturer, say the directors.

Monatic's debts have been cut by R5 million and stock by R6,5 million and there is potential for further cash generation by additional reduction

"The upside potential in the House of Monatic investment, particularly in its effective cost to Lenco is great," the directors say

Coastal Clothing, one of the new listings on the JSE's main board, aims to conserve cash by offering bonus shares instead of a dividend

A record net profit of R1,2 million was reported for the year to February despite a resumption of tax payments, with earnings up 21 percent to 12,7c a share

A maiden dividend of 2,5c has been declared, but shareholders can opt to take bonus shares instead At five bonus shares for every 100 ordinaries held, this is worth 290c and is 16 percent more than the 250c the dividend on 100 shares would yield

Clothing industry looking buoyant

Star 17/6/88

184

Finance Staff

More clothes are being sold this year than last, despite an unexpected decrease in sales in February.

Hennie van Zyl of the National Clothing Federation (NCF) writes in the Clothing Industry News circular that major retail groups were selling between two and six percent more clothing in May than in the same month in 1987 and they expected to increase volumes in the following six months

"The strongest growth segments during the next six months will be ladies' and children's wear and credit, as distinct from cash, business"

And better news for shoppers is that future price increases are likely to be less than the current 20,5 percent a year rate.

EMPLOYMENT

Mr van Zyl says the rise in employment levels throughout the clothing industry has slowed down of late after almost two years of growth.

Numbers total about 112 000 now, compared with as little as 100 000, according to Industrial Council figures, in mid-1986

The number of clothing manufacturers in Natal has stabilised since July last year at about 440. Western Cape has a similar number, while there are about 350 in the Transvaal

Mr van Zyl says that although fabric price increases slowed down to an annual figure of about 16,3 percent in March, they still threaten the well-being of the industry, being considerably above both inflation (13,3 percent) and the 13,5 percent a year rate at which garment manufacturers increase their prices to retailers

Roller-coaster thrills in the rag trade

184 STAN KENNEDY

When Mr Vic Hammond attends a social function his eyes invariably stray towards the ladies to see the type of shoes, fabrics and dresses they are wearing

An obsession with him, it is also a habit that lands him in plenty of trouble with his wife who "goes crazy when she sees me glance at the women", he says

As managing director and chief executive of Edgars Stores, Mr Hammond finds the fashion world, local and international, exciting, vibrant and addictive

"I love it," he says animatedly "Every six months you start again in a new season Even if you miss the mark in one season, you get the opportunity to renew yourself in the next one

"The stimulation comes from constant change and the seeking of what our customers want It's like the thrill of a roller coaster on which I don't want to get off"

Gauging consumer habits, he says, entails the sending of dozens of buyers, merchants and fabric people all over the world, scouring the fashion houses to see what the trends are Then taking those trends and distilling them for commercial use in South Africa

Having its own factories in Zimbabwe and Natal, which produce mainly mens' and ladies' outerwear, Edgars has a decided advantage over its competitors When it comes up with its own ideas, it imports the fabrics and sneaks its fashions into the marketplace at least three weeks before its competitors

The group recently completed its business plans for the next three years, at which time the sprightly Mr Hammond (62) will retire

"I have been accused by people inside and outside the organisation of having a rather misty strategic vision Fundamentally, I am a conservative I am not bent on take-overs and mergers or moving factories to other countries

"I believe a man in my position should have two strategies There is the one already formed when the company says it is going to follow such and such a path The other is what emerges from the interaction of that strategy in the marketplace It is from that the company grows"

Important, too, is the company's culture The one he is trying to instil at Edgars, Sales House and Jet Stores is that fashions require constant innovation and that his managers and other executives must learn to make changes that create more value for customers These activities, he says, are what breathe new life into an organisation

He says "We sold credit when I joined the company in 1960 and gave six months to pay to those who could not get credit anywhere else We were not merchants, we were bankers, and very successful ones at that

Star 25/6/88

"But the time came when we had to branch out of the protective umbrella We decided that the banking side would be a service and that we would become essentially merchants

The metamorphosis soon catapulted the company into maturity and today it is the country's leading fashion house

Evidence of its success is the R1,2 billion sales in the year ended March and attributable profit of R61 million, the best in its history

In comparison, sales in 1960, when Mr Hammond joined as head of the credit division, were only £5 million which, in today money terms, was worth R150 million

Discounting top lines

Its strategy of discounting certain items each week creates "a tremendous response"

"We are not trying to get rid of distressed stock We take the best selling items that are in fashion and discount them for two or three days We could not afford to do it any longer else we would go broke But it creates traffic in our stores and many of the customers buy other items We don't mark up to mark down"

Returning to theme of being a passive leader, an epithet he didn't seem to care for, he says many companies claim they have decentralised but it is merely a structure on a piece of paper

"I delegate without ambiguity but that doesn't make me a passive leader I'm sitting in the background as the chief executive, watching and nudging and giving direction where I feel it is needed if we are to reach our goals.

"The people who report to me practice the same form of management The idea is that it should go right down to the shop floor to our 12 000 employees."

Like a recurring dream, he constantly asks himself the question: Is the group going in the right direction? And like the self-starter that gets an engine whirring, his mind begins to look for new ideas and new strategies

"We exist to beat the competition You have got to be number one in whatever you do In retailing, getting to the top is hard but staying at the top is much harder

"Sitting on that perch, you can easily be knocked off if your competitors are smart I never underestimate them."

Like democracy, which requires little interference for it to work efficaciously, Mr Hammond sits in the background, applying gentle persuasion to his staff for greater efforts

He has an open door policy and practices, what is called, "management by walking around" He needs to know what is going on and to feel the pulse of the business, not only by talking to those who report to him but also by talking to workers on the shop floor

At weekends, he likes to get away from the maddening crowd and drive his car to "nowhere in particular". It is probably the only time he doesn't know where he is going

VIC HAMMOND — "We exist to beat the competition."

Recently listed Traclo pays 2c final dividend

Star 29/6/8

184

By Sven Forssman

Transvaal Clothing Industries (Traclo), which was listed on the JSE in September last year, yesterday announced in its preliminary report for the 12 months to April 30 that it was to pay a final dividend of 2c a share

As the company has been listed on the JSE for only eight months, the dividend is equivalent to an annualised 3c a share.

Turnover at R24,8 million is 77 percent ahead of the previous year's figure of R14 million.

Pre-tax income at R2,7 million reflects a 101 percent improvement on the 1987 figure of R1,3 million and a 16 percent increase on the prospectus forecast

Earnings per share amount to 6,4c, compared with the forecast of 5,8c.

The company's gearing, however, is a little high at 68 percent.

Chief executive Ronnie Fivelman says the results reflect the continuing good trading conditions and the market's ready acceptance of the Traclo ranges

Sterling in R2,38-m private share offer

Star 1/7/88 (184)

By Sven Forssman

Sterling Clothing, manufacturers of leisure and utility clothing for men, is scheduled to be listed on the JSE on August 3 under the abbreviated name "Sterlng" in the "Industrial — Clothing, Footwear & Textiles" sector

The offer of 3,9 million shares by way of a private placing opens Friday The shares are being placed at 70c each to raise R2,38 million

The group's after tax earnings have grown from R469 877 in 1983 to R1.5 m in the financial year ended December 1987, which represents a compound annual growth rate of 34,9 percent, while turnover grew at a compound annual rate of 18,2 percent over the same period

Current funding requirements will be met from the proceeds of the issue and a policy decision has been taken that the company would not again borrow overseas without cover This follows a R500 000 forex loss in financial 1985.

The offer is underwritten by SA Eagle which holds some 18 per cent of the equity The sponsoring brokers are Max Pollak and Freemantle.

The group comprises three merchandising divisions — Sterling (conservative market), Modern (younger market) and Dakota (black consumer).

Between them, they produce safari suits, trousers, shorts, jeans, shirts, jackets, windbreakers and casual suits

(184) B/day 13/7/88

Pep Stores slams import controls

LINDA ENSOR

PEP Stores experienced severe difficulties in the procurement of textiles in the 1987 financial year, chairman Christo Wiese said in the annual report.

MD Basil Weyers explained the problem, saying while output from local mills was totally inadequate, the group experienced "great difficulties" in obtaining import permits"

"Compounding this, totally unrealistic duties on knitwear imports were introduced during the financial year Again, local capacity is insufficient to meet demand and we were forced to import, resulting in sharp price increases which our customers can ill afford"

However, sales and profitability increased "satisfactorily", Wiese said, while earnings per share climbed 44,3% to 129c (89,4c) and the dividend by 20% to 48c (40c) The operating margin improved slightly to 10,83% (10,46%)

Wiese said the reduction in consumer spending had a positive impact on the group, as it resulted in down-trading

"There remains much room for expansion within our current field of operations and I have no doubt we will at least maintain our growth rate in sales and profitability for the current year"

However, Wiese warned that the group would become liable for a higher tax rate next year — as the assessed losses of some subsidiaries ran out — but he was confident of maintaining dividend payments in excess of the inflation rate The group had assessed losses of R63,8m

The return on capital employed jumped to 50,85% (30,19%) and debt.equity dropped to 6% (18%)

Pep Manufacturing — the group's clothing and textile manufacturer — continued to make a growing contribution to group profits, Wiese said It contributed 20,5% (16,37%) of operating profit

Store expansion proceeded, with 66 new branches being added to the group — 36 Pep Stores, 26 Ackermans branches and four with associated companies

Construction of a new R11m high-tech warehouse in Kuils River — scheduled for completion this year — began

In addition, Pep Stores formed a black-majority-owned public company, Pep Stores Reef, to establish retail outlets in black residential areas The first was set up in Vosloorus on the East Rand.

COASTAL CLOTHING 184

On target

Apart from complimentary remarks about management and staff, neither the chairman's nor directors' reports say much of moment or interest We are no longer even provided with the value of turnover, only an index, but on the basis of prospectus figures sales must have been about R11,65m, marginally below the R11,75m forecast However, earnings are spot on the forecast 12,5c and dividends in line with the forecast annualised 5c

Activities: *Makes shirts, underwear and ladies' wear Brand names include Van Heusen, Waikiki, Carbon Copy and Huggers The factory is at Mobeni, Durban*
Control: *The founding shareholders own 75,9%, but are selling to Jaguar.*
Chairman: *H C Cohen, managing director B C Cohen.*
Capital structure: *10m ords of NPV Market capitalisation· R5m*
Share market: *Price 50c Yields: 5,0% on dividend; 25,4% on earnings, PE ratio, 3,9, cover, 5,1 12-month high, 102c, low, 43c Trading volume last quarter, 70 000 shares*
Financial: *Year to February 29.*

	'85*	'86*	'87*	'88
Debt·				
Short-term (R000)	—	—	—	60
Shareholders interest	—	—	—	0,62
Int & leasing cover	—	—	—	21,5
Debt cover	—	—	—	22,1

Performance:

	'85	'86	'87	'88
Return on cap (%)	—	—	—	34,1
Turnover Index (1980=100)	252	246	256	290
Pre-int profit (R000)	—	—	1 204	1 548
Taxed profit (R000)	20	3,8	1 024	1 256
Earnings (c)	0,2	3,4	10,5	12 7
Dividends (c)	—	—	—	2,5
Net worth (c)	—	—	—	28

*Pro forma figures

Chairman Harold Cohen expects growth in real consumer spending to remain positive this year He says the company has budgeted for a further increase in earnings "and has planned accordingly" Last year the company paid tax for the first time, though still at a sub-standard rate. There is no indication whether there is still any tax loss, but the prospectus put it at R1,1m at February 1987. This suggests that it must by now be exhausted, if so, pre-tax profit will have to increase by more than 60% to achieve the target gain in net earnings

The company is highly liquid, with no net borrowings Returns on both capital and equity are well above normal, which is evidence of the success in establishing the brand names, but could be a source of vulnerability The share is now at exactly half last August's R1 issue price — which was also virtually the high

This may be what flushed out a bid from another 1987 debutante, Jaguar (which makes Puma footwear). Coastal's controlling consortium has already accepted the terms, which are a choice of a straight share-swap of 87 Jaguar per 100 Coastal, or R30 plus 27 Jaguar per 100 Coastal

With Jaguar at 75c (its issue price, which it has seldom dipped substantially below), either bid is worth within a fraction of a cent of Coastal's current 50c, so the decision must hinge on a straight comparison of prospects

The deal would have boosted Jaguar's earnings for calendar 1987 from 13,8c to 15,3c per share, a revised historic p.e of 4,9 against Coastal's 3,9 While Jaguar has a much better record of turnover growth, Coastal provides ready-made capacity for Jaguar's planned move into the manufacture of Puma clothing lines — which should be mutually beneficial

On the other hand, the lot of minority shareholders in this sort of control situation is not always happy. But on balance, my feeling would be to hold on, to see what benefits the new dispensation may bring.

Michael Coulson

FM 15/7/88

BURLINGTON (184) FM 22/7/88

Debt-laden

Activities: *Manufactures men's shirts, leisure wear and knitwear, and ladies' sportswear*
Control: *Directors have control.*
Chairman. *P Kawitzky*
Capital structure: *600 000 ords of 50c and 50 000 6% cumulative prefs of R2 each. Market capitalisation R1,2m*
Share market· *Price 195c. Yields· 3,1% on dividend, 20,4% on earnings, PE ratio, 4,9, cover, 6,6 12-month high, 400c, low, 180c Trading volume last quarter, nil shares*
Financial: *Year to December 1987*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	2 2	1,8	1,8	1,8
Long-term (Rm)	0,8	1,9	1 9	2,6
Debt equity ratio	1,25	1,50	1 46	1,57
Shareholders interest	0 37	0 36	0,34	0 33
Int & leasing cover	n/a	1,06	1 26	1,5
Debt cover	n/a	0,03	0,06	0,08

Performance·

	'84	'85	'86	'87
Return on cap (%)	(4)	8,2	8,5	9,0
Turnover (Index 1978=100) ..	171	138	167	219
Pre-int profit (Rm)	(0,3)	0 6	0,7	0,8
Taxed profit (Rm)	(0 4)	0,03	0,01	0 2
Earnings (c) ...	(69)	4,5	21,8	39,8
Dividends (c) . .	2 5	—	2,5	6
Net worth (c)	412	417	436	470

A steady improvement by Burlington over the past four years has not solved the problem of the unacceptably high debt equity ratio of 1,57, where only 8% of the debt is being covered Interest paid totalled R550 00 against the taxed profit of R245 000

Total debt has increased over the four years from R3m to R4,4m, while the taxed profit has swung from a loss to R244 000 Interest rates are higher this year, though, and could wipe out profits completely. Furthermore, EPS have been fattened by the low tax rate of only 8,7%

No shares were traded over the past quarter and the company is best left alone

Louis Venter

(184) FM 22/7/88

STERLING CLOTHING

Clean picture

With all the problems the JSE, not to mention potential investors, have experienced with adjusted accounts in prospectuses, a company providing an actual profit history, with no adjustments or qualifications and which has a 56-year record, is a refreshing change

Long relationships

Sterling Clothing, due to be listed on the main board on August 3, is privately placing 3,9m shares at 70c each with staff, customers and business associates, many of whom have long-standing relationships with the company

Directors will hold 45% of the total 19m shares and SA Eagle, the underwriter, will have 14,2%

Funds raised will be used mainly to replace debt, reducing the debt equity ratio from 0,93 to 0,40 The high level of borrowings resulted from funding rapid growth in the past two years and also reflects the level of debtors, traditionally at its highest in December.

Sterling manufactures leisure and utility wear and has three divisions Sterling, which caters for more mature country markets and accounts for about 60% of turnover, the Modern division, which is aimed at the younger, more fashionable market and supplies about 30% of turnover, and the Dakota division, targeted at the black consumer market and accounting for 10% of turnover but considered to have the largest potential The company trades only with independent men's clothing retailers across SA, Botswana, Lesotho and Swaziland

Sterling has experienced difficulties in the past Between 1983 and 1985, taxed profit fell from R469 000 to R166 000 due to a forex loss of R500 000 and the effect of high interest rates plus reduced profitability after the collapse of the 1984 mini-boom But the company recovered strongly in 1986, earning R1,6m after tax

Capital expenditure should be only R100 000 this year and R150 000 in 1989 The factory is in Natal and has a strong component of skilled Indian labour

Sterling is forecasting 45% growth in taxed income this year and EPS are expected to be 13,6c, making the forward earnings yield a generous 19,4% With the prospective dividend yield at 8,8%, this is one which long-term investors should be happy to keep in their portfolios

Louis Venter

Textile trade report is still under wraps

BI Day 18/8/88

(184)

PETER BROWN

THE INVESTIGATION by the Board of Trade and Industries into the local clothing and textile industry — first begun in September 1986 — had reached an advanced stage but there is still no prospect of early action.

Petrus Wolmarans, chief director of the Board of Trade, refused to comment further when approached about the investigation, other than to say that when it was finalised the recommendations would still have to be approved by the Minister.

Perturbed

Local manufacturers were hopeful that new measures would afford them greater and more permanent protection against imports than the current temporary import permit system and previous half-hearted protectionist measures have done

Retailers and wholesalers, on the other hand, were perturbed that any new package favouring local manufacturers would only present them with further problems.

Manufacturers have always argued that cheap imports from countries with centrally-planned economies, and others whose foreign exchange earning strategies are based on exporting subsidised and sub-economically produced textiles, greatly damage a local industry which provides employment for many tens of thousands of people

They also have to keep abreast of new technological developments. The Frame Group, for instance, invested R45m on capital equipment in the financial year ending June 1988.

While they were continuing to invest heavily, the return on capital employed was unsatisfactory, claimed former Frame CE Justin Scaffer in commenting on the group's 1987 results. These reflected a none too auspicious 2,7% after tax return on total assets for that year.

Hymie Regenbaum, joint MD of retail clothing group Boymans, is less than sanguine about the situation. He says the local industry doesn't have the capacity to meet total demand, nor can it supply the top end of the market with the quality it needs.

'Inadequate'

He also contends that prices are bound to go up — sentiments echoed by Basil Weyers, MD of Pep Stores, who stated in his annual report in April: "Perhaps our greatest problem has been the procurement of textiles. Not only is output from local mills totally inadequate, but we have also experienced great difficulty in obtaining import permits.

"Compounding this, totally unrealistic duties on knitwear imports were introduced during the financial year. Again, local capacity is insufficient to meet demand and we were forced to import, resulting in sharp increases which our customers can ill afford."

This is a sad commentary from both sides on the state of affairs in the clothing and textile industry

In the light of the country's balance of payment problems and the increasing emphasis towards import replacement, however, the Board of Trade has no option but to end its apparent procrastination and come out in support of the local industry

In turn, manufacturers will have to take note of the market's grave reservations and do everything possible to get their house in order

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PATERNITY LEAVE

Take your time . . .

A shopfloor agreement on paid maternity leave, as well as unpaid leave for fathers, was recently negotiated at the Pinetown plant of James North (Africa) Claimed to be the first of its kind in the garment industry, the agreement has been hailed as a victory for "parental rights" by the Amalgamated Clothing and Textile Workers Union (Actwusa), a Cosatu affiliate

James North's negotiator, production director Ed Bailey, takes a more modest view Bailey says the agreement formalised long-established company policy of granting leave on "compassionate" grounds to both pregnant mothers and to fathers who requested time off during their wives' confinement. Furthermore, he added, the term "unlimited" as applied to unpaid leave now formally available to fathers in terms of the agreement, would have to withstand a test of reasonableness (The union was naturally overjoyed at the prospect of "unlimited" paid leave for fathers) "And if we discover that in the first year of its operation we have 10 fathers simultaneously on unlimited paternity leave, the principle of reasonableness *will* be tested," he warned

Financial director Deon Botha said the direct wage costs arising from a new undertaking contained in the formal agreement to pay pregnant mothers one-third of their wages for a maximum maternity leave period of three months represented only the "tip of the iceberg" to the company To this would have to be added production losses and re-training costs. However, he was not yet in a position to put accurate cost projections to the agreement.

Actwusa says there now exist seven maternity agreements affecting a total of 1 100 women countrywide in the textile industry. However, until the agreement reached at James North, it said, there existed no maternity protection "whatsoever" in the garment industry.

Significant features of the agreement, said Actwusa's John Eagles, included: "A guarantee of re-employment following the birth of the baby; unlimited maternity leave; financial assistance equivalent to one-third of the women workers' wage for a maximum period of three months; and unlimited paternity leave (depending on circumstances), thereby enabling fathers not only to be with their wives or girlfriends when their baby is born, but also to enable the father to play a more active role in raising children "

Actwusa not unnaturally believes the agreement represents a precedent which will be followed by other companies in the garment industry. Bailey is not so sure

"I don't believe many companies will go down this line, because they won't be able to project costs. In our minds, we have put a cost to it, but we can do so because we are a relatively small operation. Even so, we still have to see it working in practice before we can be confident about the impact it will have," he says. ■

FM 5/8/88

FINANCIAL MAIL AUGUST 5 1988

Prospects looking good . . .

CAPE TIMES 12/8/88 (184)

Seardel lifts earnings 31%

By AUDREY D'ANGELO
Financial Editor

SEARDEL — the Cape Town-based manufacturing group with interests ranging from clothing to toys and microwave ovens — lifted earnings by 31% in the year to June, to 105c (80c), and the total dividend by 35% to 17,5c (13c) The final dividend is 10,8c (7,8c).

This was achieved on a 27% increase in turnover to a record R566m (R447m) Operating income was 32% up at R40m (R30m) and pre-tax income by 30% to R30m (R23m).

But although the group has benefited by the upturn, and executive chairman Aaron Searll said its factories were booked up with production for next summer and prospects for winter were also looking good, the directors are clearly preparing for possible bad times ahead

The dividend is covered six times And Searll pointed out at a cocktail party last night, at which the results were announced, that the ratio of borrowings to group equity had improved to 77% from 114% the previous year Return on assets had improved to 15,6% from 12,4%

The group was hard-hit three years ago, when it was highly geared at the time prime rate soared to 25%, and the lesson has been learnt

Searll told staff and guests that R11m had been ploughed back into the business in 1987 and R14m in the past year

"Hopefully next year it will be R18m or R19m," he said

Warning that interest rates were likely to rise further, and that import restrictions might be announced today, Searll said SA's reserves of foreign currency had been depleted seriously

"We do not know what surcharges or restrictions will be announced But somehow we have always managed to do well when times were hard and I am not greatly concerned "

The group had budgeted for sales of R700m, "and we are going to make every effort to achieve that"

Searll said that about 20% of the fabrics used by the group were imported But the quality and supply of locally made fabrics were improving

MD Mike Getz said import controls would push up costs and fuel inflation Discussing future prospects, he said the upturn in the economy had created about 4 000 jobs in the Cape Town clothing industry

Although the economy was cooling now he did not expect the industry to be hit as hard as in 1985 because retailers now carried smaller inventories

CLOTHING AND TEXTILES

War of the words

Surprise, surprise! The clothing and textile industries can't agree on what they want to see in the Board of Trade and Industry's (BTI) report on the clothing pipeline

The BTI has completed its investigation of the clothing and textile industries — although the findings have still to be made public That doesn't stop the two sectors continuing to trade arguments.

The textile industry, which has seen import penetration increase from 18% in 1984 to more than 28%, maintains the reduction in duties, from 25% to 20%, was the prime cause The clothing industry counters that local textile producers could not meet demand, adding it wants duties reduced further

The decline of the rand should act as a natural protection against imports, but Textile Federation CE Stanley Shlagman claims it doesn't help local producers "Local raw material costs are linked to world prices," he explains

The National Clothing Federation (NCF) claims the problem lies in the inability of textile producers to meet market requirements The NCF has repeatedly asked the textile industry for shorter production runs as part of a quick response policy According to the latest NCF figures, around 33% of all confirmed textile orders were more than two weeks late

NCF CE Hennie Van Zyl says only 3% of SA clothing production is exported, a factor which he attributes to the industry's high input costs, of which up to 60% is the cost of fabric.

"If we could get textiles at world prices, we could become internationally competitive. Freer imports would harm the textile industry in the short-term, but with more exports, there would be a greater cake to share."

Van Zyl sees no inconsistency in simultaneously asking for protection for clothing. "Each industry should be treated on its own merits and clothing is second to none as a creator of small business."

He points out that of SA's 1 400 clothing manufacturers, 420 employ less than five people and 700 less than 20

Both the NCF and Textile Federation have been sharp critics of the plan to reduce tariffs on Turkish goods to 3%. At their request, government abandoned the across-the-board rebate. According to the July 29 *Government Gazette*, people wishing to make use of the duty rebate must apply to the BTI to determine how much they will be allowed to import.

Says Van Zyl. "If this means Turkish goods will be included under the present import quota and will simply replace clothing from other countries, it won't mean a flood of cheap imports."

But Seardel director Mike Getz says the import quota system is already circumvented through the independent states, which are subject to the same duties as the RSA but can set their own import quotas. "It is unfair that TBVC-based companies have access to cheap materials and we don't"

Textile Federation's Shlagman argues that textiles should be protected on strategic grounds as SA is still a developing country. He warns that new textile plants will continue to stand idle if nothing is done to curb imports ■

184

DELSWA 184

More records

Activities: *Makes women's and children's clothing*
Control: *A 46,4% interest is held by Jaff-Delswa Investments, whose directors and their families own 76% of its equity*
Executive chairman: *S L Jaff, managing director S H Jaff*
Capital structure: *696 000 ords of 50c, 100 000 5,5% cum pref shares of R2 Market capitalisation R9,0m*
Share market: *Price R13 Yields 8,1% on dividend, 27,5% on earnings, PE ratio, 3,6, cover, 3,4 12-month high, R16, low, R10 Trading volume last quarter, 3 000 shares.*
Financial. *Year to April 30*

	'85	'86	'87	'88
Debt				
Short-term (Rm)	2,5	4,0	5,6	7,1
Long-term (Rm)	0,9	0,7	0,5	2,4
Debt equity ratio	0,39	0,45	0,63	0,81
Shareholders' interest	0,58	0,54	0,48	0,45
Int & leasing cover	2,5	2,8	6,3	6,6
Debt cover	0,3	1,7	0,4	0,3

Performance.

	'85	'86	'87	'88
Return on cap (%)	11,0	—	21,2	21,3
Turnover (% increase)	7	1	32	25
Pre-int profit (Rm)	1,7	2,0	4,3	5,5
Taxed profit (Rm)	0,5	0,8	1,9	2,5
Earnings (c)	76	114	269	357
Dividends (c)	37,5	50	90	105
Net worth (c)	1 238	1 319	1 494	1 666

FINANCIAL MAIL AUGUST 12 1988

It was another cracking year of record results, and the setback of 1985 — when both earnings and dividends almost halved — now seems a fading memory

Chairman Sam Jaff says a minor problem was labour disruption at the Kroonstad factory However, a one-year agreement has been reached with Cosatu affiliate Actwusa for the Kimberley and Kroonstad factories and he hopes this will restore a "harmonious" relationship with the unions

The composition of the board must be unique three (all members of the Jaff family) in their early forties, the other five (including two more Jaffs) all 69-plus However, the pending replacement of Bill Passmore (74) by Arnold Witkin (44) will pull down the average age, and at least the family controlled group does seem to be grooming a new generation of management.

Also, the managements of the subsidiaries — which have a high degree of autonomy — are mostly in their forties

A hidden strength is in the substantial factories in Kimberley and Kroonstad, as well as the Johannesburg head office, all worth more than book value (cost) Plant, costing R5,1m, has also been heavily written down, to R1,2m. So actual net worth — and thus gearing — is much better than the balance sheet suggests — though the converse of this is that the real return on capital is lower.

Though there are plans for limited internal expansion, any major expansion is likely to be through "the acquisition of suitably related companies" with sound and compatible management — a quest which has been going on for some years without success

Jaff says demand remains strong and real sales for the summer season are well up He expects first-half results at least to be maintained and is confident that the winter range will also be well received, generating better 12-month earnings.

While the overall industrial index is just over 20% lower than a year ago, the clothing index is more than 40% off. Delswa's 50c rise since we reviewed the 1987 report is thus a substantial rerating, vindicating our then judgment that it looked cheap Intrinsically, it probably still is. Just a pity that it's almost impossible to buy any.

Each share of pyramid **Jaff-Delswa (Jade)** is effectively backed by 20,2% of a Delswa, worth 263c It is thus marginally underpriced at 245c, but unfortunately no easier to deal in

Michael Coulson

COMPANIES

ARGUS 12/8/88 (184)

Bonwit a R64-m shot in arm for Seardel

By TOM HOOD
Business Editor

TAKOVER of Bonwit and its 12 Cape factories will add at least R64-million this year to the turnover of Seardel Investment Corporation, the country's largest clothing manufacturers

Group turnover is expected to reach R700-million, up R134-million or 24 percent on the record R566-million achieved in the year to June 30, according to chairman Mr Aaron Searll.

Announcing the year's results to group executives, he said last night he was concerned that interest rates might harden further and that the government might dampen economic activity in the year ahead to protect the country's monetary reserves.

He described trading conditions as "highly satisfactory" and said the clothing factories were reasonably well booked for the next six months.

Earnings, however, were expected to slow down from the 31 percent increase of the past year, when they rose R4-million to R17,6-million

Group earnings work out at 105c (80c) a share However, Seardel is cautiously maintaining a six times dividend cover and ploughing back R14-million to reserves, which have now been strengthened by R26-million in two years.

This improved ratio of borrowings to group equity to 77 percent from 114 percent a year ago

Borrowings, however, still made a big dent in profits Even with low interest rates for most of the year, the interest bill jumped by R2,7-million (39 percent) to R9,7-million

Shareholders are to get a 37 percent rise in final dividend, which is up to 11c from 8c a share, bringing the total payout to 17,5c (13c), a jump of 34 percent.

● Another clothing giant, **Transvaal Clothing Industries** said today it has opened a Cape Town office and sees the area as one of of natural growth.

"It is inevitable we will have to open a factory production unit there to service the increasing garment requirements of our Cape customers," chief executive Mr Ronnie Fivelman says in the annual report

"Factory production in Cape Town will also reduce vulnerability to a single-area labour force."

Mr Fivelman says the acquisition of a controlling interest (60 percent) in Haberdashery Textiles has enabled the group to diversify into the home dressmaking market.

Traclo's major customers have placed additional orders, so ensuring the group a further increase in market share.

Listed last September, Traclo lifted turnover 77 percent to R248-million for the year to April. Net profit at R1,4-million represented an increase of 87 percent.

INVESTMENT

Seardel move 'frees' Bonwit

LS/E ARGUS 13/8/88

By DICK USHER
Business Staff

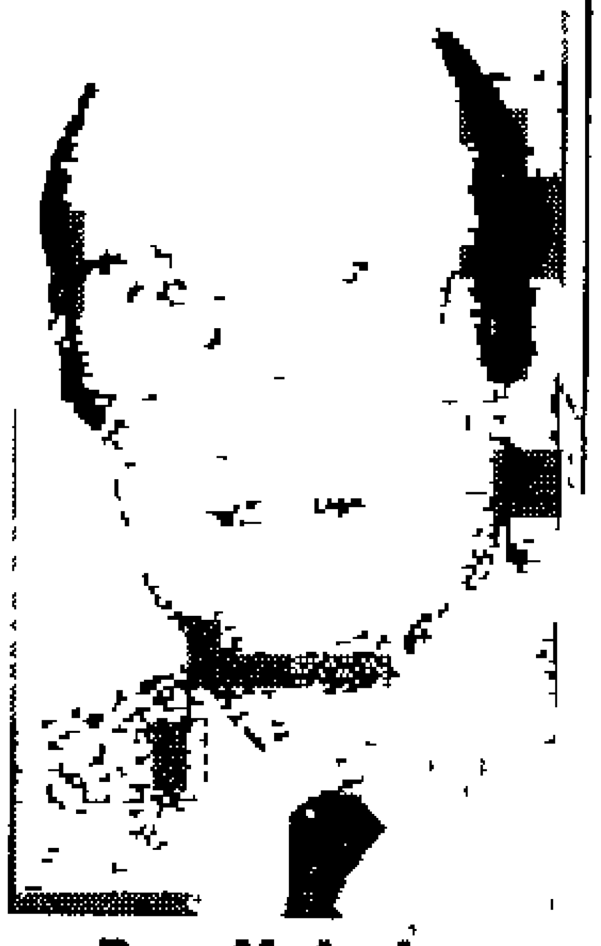
THE move into the Seardel Group can only benefit Bonwit as it will free the company from some of the marketing constraints it experienced under Wooltru, says MD Ron Malcolm.

The move, in a R9-million acquisition deal effective July 1, means that new markets have opened with chains which formerly avoided dealing with them because Bonwit was part of the Wooltru operation.

Started in the early 1940s as an in-house manufacturer of quality ladies' and children's wear for Truworths, Bonwit has grown to 12 factories in several locations around the Western Cape employing about 2 000 people.

The name was derived from the famous New York clothing store of Bonwit Teller, noted for its top-quality garments.

Since the move to Seardel, Bonwit has expanded its marketing base both in-house and by forming partnerships with Ivano and New Name, both of which are recognised names producing high-quality women's and children's wear.



Ron Malcolm

Although the company had developed a considerable degree of autonomy within the Wooltru operation, where it was expected to be a profit maker, not just an in-house manufacturer, Malcolm said this week that the move could only increase their independence of operation.

"We had it previously, but if you are an in-house operation the retailer tends to believe that the in-house manufacturer is there to serve his interests only.

"But in the Seardel Group we can do what we feel is necessary to achieve performance results," said Malcolm.

"Working in an in-house situation you can get only so far before the challenge begins to go and now we feel there are new challenges for us to meet"

One of the first challenges has been to develop the company's marketing structures and adapt to the dramatic changes happening at Bonwit. This includes the acquisition of Ivano and New Name to expand the customer base.

Another challenge

Malcolm said another challenge was to keep abreast of the tremendous changes which had occurred in the clothing industry in the past three or four years.

"The market is now much more consumer-led than it was a few years ago when it tended to be retailer-led. This has meant that, rather than buyers making their orders for a season three or more months ahead, they are now placing small orders and waiting for customer reaction.

"Lead times are now much shorter, which places manufacturers at greater risk. To be ready to respond to the retailer and customer we have to take risks with fabric buying because the lead times of about three months from the textile factories are too long when you have to react to customer demand within weeks.

"The link between customer, retailer and manufacturer is becoming much more critical in the industry.

"Quick response is the name of the game and in the United States manufacturers get on-line information from the retailer's tills which enables the manufacturer to determine which lines, in which colours and sizes are dominating in the market.

Fed back

"This information is fed back to suppliers holdin[g] stocks of uncoloured fabrics and they can supply th[e] manufacturer with the required shades within day[s].

"We haven't achieved that sophistication in Sout[h] Africa yet, but that kind of thinking is starting t[o] happen and a few linkages have been set up.

"As Bonwit we are committed to try and follow that path because if we cannot give the customers what they want we will not be successful."

Seardels soaring

Business Times Reporter

THE consumer spending upturn which helped clothing first has led Seardel and holding company Seardel Consolidated Holdings to record turnover and profits

Unaudited results for the year to June 30 Seardel show turnover up by 27% at R566-million and the operating income 32% ahead from R30-million to R40-million

On the back of a 30% increase in pre-tax income to R30-million and a 31% rise in earnings a share to 105c the dividend has gone up to 17,5c — a 35% increase on the previous year's 13c.

Chairman Aaron Searll says the decision to maintain dividend cover at a high six times is in line with long-term financial planning

The Star Finance

Seardel turnover gets big boost

(184) 18/8/88 86 4

By Tom Hood

The takeover of Bonwit and its 12 Cape factories will add at least R64 million this year to the turnover of Seardel Investment Corporation, the country's largest clothing manufacturers.

Group turnover is expected to reach R700 million, up R134 million or 24 percent on the record R566 million achieved in the year to June 30, according to chairman Mr Aaron Searll.

Announcing the year's results to group executives, he said he was concerned that interest rates might harden further and that the government might dampen economic activity in the year ahead to protect the country's monetary reserves.

He described trading conditions as "highly satisfactory" and said the clothing factories were reasonably well booked for the next six months.

Earnings, however, were expected to slow down from the 31 percent increase of the past year, when they rose R4 million to R17,6 million.

Group earnings work out at 105c (80c) a share. However, Seardel is cautiously maintaining a six times dividend cover and ploughing back R14 million to reserves, which have now been strengthened by R26 million in two years.

This improved the ratio of borrowings to group equity to 77 percent from 114 percent a year ago.

Borrowings, however, still made a big dent in profits. Even with low interest rates for most of the year, the interest bill jumped by R2,7 million to R9,7 million.

Shareholders are to get a 37 percent rise in final dividend, which is up to 11c from 8c a share, bringing the total payout to 17,5c (13c), a jump of 34 percent.

Another clothing giant, Transvaal Clothing Industries has opened a Cape Town office and sees the area as one of of natural growth.

"It is inevitable we will have to open a factory production unit there to service the increasing garment requirements of our Cape customers," chief executive Mr Ronnie Fivelman says in the annual report.

"Factory production in Cape Town will also reduce vulnerability to a single-area labour force."

TRACLO (184)

Expanding base

Activities: *Makes ladies' fashionwear The 60% owned Habitex division distributes haberdashery and textiles*

Control: *The directors hold about 50% of the equity.*

Chairman: *L Lipkin, managing director. R L Fivelman*

Capital structure: *22,8m ords of 1c. Market capitalisation· R8,65m*

Share market: *Price· 38c Yields. 7,9% on dividend*, 16,8% on earnings; PE ratio, 5,9; cover, 2,1*. 12-month high, 80c, low, 35c Trading volume last quarter, 414 000 shares*

*Annualised

Financial. *Year to April 30*

	'86*	'87*	'88
Debt.			
Short-term (Rm)	—	—	2,7
Long-term (Rm)	—	—	1,2
Debt equity ratio	—	—	0,71
Shareholders' interest	—	—	0,36
Int & leasing cover	—	—	7,2
Debt cover	—	—	0,50
Performance:			
	'86	'87	'88
Return on cap (%)	—	—	20,7
Turnover (Rm)	10,8	14,0	24,8
Pre-int profit (Rm)	1,4	1,7	3,1
Pre-int margin (%)	12,7	11,8	12,4
Taxed profit (Rm)	0,6	0,7	1,4
Earnings (c)	2,8	3,3	6,4
Dividends (c)	—	—	2
Net worth (c)	—	—	22

*Pro forma prelisting figures

Earnings exceeded both the prospectus forecast of 5,8c and the update at the time of the Habitex acquisition, in March, of 6,1c But the 2c dividend (equivalent to 3c annualised) is as forecast and the turnover gain of the "old" Transvaal Clothing Industries, of 34%, is marginally below the 36% forecast

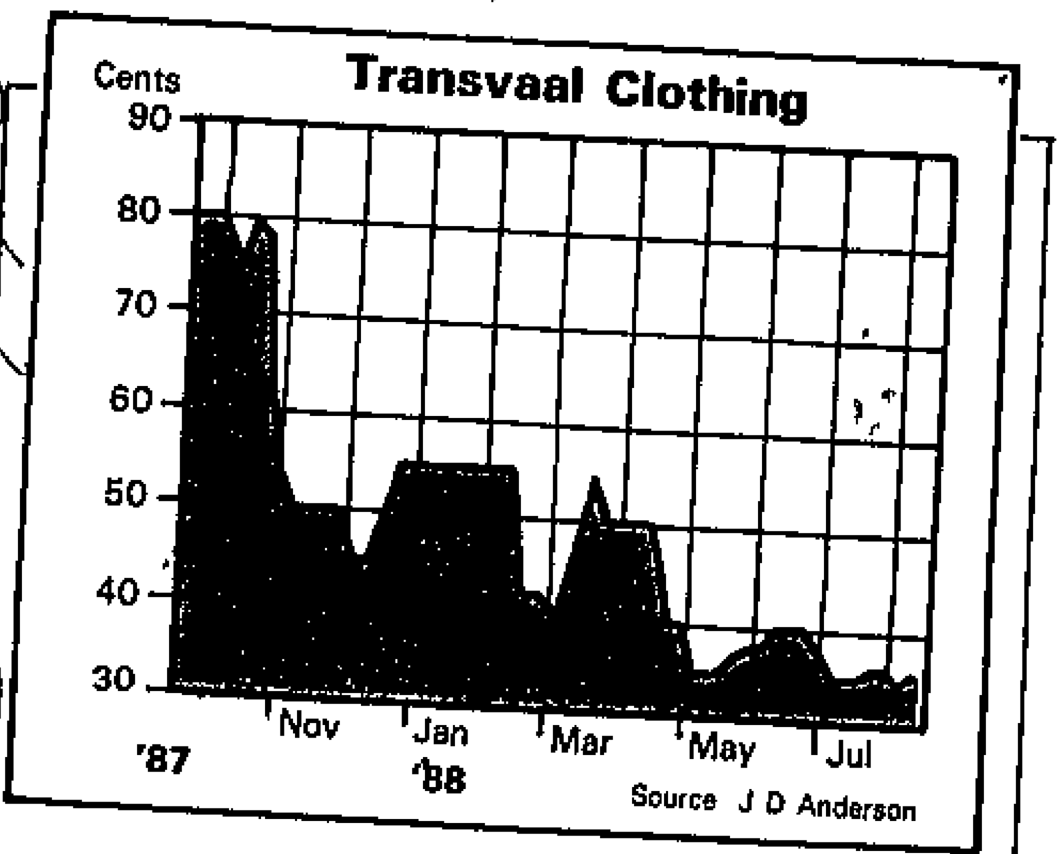
The customer base was extended up-market from the traditional retail chains with the new boutique-orientated Ambiance range CE Ronnie Fivelman says boutique-type outlets represent about half the women's clothing market, and offer higher margins.

An office has been opened in Cape Town As the Transvaal factory is virtually running at capacity, Fivelman says a factory there is "inevitable" to serve Cape-based chains.

Habitex, a leading wholesaler to haberdashery retailers, ultimately serves primarily the home sewing (largely black) market Chairman Lionel Lipkin says this "has enormous potential " It is also contra-cyclical.

Fivelman says that though real growth in the clothing industry has been minimal, the main customers have placed additional orders, ensuring further increase in market share Lipkin says order books are

26/8/88



"healthy " However, other than a commitment to hold turnover and earnings growth above the rate of inflation, there is no meaningful forecast.

Listed last September after an issue at 60c (the public offer segment was 17 times subscribed), the company just got in ahead of the October crash, of which — like so many — the share price is still feeling the impact

The policy of supplying chain stores rather than building up its own brands gives the group a degree of anonymity, which the Ambiance range has yet to overcome Over 40 years it has shown an ability to handle varying economic conditions, and executive director Mike Destombes says the Eighties have brought a new dynamism. The share looks fairly priced against the market.

Michael Coulson

FM (184)

CLOTHING (184) FM

Export mode 26/8/88

The decline in the rand has encouraged the clothing industry to look more seriously than ever at exports But as with most export markets, clothing could prove a tough nut to crack.

Says Kingsgate Clothing MD Sadek Vahed: "We have the potential to increase

26/8/88 FM (184)

clothing exports considerably, but to do so we need access to textiles at world prices."

However, his bullish sentiments are not shared by leading industry consultant Joop de Voest, who has just completed a survey on the textile, clothing and retail trade. He argues it is a misconception to say the price of fabrics alone could start an export boom for the clothing industry

"Many clothing manufacturers have good production and sales people but lack marketing skills. Few companies have a sound knowledge and understanding of their markets and clients in SA, let alone external markets. Exporters who have been successful have done so by identifying client needs and niche markets and by building up sound relationships based not only on price, but also on reliable delivery, quality, export expertise and a good dose of perseverance."

He adds that although trade regulation 47003 has been providing access to cheaper overseas fabric for re-export in garment form, it has not been fully utilised as few producers have established regular export sources.

National Productivity Institute spokesman Howard Fairhurst maintains that good exporters need to be hungry. "Manufacturers still have it too easy to really bother. They have to force themselves to spend time and money upfront developing markets."

He adds that in staple products the best local clothing factories can compete with the Far East. But they must increase output as they operate on a 42,5-hour week as against 48 hours or more in the Far East.

Using the old protectionist argument, De Voest says, should the clothing industry be allowed carte blanche access to fabric at world prices, it would mean shorter produc-

Clothing ... more exports needed

tion runs at local textile mills. To compensate for underused capacity at fibre and spinning plants, the price of household and industrial fabrics, representing more than 60% of the textile market, would increase

What is needed is a commitment by all three tiers of industry — textiles, apparel and retail — to work towards a common goal of creating market stability and allowing managements to plan long term and develop the marketing skills to increase volume.

"Instability in the marketplace causes a reluctance to invest in new equipment, to become more efficient and to lower unit costs. The industry can no longer afford to be stuck with antiquated equipment. Computer-aided design for fabric production has only just been brought into SA."

De Voest says an objective early-warning system along the lines of the *Textile Organon* newsletter in the US which provides feedback, often within two weeks, to the industry on market developments, would help tremendously.

In SA, the industry depends on government statistics, which are very selective and often six months out of date ■

Rex True lifts profits

CAPE T 1/9/88
27/8/88
(184)

AFRICAN & OVERSEAS ENTERPRISES, which has as its main investment the Cape Town-based clothing manufacturer, Rex Trueform, lifted after-tax profit for the year to June to R13,277m (R10,454m)

Net income to ordinary and "A" ordinary shareholders was R6,544m (R4,933m), while a dividend of 60c has been declared (52,0c) Earnings per share rose from 197,3c to 261,8c

Rex Trueform itself announced after-tax profits of R12,957m (R10,268m) while income attributable to "A" and ordinary shareholders was R11,845m (R9,055m).

Earnings per share increased by 30,8% to 286,8c (219,3c) with a dividend of 75c (65c) being declared

The company said, "improved trading conditions prevailed throughout the year and turnover increased by 18% — Sapa

Labour Act: Employers under pressure

By DICK USHER
Labour Reporter

ARGUS 31/8/88

EMPLOYERS in two major Cape industries are under pressure not to apply contentious aspects of the new Labour Relations Amendment Act, which comes into effect tomorrow.

The garment industry, with about 60 000 employees, is expected to hammer out a response today to a Garment and Allied Workers' Union (Gawu) request that employers not apply clauses that are not in workers' interests.

The request will be considered by the Cape Clothing Manufacturers' Association

The Cape Province Textile Manufacturers' Association met yesterday to consider a similar request from the Amalgamated Clothing and Textile Workers' Union.

The association's response is not yet known

A Gawu spokesman said two emergency shop stewards' council meetings were held on Saturday and Monday to consider the union's response to the Act

Workers were urged to make their feelings known to employers at plant level and actions ranging from factory meetings to overtime bans were being considered

Work stoppages had happened at several factories

ARONTEX (184)

Import restrictions

2/9/88

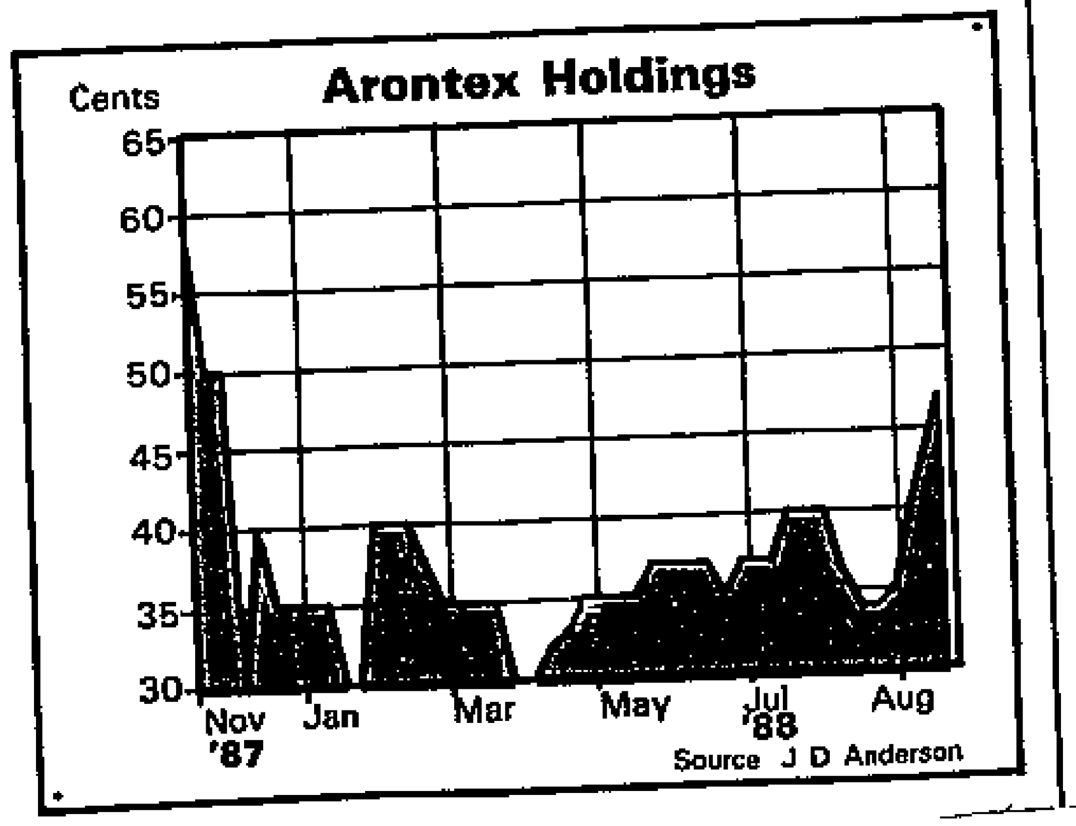
Activities: *Manufactures underwear, swimwear and lingerie etc*
Control: *Directors have control*
Chairman and managing director: *T J Aron*
Capital structure: *10m ords of 1c Market capitalisation R5m.*
Share market: *Price 50c Yields 6,4% on dividend; 19,2% on earnings, PE ratio, 5,2, cover, 3,0 12-month high, 70c, low, 30c Trading volume last quarter, 98 000 shares*
Financial: *Year to February 29*

	'88
Debt:	
Short-term (Rm)	1,3
Long-term (Rm)	1,7
Debt equity ratio	0,9
Shareholders interest	0,3
Int & leasing cover	4,7
Debt cover	0,36
Performance:	'88
Return on cap (%)	14,7
Turnover (Rm)	11,1
Pre-int profit (Rm)	1,2
Pre-int margin (%)	11,0
Taxed profit (Rm)	0,9
Earnings (c)	9,6
Dividends (c)	3,2*
Net worth (c)	28,4

*Annualised

Arontex's sharp climb in EPS is the highlight of an annual report which otherwise reports generally mediocre results

EPS improved 37,1% more than forecast in the year to end-February, but return on capital and profit margins are fair, while debt cover and debt:equity reflect a high level of borrowings Chairman Trevor Aron



\ 2/9/88

ascribes this to the strong growth the company experienced, as well as the takeover of Alida clothing (an established shirt manufacturer) and R&L Proos, which makes active-wear clothing

Growth was partly organic, though acquisitions helped. Aron says it is difficult to achieve high growth only from organic sources in the clothing industry and acquisitions will continue to play an important role He bases his optimism for the year ahead on expected benefits from rationalising recent acquisitions and centralising administration, plus introducing more mechanisation and a higher level of computerisation.

Improvements in market penetration should be achieved through promotions of major labels and new ranges, aided by the large number of outlets of its major customers like OK Bazaars, Checkers, Edgars, Jet Stores and Pep Stores

On a dividend yield of 6,4%, the share price seems to be discounting some of the expected improvement. *Louis Venter*

Clothing industry agrees on Act

Sowetan 8/4/9/88

184

AGREEMENT was reached last week between the Cape Clothing Manufacturers Association, the Cape Knitting Industry Association and the Garment and Allied Workers Union over controversial clauses of the Labour Amendment Act.

The agreement followed three days of industrial action by Gawu members at factories in the Western Cape. It affects about 56 000 workers who belong to Gawu The CCMA and CKIA agreed not to depart from the grievance, disciplinary and dismissal procedures in force at plants prior to the act and that all members would abide by a national consensus reached between employers and unions regarding amendments.

Should agreement between Nactu, Cosatu and Saccola not be reached, Gawu will negotiate directly with the clothing and knitting management. Gawu undertook to discourage its members from illegal industrial action.

A GAWU member during the protests against the Labour Amendment act

The agreement followed three days of industrial action by Gawu members at various factories in Cape Town in protest against the act.

FRAME

184

Import blues

The hoped-for turnaround in the results of Frame Group Holdings has not yet occurred, as reflected in the decline in EPS in the year to end-June to 89,7c (106,7c last year)

Management blames low-cost imports for the decline in pre-tax profit of the group's cotton division to R38,1m (R20,5m). But the blanket division, which the group says was not as severely affected by imports as the cotton division, compensated with a dramatic increase in pre-tax profit to R16,7m (R2,2m) Performance of the apparel division was also disappointing, with pre-tax profit down to R400 000 (R2,8m)

Overall, pre-tax profit fell 4% to R50,1m (R52,4m). Management says retrenchments cost R4,2m, and a higher tax rate reduced attributable earnings, which were 16% lower for Frame Group and 12% lower for Conframe Future prospects, says Frame, will be "significantly influenced" by government's attitude to imports, and management is "in communication with the authorities on the adverse impact on the industry, resulting from the high level of imports"

The company says the volume of imported fabric, including imported blankets from Turkey, could have a negative effect on the blanket division in the current financial year.

Last year chairman Mervyn King, who replaced Justin Schaffer as CE in July, said he was encouraged by positive comments from the chairman of the Board of Trade and Industries (BTI), and policies to encourage growth in the textile industry through import replacement and export promotion. The results indicate that King's cautious optimism was premature.

The textile industry has been hurt by imports since the suspension of certain protective tariffs in late 1986, and the long-awaited report of the BTI into the textile industry has not yet been completed This is making development of competitive strategies difficult for all in the industry — they claim that manufacturers in certain exporting countries are subsidised to export at prices below those in their home markets.

Frame's results, and the gloomy reference to negative effects on the blanket division, indicate that the situation has not been significantly improved by the sharp fall in the rand

The results may further explain the sudden departure of Schaffer, the official reason for which was irreconcilable differences of opinion over the future direction of group

Teigue Payne

Frame's King . . . optimism was premature

16/9/88 FM

(184) B/day 28/9/88.

Meritex and Polo Co team up for knitwear

LINDA ENSOR

MERITEX Holdings, which has subsidiaries involved in the manufacture of textiles and garments, has entered into a joint venture with a non-listed clothing manufacturer, The Polo Co, to produce and market men's and women's knitted outerwear

As part of the agreement, the new company — which still has to be named — will purchase for an estimated R1m Meritex's Parow Valley outerwear garment manufacturing division

Meritex MD Ed Gordon says the reason behind the tie-up is to wed Meritex with a strong merchandising and marketing operation

Both companies are engaged in exports and Gordon believes that with the declining rand, the potential exists to expand these markets

Polo benefits by having a closer relationship with its main raw material supplier in a situation in which imports have become increasingly difficult

The venture is not expected to have any effect on the earnings, dividends or net-asset value of Meritex this year, but in the longer term should contribute materially to the earnings of both groups

The effective starting date of the venture will be February 1, 1989, but orders are to be taken immediately for delivery after that date

Polo's Gordon Joffe, who has been appointed MD of the new company, says it will be fairly large and synergistic benefits will flow through at an early stage

"It will be possible to switch production yielding marginal profits to more profitable branded products

"With the extremely high quality standards prevailing in both groups, the partners have every confidence that the move into branded menswear and, in due course, branded ladieswear will be successful"

Meritex's Brian Hadyn has been appointed marketing director of the new company

Local clothing firms form new company

GN Times 28/9/88 184

By AUDREY D'ANGELO
Financial Editor

A NEW company to be formed jointly by two Cape Town clothing firms — Meritex and Polo — will aim at the export market as well as selling men's and women's knitted outerwear to SA retailers.

Meritex chairman and MD Ed Gordon and Polo MD Gordon Joffe announced yesterday that it had been agreed in principle to form the still unnamed company.

It will operate independently from both parent companies although Joffe will be MD. Brian Hadyn of Meritex will be marketing director. Other directors and senior staff will be appointed in the next few months.

The new company will buy the Meritex outerwear garment manufacturing division in Parow Valley for R1m.

Joffe said that, although the joint venture would officially come into being on February 1 the new relationship would start immediately because it would be necessary to start taking orders within the next few weeks for delivery next year.

"The company will be of a fairly substantial size from the outset and both Polo and Meritex feel that the benefits of synergy will flow at an early stage.

"It will be possible to switch production from lines yielding marginal profits to more profitable branded products."

Polo manufactures shirts but buys in other clothing for distribution. Some of this has been made by Meritex and other local manufacturers and some imported.

Joffe said the new venture would mean that it could all be made by the new company. This would be an advantage with the rand so unstable that forward planning involving imports was virtually impossible. It would also reduce delivery times.

Both Polo and Meritex have been in the export market for about 10 years and have contacts through which garments produced by the new company can be sold overseas. Polo and Meritex, who do not compete since they are in different markets, may also be able to increase their exports through each other's contacts.

Ed Gordon said the new venture would not be subject to foreign exchange or import problems because it would be part of Meritex's vertical chain which started with the manufacture of high quality fabric. All raw materials were sourced locally.

"In addition, with the highly unfavourable long-term trend for the rand, we see significant potential in the export market."

FM 30/9/88 (184)

CLOTHING and TEXTILES

Import frame-up

The clothing industry has reacted strongly to the textile industry's requests for curbs on imported cloth (*Business* September 23).

National Clothing Federation (NCF) president Terence Kinnear has accused Frame chairman Mervyn King of delivering "veiled threats" to the Board of Trade and Industry (BTI) and trying to move it further away from free trade policies

"Generous protection not only totally violates the principles contained in government's White Paper on an industrialisation strategy for SA, but also substantially raises the cost of clothing to the SA consumer," he says

He claims the price of textiles has, over the past four years, increased faster than both the clothing industry's own selling price and the inflation rate

He also believes, in contrast to King, there are export markets to be won in clothing and points out the NCF has just returned from an extensive tour to the Far East, where it identified lucrative export markets.

"All leading clothing exporters to the East have a common characteristic. They have easy access to imported fabric at world prices and most of them run a textile deficit and clothing surplus on their balance of payments."

But King reiterates the points he made in the *FM*. "I highlighted the very grave implications inherent in the BTI's approach to regulating the textile industry. The clothing industry has had access to duty-free fabric for years through rebate facility 470.03 which they haven't used to develop a substantial export market So what's new?"

Of Kinnear's reaction, he says· "We feel he insists on promoting sectarian interests when we should really consider the best interests of the SA economy." ■

☐ XPS Services — a company providing a national express freight service.

milking equipment, its Milkrite machine being a market leader, and supplies

In 1987, NCD with Eskort Bacon Co-operative obtained control of Sacca at a

vaal, while the operations head office is in Heilbron in the Free State.

(184) 4/10/88 B/day.

Moolla sews up future

NATAL-BASED A M Moolla Group has, under the leadership of CE Ahmed Sadek Vahed, expanded rapidly during the past 10 years to become the second largest privately owned clothing manufacturer in the country.

And with major plans underway for it to penetrate the export market, its future growth is likely to be exponential The company is aiming at a turnover of R150m by 1991

The group's achievement lies behind its selection for the second successive year as one of the top 20 finalists in the SA Non-Listed Company Award contest.

In relation to companies listed on the JSE, A M Moolla is probably the fourth largest clothing manufacturer in SA, incorporating eight subsidiaries employing a staff in excess of 6 000.

The average turnover growth during the last five years has been 30% and the average profit growth has been 19% In the last financial year, a turnover in excess of R80m was achieved compared with the R6,7m of 1976 Turnover of about R95m is budgeted for this year

The group has six marketing companies and eight production plants — one in Durban, one in Hammarsdale, five in Isithebe and one in Ulundi.

Vahed says a sixth manufacturing plant at Isithebe has been commissioned at a cost of R6m and will come on stream in July 1989. This will increase existing capacity at Isithebe significantly and gear up the group for its planned thrust into export markets

Little is now exported, but as the clothing industry expects the report of the Board of Trade and Industry on the structure of the clothing and textile industries to identify clothing as one of the prime industries to conduct an aggressive export campaign, the group is making preparations to take part in this drive

Vahed says SA-exported clothing will not, even with a weak rand, be able to compete with Taiwanese and Korean products, and so the group is looking to the middle and high fashion markets in the UK and EC.

The wide range of products manufactured by the group gives it versatility — of all the categories of clothing only men's suits and men's underwear are excluded from its range. In Vahed's view, this is one of Moolla's strengths as it enables customers to get all their products from a single supplier.

About 60% of goods produced is targeted at the budget "Third World" market and is supplied to various chain stores under their own house brands

The major chains, such as Edgars, OK Bazaars and Pepkor, take up between 75-80% of the A M Moolla's total product. Close relations are maintained with the chains and Vahed attributes the group's success as much to their loyalty as to the expertise and dedication of his management team

Each company in the group has its own design team which visit world clothing fairs together with the buyers from the chains and work together with them to draw up proto-type samples. Between 70%-80% of the output is presold.

Factories are operating a six-day week at optimum capacity, the order books are full and manufacturing for winter '89 will start shortly. Vahed says 1988 has been an excellent year

(184) B/day 7/10/88

Strebel acquires Cape's Embroitex for R2,54m

LINDA ENSOR

CLOTHING accessories manufacturer Strebel Group has acquired Cape-based Embroitex Group, SA's largest manufacturer of embroidery, for R2,54m cash

The deal takes retrospective effect from July 1

Because SA Badge, Cape Embroidery and Strebel have differing year-ends, the true effect on earnings cannot be calculated, but the acquisition is expected to have a beneficial effect on Strebel's bottomline

The purchase agreement allows for a reduction in the price if profit warranties for the year to end-December are not met and also allows Strebel to withdraw from the transaction under certain conditions.

Embroitex consists of SA Badge and Embroidery Works and Cape Embroidery Works and supplies the lingerie, outerwear, home furnishing and footwear industries with a wide range of embroidery.

It also supplies embroidered fabrics to the wholesale and retail sectors and manufactures badges and motifs for the garment industry and employs 180 people.

Embroitex's plants in Observatory and Atlantis manufacture more than 65% of all SA's locally produced embroidery on sophisticated Schiffli looms

Its activities complement those of Strebel, which supplies trimmings, accessories and fasteners to the clothing, luggage and footwear industries and to the retail sector. In addition, the acquisition represents a diversification for Strebel

Embroitex is the third company taken over by Strebel during the past 18 months. The others were Hereford Industries and Sidleytex, both of which the recently released annual report for the Strebel group said had provided an excellent return on investment.

Rag trade sews up R60-m pay rise as a New Year gift

184 W/K ARGUS 8/10/88

By DICK USHER
Labour Reporter

GARMENT industry employees could get a R60-million boost to their pay packets next year.

Negotiations on a new main agreement for the industry ended this week and the terms will go to the parties for ratification.

After two weeks of "hard and professional" negotiation the employer bodies and the Garment and Allied Workers' Union (Gawu) agreed on terms which would significantly boost wages for the industry's 55 000 employees.

Mr Colin McCarthy, secretary of the two employer bodies — the Cape Clothing Manufacturers' Association and the Cape Knitting Industry Association — said the lowest wage would rise from about R76 to R97,40 a week for learners.

Grade B machinists, the overwhelming majority in the industry, would get an extra R21 a week. Other categories, except for grade C operatives who would get R20 a week more, would get a 17 percent increase subject to a minimum of R15 a week

Employers had agreed to a paid holiday on June 16 and May 1 would be an optional day which could be swopped for another holiday or worked in

Working hours and annual leave were unchanged.

Employees would get six months' unpaid maternity leave, but a sub-committee would investigate paying 25 percent of basic wages through the sick fund.

Report-back talks

The agreement would run for one year and two-tier bargaining would be allowed on items not covered in the agreement

Union spokesmen were not available for comment. A Gawu general meeting to report back on the negotiations will be held tomorrow at the University of Western Cape sports stadium.

Mr McCarthy said a joint meeting of both employer bodies to consider the terms would take place within 10 days.

Seardel may not list Seartec

(184) Star 10/10/88.

Finance Staff

The drastic drop in the value of equities on the JSE since October 1987 resulted in the postponement of the listing of Seartec Limited, the Sharp Electronics and Prima Toys divisions, Seardel chairman Aaron Searll says in the annual report

He says the intention of listing Seartec was to reduce group borrowings and thereby improve gearing.

"The listing has been postponed until such time as market conditions return to normality.

"Substantial amounts have been added to group equity by way of retained earnings, with the resulted that the stated objectives for gearing may be met in this way without resorting to the proposed listing

"Giving the relatively low price earnings ratios currently attainable on the JSE, a listing is no longer as attractive, but we will continue to monitor the situation"

Mr Searll estimates that group turnover for the 1988/89 financial year will increase from R566 million to between R670 and R700 million and earnings per share from 105c to between 120 and 130c.

Truworth's almost tied up in Natal

184

13/10/88 B/day

TRUWORTH'S Natal computerisation project is nearing completion with the installation and implementation of Mohawk Hero-Ngen intelligent departmental cluster systems at its branches

The branches — at Mont Claire, The Bluff, La Lucia, Beach Pinetown, Musgrave, Umhlange, Windermere, Umbilo, Amanzimtoti, Westville and Maritzburg, as well as Truworth's flagship store in Hooper Lane — will all be computerised at point of sale, with 14 terminals going into the latter

Phil Claxton, Truworth's divisional administration manager in Natal, said "The new on-line cash-drawers are certainly speeding up our customer purchase transactions and they provide us with extra in-store control Training is on-going as each store goes live, and we train approximately six employees every week

"Naturally enough, some of our personnel view our new computer with great trepidation initially, but once they realise how much labour they save their attitude changes Where we really save enormous administrative time is in the back-office routines and daily consolidations Overall, I am extremely pleased at the progress we are making"

Truworth's Automated Stores Project links its stores on-line via a country-wide terminal network to its Cape Town Wooltru headquarters mainframe The Mohawk Hero-Ngen's point of sale terminals incorporate a cash-drawer which is activated from the keyboard

These act as intelligent, stand-alone computers for each particular store's application and at the same time provide a gateway to Wooltru's Persetel 7/72 to act as intelligent terminals

Eventually, every one of Truworth's 460 000 credit customers will be able to get service and process transactions at automated stores anywhere in SA

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South

Gawu to fight on

THE Garment and Allied Workers Union sounded a sombre warning to factory managers when 6 000 workers pledged to continue their fight for a living wage.

Gawu national secretary Desmond Sampson warned employers that the new militancy among garment workers meant "a giant had awoken"

The rally was called to discusss recent wage increases totalling about R60-million to be paid to garment workers from December following an agreement between the union and the Cape Clothing Manufacturers Association and Cape Knitting Industry Association.

Court orders company to reinstate workers

Cl(oen) (84)

By VASANTHA ANGAMUTHU

A CLOTHING manufacturing company was recently ordered to reinstate over 80 Hammarsdale members of the Amalgamated Clothing and Textile Workers' Union of South Africa after the company moved to the KwaZulu town of Ezakheni.

In terms of the court order, only those members in whose names the application was brought will be reinstated

The workers have been reinstated with effect from July 15 until November 10, subject to a 30-day extension period after November The company, Van Neths, was also instructed to backpay workers since workers' wages totalled about R40 000

"Actwusa acts in the interests of its members and the union cannot act on behalf of those who do not want to join the union," said the union's regional co-ordinator, John Eagles

Clothing industry to hold talks

Own Correspondent

DURBAN — A new round of talks between the Natal Clothing Manufacturers' Association (NCMA) and the Garment and Allied Workers' Union will take place here today in a move to avert a possible major strike in the industry.

NCMA spokesman Keith Robson said yesterday the association would then table its revised, improved proposals

"The NCMA has formally advised the union that it does not regard itself as being in dispute with the union," he said, adding it was "most premature" to talk of deadlock.

"Following a general return to work this week after the widespread illegal work stoppages of last week, the association's invitation to the union to resume wage negotiations has been accepted"

Union spokesman A J Moodley could not be reached for comment yesterday, but he said earlier the entire clothing industry workforce was planning a strike in support of its demand for a R35 across-the-board pay rise

Cutrite ups attributable profit 22% in solid effort

(184) B/day 14/10/88

LINDA ENSOR

CLOTHING manufacturer Cutrite Investments performed solidly in the six months to August by notching up a 22% rise in attributable profit to R1,1m (R907 000).

An interim dividend of 2,5c was declared.

The growth in earnings a share on a greater weighted average number of shares in issue rose 6,3% to 6,7c (6,3c).

Decline

Both operating companies, Diva Fashions, which focuses on the high fashion market, and Cutrite Apparel Manufacturers, which concentrates on the black market, performed well and contributed to the 26% climb in turnover to R15,8m (R12,6m)

Margins, however, suffered, declining from 15,3% to 14,5% to give a 19% rise in operating income to R2,3m (R1,9m)

Financial director Hymie Feinberg said the decline was mainly because of the notable change in the sales mix due to increased competition in the market.

Feinberg said the decline in margins also reflected the cost of an expensive advertising campaign launched during the period under review.

A marginal drop in the tax rate, due to investment allowances on plant and equipment, contributed to the bottom-line growth.

Feinberg said order books were full for both operating companies. Diva Fashions had completely sold out its summer range while its winter range had been "favourably received".

Relied

As the major part of the business is generated in the second half, year-end results should at least not be less than the interim performance

Feinberg said as both operating companies relied almost completely on SA-sourced raw materials, Cutrite would not be affected by fluctuations in foreign exchange nor imposition of surcharges

The share is trading at 65c, which places it on a dividend yield of 7,7% and a price earnings ratio of 5,9 times, compared with the respective clothing sector averages of 6,7% and 5,8 times

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Major clothing strike looming

Own Correspondent

DURBAN — A major strike is looming in the clothing industry after a weekend decision by more than 1 000 shop stewards of the Garment and Allied Workers' Union (GAWU) to pursue their wage demands.

A J Moodley, regional secretary of GAWU, which represents more than 43 000 workers, said yesterday the workers rejected management's offer of a R9 pay rise in January and another R5 in July.

"We are preparing the spadework for a legal industry wide strike which will follow the normal procedures as laid down in the Labour Relations Act," he said.

More than 15 000 workers at clothing factories in Mobeni, Durban, have been striking for a week, demanding a R35 across-the-board pay rise. Most have returned to work, but for 3 000 at SA Clothing.

Keith Robson, the media spokesman for the Natal Clothing Manufacturers' Association, could not be reached for comment yesterday.

'Quick response' lifts clothing companies' sales

CM-7(r)75 26/10/88

(184)

By AUDREY D'ANGELO
Financial Editor

QUICK response programmes have enabled some SA clothing companies to lift sales by nearly 70% in the course of a year, as a result of never being out of stock of any size or colour, Dennis Solomon, a director of SA Clothing Industries, said yesterday

Speaking at a 25th anniversary seminar organized by the Menswear Group of SA, Solomon said that such programmes demanded a great deal of discipline with textile mills, manufacturers and retailers working closely together to ensure that goods could be supplied promptly without the need to hold large stocks

He said that in England and America in particular, quick response had enabled some manufacturers to increase stock turns by 60% and improve profit margins by up to 70%, while reducing stock holdings by 50%

But, he warned, there was a need for SA textile mills to increase their capacity in order to avoid shortages and make such programmes possible

"With uncertainties about government attitude in the past few years and particularly while waiting for the outcome of the textile pipeline investigation by the Board of Trade, the textile industry has not had the confidence to increase production capacity

"But, capital costs are escalating each year and the delivery situation for machinery is getting longer and longer

"In the long term it is obvious that increased capacity must be made available This is not only because of the possibility of increased sanctions but because of the tremendous increase of population in SA

"These decisions have to be made and made now, so it is even more necessary for us to co-operate and work closely together"

Pointing out that the labour intensive clothing industry was a major source of jobs in the Western Cape, Solomon said it was essential to achieve long production runs in order to keep prices down

One way to do this was to build up exports

"SA has only scratched the surface of the clothing export potential and in spite of sanctions, in spite of all other problems, I believe that with the right initiative and drive we can build up factories solely dedicated to export which can employ many tens of thousands more people"

Government assistance and a co-ordinated export drive and co-operation between the textile and clothing industries was necessary to achieve this

Solomon said that in addition to increasing export sales the clothing industry should also increase sales to the local Third World market through hawkers and informal traders

If there was deregulation in this area "the sheer numbers of the Third World sector of the economy presupposes tremendous volumes of goods that can be sold at cheap prices."

The Star Finance

Romatex cashes in on capital spending

Star. 28/10/88 (184)

Romatex, the clothing, footwear and textiles group, is reaping the rewards of the capital expenditure programme it has pursued in recent years, with profits hitting record levels in the past year

Earnings for the year to September were up by 54 percent at 217,2c off a high base Earnings growth in the 1987 and 1986 financial years was 95 percent and 66 percent respectively

A final dividend of 50c brings the total for the year to 75c (1987 50c)

At the halfway mark, it reported 70 percent higher earnings and the interim dividend was up by 67 percent But the directors then warned that results for the year as a whole would not match this

They now say "The good performance is an endorsement of the policy of strong investment which began in the recessionary years of 1985-86"

Romatex has invested R120 million over the past few years to introduce new products, to expand and upgrade existing operations and to reduce dependence on some of the more cyclical sectors of its business

The benefits of the large capex investment are highlighted by the operating margins, with operating profit up 50 percent at R86,4 million on a 22 percent improvement in turnover to R674,4 million

Capex has been funded from internal resources, as is evident from the fact that borrowings are under R2 million

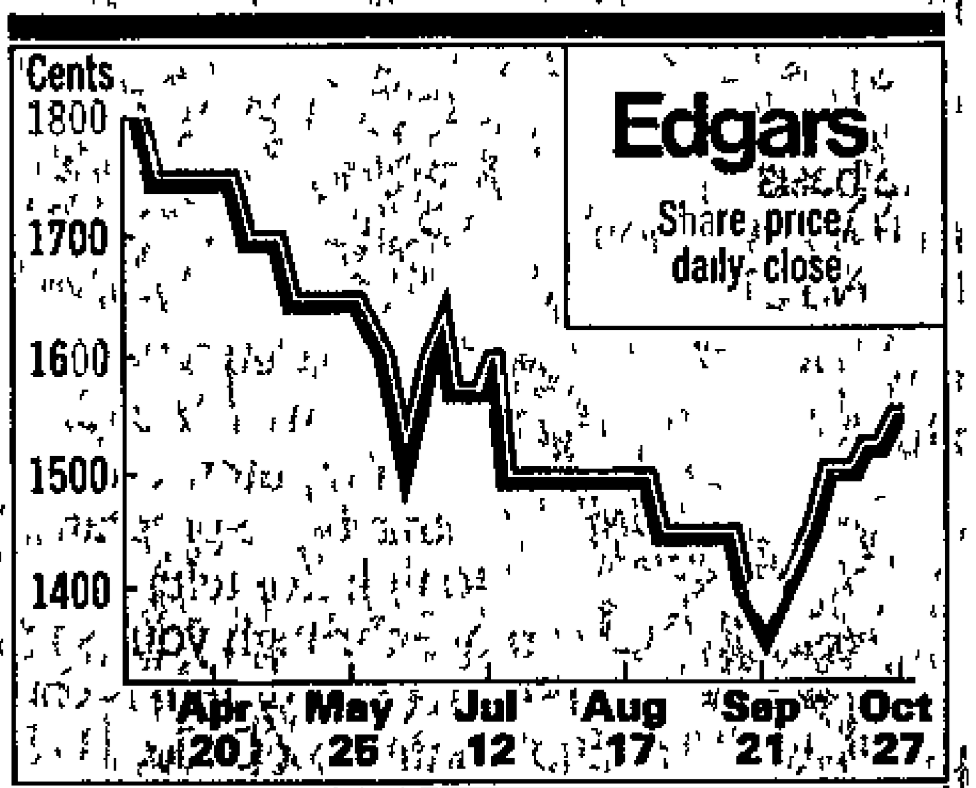
The switch from the comprehensive treatment of deferred tax reduced the previous year's tax charge by R3,6 million, boosting that year's earnings by 14,9c The rate on the new basis in the 1988 financial year was virtually unchanged, with tax rising by much the same level as profits at 55,2 percent.

After adjusting for associated companies and outside shareholders, attributable profits were 54 percent up at R51,7 million

Extraordinary losses amounted to 2,2c a share

The group is continuing with its investment policy and has already committed R35,7 million in the current year

This, together with previous investment, is expected to show benefits again this year when, in spite of an anticipated decline in trading conditions resulting from the new fiscal measures to contain consumer spending, it is expected that earnings will at least be maintained — Sapa



Edgars fashions 53% profit rise

LINDA ENSOR

EDGARS raced ahead of a buoyant clothing market — and its own budget — in the six months to end-September, notching up an impressive 53,8% rise in attributable profit to R43,4m (R28,3m).

Sales growth of 30% to R704,9m (R542,6m) was 6% higher than the nominal 24% recorded nationally for sales of clothing, footwear, textiles and accessories.

The rapid growth in black disposable income saw Sales House boosting sales by 36% while turnover of the Edgars chain rose by 31% and that of Jet by 20%.

CE and group MD Vic Hammond estimates the group's market share increased from 14,5% to over 15% during the period.

The strong trading performance coupled with strict asset management saw a dramatic climb in the return on shareholders' funds from 13,9% to 17,1%.

The achievement came despite troublesome Jet which made a small loss. Hammond says the chain has been refocused, a new MD appointed and dead stock marked down. He hopes a turnaround will be achieved in the second half when about 70% of annual profits traditionally flow through.

To Page 2

Edgars fashions impressive rise in profit

From Page 1

18/11/88 B/Day

Strong margin growth of 1,3% resulted in group operating profit increasing by 43,8% to R89,3m (R62,1m). With much lower borrowings and interest rates, finance charges fell 26% to give a 53% increase in pre-tax profit.

Earnings a share rose to 100,8c (65,6c) — or to 87,9c (58,3c) on the assumption that the convertible debentures are converted into permanent capital as is planned for next June.

As conversion automatically takes place once the dividend reaches 65c, it appears that a final dividend of at least 43c (37,5c) is being budgeted for.

An interim dividend of 22c (16c) was declared on a slightly higher cover of 4,58 (4,1) which was increased to maintain dividend flow. Following the conversion a cover of about 2,5 times will be applied.

Bad debts are at a record low level, says Hammond.

Gearing, too, is an exceptionally low 12% (19%) due to the current high level of interest-free liabilities.

Hammond cautions that the rate of growth attained in the first half will not be matched in the second.

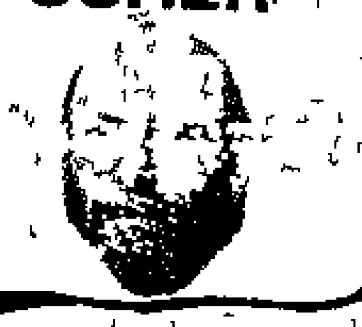
Gawu sets national bargaining as priority

GARMENT and Allied Workers' Union (Gawu) has set national bargaining for the industry as a priority for 1989

As a corollary, it will also be working towards a national industrial council

A further aim will be to correct the situation in the Eastern Cape where Gawu said, "for the first time in history" workers won substantial increases on the "poverty wage levels in the industry" but they still lag behind conditions in the major industrial centres

LABOUR AFFAIRS
DICK USHER



This was one of the union's achievements for 1988 in a trend which "significantly reversed the negative trends that have plagued the garment, textile and leather industries for decades"

Gawu has shown a much higher profile since its formation as a national union and taken a line significantly different from the days when it was a high-profile member of the Trade Union Council of South Africa (Tucsa), as shown by the level of industrial action taken over several issues during the year

These included a three-week strike at Rex Trueform, support for the June protests against the labour legislation and its living wage campaign

The union said these were "a clear indication of our members' commitment to break from a 60-year tradition of subservience and reactionary trade unionism and to take their rightful place in the progressive trade union movement".

Strikes in Natal and the Cape produced interim wage increases, 22 percent on the minimum to R76 a week in the Cape, and 12 percent to R64 in Natal

Further increases

Further increases from industrial council negotiations brought the Cape minimum to R97,40, making a 57 percent increase for the year, and the Natal minimum to R80, a near 40 percent overall increase.

The Cape settlement is claimed to be the highest ever negotiated in the history of the industry and one of the top 10 in South Africa over the past year.

It has to be remembered that these were negotiated from a base which was very low compared with other unionised industries

At the same time, it's not likely that Gawu will hold back next year, also a major change from the bi-annual negotiations.

For a start, sources in the industry indicated that wages are about 16 percent of the total cost of a garment, with fabric accounting for up to 60 percent, excluding the CMT operators where wages can run up to 80 percent of the total cost

There will also be a push to standardise holidays in the industry where in Natal workers have May Day and in the Cape June 16 as paid holidays

Gawu also said it would renew demands at the 1989 negotiations for a 40-hour week and an extra five days' annual leave

Another Frame executive resigns

(184)

Star 7/11/88

By Dave Canning

DURBAN — The Frame Group's decentralisation programme has led to the resignation of another top executive — but at the same time 12 new textile technology experts have been recruited.

Chief executive Mervyn King says the group now is seeing "the first fruits of the decentralisation policy which I adopted on taking charge at Frame earlier this year."

The departure of the fourth top executive this year — group financial director Steve Leggatt — is linked to the policy of decentralisation being pursued by Mr King.

Mr Leggatt is to become managing director of a company outside the group, Presto Transport.

Mr King is determined that "Frame must become a highly-efficient cost-effective producer of quality textiles. The only way we can do this is by putting the emphasis where it belongs — on the shop floor.

"Quality and efficiency happen because of technical excellence. It cannot be achieved by remote control from a centralised head office."

He says Frame's technical recruitment campaign will continue into the first half of next year.

Mr King says the emphasis on the operating divisions means that some group executives now have skills and experience which outweigh their portfolio of responsibilities.

A difference over direction of the group — including the role of head office — led to the resignation of former chief executive Justin Schaffer, human resources director Peter Richardson andDavid Cunliffe, managing director of group's clothing division, Consolidated Apparel.

Jaqhold in R29-m buy-out deal

Star 17/11/84 (184C)

Jaqmar Holdings (Jaqhold) has acquired Teconit Sales and Twoway Clothing for R29 million

Payment has been met by the issue of 47,5 million shares at 61c

The Aboo family consortium of Louis Trichardt acquired control of Jaqhold, a DCM-listed company July last year. Jaqhold will be changing its name to Abhold Limited to reflect the its new character Approval has been granted by the JSE for Abhold to be listed in the clothing, footwear and textiles sector

Jaqhold, assuming the incorporation of Teconit and Twoway and the disposal of Jaqvest, had pro forma earnings a share of 31c in the 14 months to end February. It has forecast earnings of 47,5c and a dividend on a 2,5 times cover of 17,5c a share for period

Pre-tax operating income is put at R8,1 million and attributable income at R5,9 million — a growth of 60,3 percent At 61c, the share will be on a prospective P/E ratio of 5,1 and a dividend yield of 7,2 percent.

The issued share capital is to be increased to 53,8 million, which will be consolidated on a one-to-four basis to give an issued share capital of 13,5 million.

Monday November 21 1988

INDUSTRY

ARGUS 21/11/88 (184)

'Higher pay threat to clothing jobs'

By TOM HOOD, Business Editor

SEMI-SKILLED labour employed in the clothing industry could price itself out of the market, says the National Clothing Federation's executive director, Mr Hennie van Zyl.

Labour, the industry's second largest input cost, is showing rapid price increases, he says today in the federation's annual report

"Unlike fabric, labour or rather the semni-skilled labour the industry presently uses, can price itself out of the market.

TECHNOLOGY

"If unions insist on continued large pay increases, they must realise that a point will be reached where the industry will have to start choosing between increased labour costs or increased usage of technology.

"This will lead to the use of less, more highly trained and highly paid labour. It would be sad for the country if the unions forced manufacturers into the use of less labour and it must raise the question as to whose interest the union leadership is concerned with"

Mr van Zyl said the rise in the price of fabric remained a major concern

"The depreciation of the rand has pushed up prices, and yet there are calls for more protection by the textile industry on the grounds that there has been a surge in textile imports (which incidentally is not the case)

"The price of textiles in recent years has been rising faster than the increase in clothing prices — textile prices have risen faster than the overall consumer price index"

Sanctions are having an effect on the economy and the situation is likely to get worse, said Mr van Zyl

"For clothing manufacturers, back-door sanctions are proving more of a problem to export than legal sanctions"

In January Canada imposed import quotas on clothing from South Africa and the official reason was that there had been a surge in imports from South Africa

However, exports to Canada were so small that a doubling or tripling of exports would hardly be noticeable in the Canadian clothing market

"Foreign retailers are simply not prepared to put up with the problems that come from having a 'made in South Africa' label on their merchandise

"Fortunately, EEC countries no longer require merchandise to carry a country of origin label. For other countries, South African clothing exporters are going to have to develop methods to overcome the 'made in South Africa' problem." he added

After contracting by 35 percent in the preceding five years, the output level of the country's clothing industry rose by 6,2 percent last year

Growth of 5,5 percent in both production and retail sales continued in the year to June and further positive growth, though at a reduced rate, was expected for the rest of 1988

Tollgate acquisitions spell new direction

Star 21/11/88

184

By Sven Forssman

Tollgate's announcement at the weekend that it is to acquire 25 percent of Gant's and 58,5 percent of Arwa will complete the group's transformation from a transport company into a substantial industrial holding group

Mr Hennie Diedericks, MD of Tollgate, said the group would soon apply to the JSE for a transfer of its listing from transport to industrial holdings

It also intended to change its name so as reflect the changed nature of its business more accurately

Mr Diedericks said "Phase one of our restructuring is now complete and future contributions to earnings are expected to be generated from the following divisions in the approximate percentages transport and property — 30 percent, textiles — 25 percent, food — 18 percent, engineering — 15 percent, leisure and tourism — 12 percent

"We are in the process of realising surplus non-income-producing fixed properties, mostly acquired from the United Passenger Transport acquisition, to the value of R26 million, which will be used to finance these acquisitions and reduce group debt"

The Grants deal, worth R33 million, does not involve a change of control

Tollgate will pay Lougant R20 million cash and issue four million Tollgate shares at 325c a share

The Gant family will remain controlling shareholder, but Tollgate is expected to play a major role in the direction and structuring of the group

Mr Diedericks said prospects for the food industry in general were promising Tollgate attached great importance to the value of the Gant's brandname

He said there was still ample scope for the company to capture an even greater market share in the future

"With its substantial export activities in its traditional and newly developed markets, our investment in the company can be viewed favourably from a rand hedge point of view," he said

For the Arwa deal, 12 527 million Tollgate shares will be issued in the ratio of 80 for every 100 Arwa

The offer will be extended to minorities because there will be a change of control

Arwa is involved in the manufacturing, dyeing and finishing of fabrics, production of hosiery, leisurewear and underwear, the texturising and dyeing of yarns, manufacturing of elastic, knitting of socks and the manufacture of ties

Mr Diedericks said Arwa's strategy of vertical integration had been successful

"We believe that Arwa is now a major force in the SA textile industry," he said

Fears on labour

SEMI-SKILLED labour employed in the clothing industry could price itself out of the market, says the National Clothing Federation's executive director, Mr Hennie van Zyl. 184

Labour, the industry's second largest input cost, is showing rapid price increases, he says in the federation's annual report. Sowetan 22/11/88

Clothing labour gets more costly

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Star 23/11/88

Own Correspondent

CAPE TOWN — Semi-skilled labour employed in the clothing industry could price itself out of the market, says the National Clothing Federation's executive director, Mr Hennie van Zyl

Labour, the industry's second largest expense, is showing rapid price increases, he says in the federation's annual report.

"Unlike fabric, labour — or rather the semi-skilled labour the industry presently uses — can price itself out of the market.

"If unions insist on continued large pay increases, they must realise that a point will be reached where the industry will have to start choosing between increased labour costs or increased usage of technology

"This will lead to the use of less, more highly trained and highly paid labour. It would be sad for the country if the unions forced manufacturers into the use of less labour and it must raise the question as to whose interest the union leadership is concerned with"

CONCERN

Mr van Zyl said the rise in the price of fabric remained a major concern

"The depreciation of the rand has pushed up prices, and yet there are calls for more protection by the textile industry on the grounds that there has been a surge in textile imports (which, incidentally is not the case).

"The price of textiles in recent years has been rising faster than the increase in clothing prices Textile prices have risen faster than the overall consumer price index"

Sanctions are having an effect on the economy and the situation is likely to get worse, said Mr van Zyl.

"For clothing manufacturers, backdoor sanctions are proving more of a problem to export than legal sanctions."

Textile industry needs no protection, says Mike Getz

Cit Times 25/11/88

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Financial Editor

THE greatest handicap to the development of clothing exports has been the lack of competitively priced fabrics from key SA suppliers, says Mike Getz, former President of the National Clothing Federation.

Replying to a call from Mervyn King, new chairman of the Frame group, for more protection for the textile industry, Getz says this would "perpetuate a system which has led to a fall in output and jobs throughout the manufacturing sector for almost a decade."

He says the desision to reduce duties on imported textiles in 1986 was "a direct result of poor delivery, indifferent quality and sharp price hikes" from local suppliers.

"In key fabric categories the supply situation was so serious as to amount to unavailability.

"Had the Board of Trade not taken that decision, shortages would have become even more serious. Regrettably, that situation resulted from a system of protection that precluded effective response to the market developments by many domestic fabric suppliers."

Answering the claim that textile manufacturers needed more certainty to justify investment in new plant and training, Getz says that waiting times for basic fabrics have already "moved well into, and beyond, the second quarter of 1989."

Very shortly major mills would be fully booked with availability of fabric "stretching deep into 1989 and early 1990".

'Unions pricing themselves out of the market'

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CAPE TOWN — Semi-skilled labour employed in the clothing industry could price itself out of the market, says National Clothing Federation executive director Hennie van Zyl.

Labour, the industry's second largest input cost, is showing rapid price increases, he says in the federation's annual report.

"Unlike fabric, labour or rather the semi-skilled labour the industry presently uses, can price itself out of the market."

He warns that if unions insist on continued large pay increases, they must realise that a point will be reached where the industry will have to start choosing between increased labour costs or increased technology.

This will lead to the use of less, more highly-trained and highly-paid labour.

"It would be sad for the country if the unions forced manufacturers into the use of less labour and it must raise the question as to whose interest the union leadership is concerned with."

Van Zyl says the rise in the price of fabric remaines a major concern.

He says sanctions are having an effect on the economy and the situation is likely to get worse.

□ After contracting by 35% in the last five years, the output level of the country's clothing industry rose by 6,2%t last year. — Sapa.

● See Page 11

22/11/88

BUSINESS

COMPANIES

ARGUS 30/11/88 (BU)

Arwa, Berkshire in R11-million deal

THE hosiery division of Berkshire International has been sold to textile group, Arwa, in an R11-million deal.

Berkshire said it had decided to dispose of its hosiery division to concentrate on its core business of quality fashion garments and to take full advantage of opportunities arising out of its acquisition of Gallant Clothing Manufacturers in September.

Arwa has bought all rights to the trade name Berkshire and the clothing company, Berkshire International, has agreed to change its name by March.

In terms of the deal, Arwa will pay for the hosiery division through the issue of 3 793 103 new shares which will be placed by Duros on Arwa's behalf.

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CORPORATE PROFILE: A M MOOLLA

A great enterprise grew out of small beginnings

LIKE many leading enterprises, the A M Moolla story started off with small beginnings

It is one of the colourful stories of self-made men and business success that form the mainstay of post-war commercial development, particularly in SA

The company was founded by the late A M Moolla — a man well known and loved as a businessman, a philanthropist and a politician and a revered leader of the Natal Indian community — a prominent position for a boy who left school in Standard Four and started work as a clerk

His entry to business came with his taking control, on the death of his father, of the family business — Mahomed Ismail and Co — a grocery retailer

The first of Moolla's interests in the clothing industry came in 1955 when Mahomed Ismail & Co branched into fabric wholesale and later into manufacture of clothing for sale to retailers and wholesalers.

Moolla's nephew, Ahmed Sadek Vahed, had been taken into the company as a junior at the age of 14 but by this time had shown early talent

Says Vahed, now chairman and CE of the vastly expanded group, "Dr Moolla called me in and said my apprenticeship was complete He took me to the floor of the warehouse and said 'there is a lot of fabric that's not selling Take whatever is not selling, and process it' I took the challenge seriously"

Things went so well that in a year's time, there was no fabric left in the warehouse Mahomed Ismail & Co had come full circle

It closed as a wholesaler of fabrics, and launched as a full time manufacturer This was the birth of Kingsgate — the first of what now forms the A M Moolla group as it is today, and still, its most succesful company

From an output of 600 garments a day and a staff of 40, the A M Moolla Group now employs 6 800 people and produces 55 000 garments a day

It has experienced phenomenal growth, from a turnover of R6,7m in 1976 to R81m in the past year

But even more astounding is that most of this growth has happened in the past seven years, reaching R81m from just R14m in 1980

The A M Moolla group now employs 16% of the clothing industry's workforce in Natal It is the second largest privately owned clothing manufacturer in SA and, in comparison to listed companies, is the fourth largest clothing manufacturer in SA

The group incorporates several operating subsidiaries — Kingsgate Clothing, Star Shirt and Clothing, Salt of the Earth Creations, Antique Fashions, Kingswear, Kingsvik Clothing Industries and Majestic Clothing Manufacturers It has eight production plants — five in Isithebe, one in Durban, one in Hammarsdale, and one in Ulundi

The group is aiming for a turnover of R150m by the end of 1991

● EBRAHIM DHAI

Dhai — a man with a talent for motivating

A MANAGER accepted by his staff as a natural leader is certainly a good man to have at the top of any organisation

Rare as such top men are, it is not rare to hear them claim "no particular talent" of their own Modest as it sounds, it is probably this very attribute — an ability to let their staff take responsibility, and credit where due — that wins staff respect and confidence and in turn, brings out the best in any team

Ebrahim Dhai, financial director of the A M Moolla Group and for all practical purposes manager of the group's domestic business activities, is such a man

His leadership is acknowledged widely by staff at all levels and is "right-hand man" to chairman and chief executive, Sadek Vahed

Vahed affirms that he is "still a hands-on chairman" but says he has decided to leave the management of the domestic side of the business to his able management team of 20 under Dhai to leave him to concentrate on the group's active new drive into export markets

Yet Dhai, a member of the A M Moolla family which owns the group, diffidently describes himself as "no particular expert, a quiet and average kind of guy and a family man with a child"

The hint as to why his management style succeeds lies in his comment "I like to surround myself with people who are specialists in their particular fields and let them perform".

At 34, this Durban-born businessman has risen rapidly through the ranks of the group with which he has worked since graduating with A-levels from Seaford College in Sussex, England, where he finished his schooling

He did the first years of his schooling at the Orient Islamic School in Durban

FLAIR

He emphasises though that being a member of "the family" is definitely no guarantee of promotion

In the A M Moolla family, promotion is earned by hard work and proof of entrepreneurial flair

Dhai's modesty would not permit an admission of "flair", but hard work is something he will certainly claim

"I'm a roll-up-my-sleeves tupe of man. I've worked widely throughout the group — in every different division By now I may not be an expert but I have a very wide knowledge of the field in which we operate" To this, Dhai adds the common philosophy for the future of the group he shares with Vahed — a vision of hope for a changed SA in which all race groups share prosperity

"There is an opportunity to take advantage of medium term stability in SA to make the most of challenges such as export markets in Africa and in the world There is tremendous potential," he says

At this stage, management emphasis is on developing world export markets rather than those of Africa — for the reason that this latter road is still fraught with difficulties

Dhai explains "We recently had R1,5m of contracts signed up for export to Malawi and in the end, exchange control on the Malawi side forced cancellation of all but R20 000 worth"

Nevertheless, the A M Moolla Group, particularly under the leadership of men like Dhai and Vahed, are unlikely to take "no" lying down

They plan to continue to make their business the growing success it has become

VAHED IS A FORTHRIGHT BUSINESS COMMENTATOR

AHMED SADEK VAHED, chairman and chief executive of the A M Moolla Group, is one of the SA business community's most forthright commentators.

His comments may appear less often in print than those of mega-corporation spokesmen but he is just as active in forums for debate at the vital interface between political and business leaders.

Able to look back on a lifetime of helping to build what is now one of the country's largest and most profitable privately owned companies, and one which has always had a high profile in contributing towards community needs, Vahed is now turning his attention to the future — of his company, and of his country.

"I am not a politician I am a businessman. But you cannot separate business and the economy from its political context. And as a businessman, I have to deal with constraints which arise from the political situation," says Vahed.

Among achievements already acknowledged to this active, committed and humanitarian 54-year-old executive — apart from his company's R300 000 a year trust fund for community and charity contributions — is a highly effective skills training, job-creating self-help programme in KwaZulu centred around the A M Moola/Khutala clothing factory established in Ulundi

The Ulundi clothing factory, established at a cost of R1m last year, is a joint venture with former chairman of the KwaZulu Finance Corporation, the late Bishop Alpheus Zulu, along with a director of Khutala, J Mhlungu

Vahed quotes Bishop Zulu's words after his opening address to the members of the KwaZulu Legislative Assembly; "Come, let us adjourn, to pay a visit to the factory we all own".

It is an example of an attitude Vahed emphasises in corporate responsibility programmes and in the political arena

"Black people, like any other group of people, are proud.

They will tell you don't give us hand-outs. Help us, teach us, guide us. We will do the rest."

What the business and political leaders have to do, believes Vahed, is open the way for black people to share in the full benefits of a successful SA economy.

"We must bring them in, assist them towards housing, jobs, money, and to a political voice. We have to be talking. We have to bring blacks into discussion about a new constitution. It may still take five or even ten years but there is no more time to lose to begin the negotiating process," urges Vahed.

"Too few people seem aware of just how urgent this is," he says

"We are in a political and financial mess. Why this wanton waste of triplicating expenditure with three separate houses of parliament? We are going bankrupt to pay for an ideology that doesn't work. We are on a steep downward slope with the brakes off."

Outspoken he may be, but Sadek Vahed's views command considerable respect in even the most powerful circles

Some indication of this are his various offices outside the clothing field, as a member of the State President's Economic Advisory Council, and as a director and board

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Corporate Profile

A M MOOLLA

Business Day

Written by WILLIAM RAMWELL

A company clothed in success

LONG-TERM TIES THE BASIS FOR TRUST, SUCCESS

THE AMM Group ascribes a good deal of its growth and success to the trust and long-term relationships built up with its major clients during the past 34 years of trading

In the main, these are the country's major chain stores and include Edgars, Sales House, Jet, OK Bazaars, Hyperama, Pep Stores, Frasers, Smart Centre, Pages, Foschini, Markhams, Woolworths and Topics

During these years, AMM has grown with some of these clients from small beginnings

AMM chairman and CE Sadek Vahed says "Some 25 years ago I began aligning us with the major chain stores and today they form 80% of our business

"We have known people who've worked their way up through the ranks, from buyers to directors — people like Farrel Rather of Edgars and Gerrie Snyman of the OK Bazaars

"With that kind of long-term knowledge of each other's business one forms close working relationships that underlie good trading"

AMM works closely with its clients, conferring at all stages of range design and planning

"I don't agree that suppliers become victims of retail giants," says Vahed on the war of words in the retail business

"Retailers need us as much as we need them, and as long as we give them quality, timeous delivery and competitive pricing, the sky is the limit

"I could do another R20m annual turnover right now if I had the capacity"

Vahed says the factories' machines depend on the large-volume orders of the chains, even if the margins are keener

MORE THAN FASHION

THE fourth largest clothing manufacturer in SA, incorporating eight subsidiaries and employing more than 6 800 people, some of the statistics on the A M Moolla Group indicate its contribution to the economy

In profile, the group is a versatile clothing manufacturer catering for the budget and middle market and the high fashion area — in all providing goods that cover 90% of the full spectrum of clothing.

About 80% of the garments produced are supplied to chain stores under their own house brands.

Additionally, the group markets under some of its own well-known national brand names such as Smith & Wesson, The Gap, Chevignon, Martinique, Hard Rock, Bratpack, Sunset Boulevard, Renaissance, Antonio Rossi, Princeton and Bon-Petit

It also produces under franchise for top US designer labels Calvin Klein, Sweats and Nexxt.

The group has three major trading companies incorporating seven marketing companies and eight factories representing a total investment of about R15m A further factory will be commissioned in July

The marketing divisions are Kingsgate Clothing, Majestic Clothing, Star Shirt & Clothing, Salt of the Earth Creations, Antique Fashions, Reunion Clothing and Kingswear

The manufacturing divisions go under the names of Kingsgate Clothing Factory, Kingsvik Clothing Industries, Kingscharm Undies, Kingswear, Rickemp, Kleesh Manufacturing, K K Clothing and Hammarsdale Clothing Factory

The major trading/marketing companies are Kingsgate Clothing Manufacturers, generating 70% of total group sales, and Majestic, Star Shirt & Clothing, Salt of the Earth Creations, Antique Fashions and Kingswear with 30% of turnover

About 50% of goods are targeted at the budget end of the market Between 75% and 80% of goods produced are sold to the major chains

Between 65% and 70% of goods are pre-sold up to a year in advance

Some 20% of manufacturing is subcontracted to the cut, make and trim (CMT) specialist factories.

One of the group's most important contributions to the economy is in employment With its total workforce of 6 800 people, it employs 16,5% of the Natal clothing workforce

Its annual wage bill is more than R20m. Its weekly wage and CMT (sub-contractors) disbursements average R1m during peak production periods

About 80% of fabric purchases are from SA textile mills.

The group's 14-fold turnover growth in 12 years, from R6,7m in 1976 to R95m for the current financial year indicates the consistency of company performance.

THE excellent growth record that earned the A M Moolla Group this year's non-listed company award is expected to be maintained and even surpassed in the five years to come

Rapid expansion in the last five years has brought the company to the point where it is the second largest privately-owned clothing manufacturer in the country with a forecast turnover in the current financial year of over R95m

And with a major export programme underway, future growth is likely to be exponential A turnover of R150-million is forecast by 1991

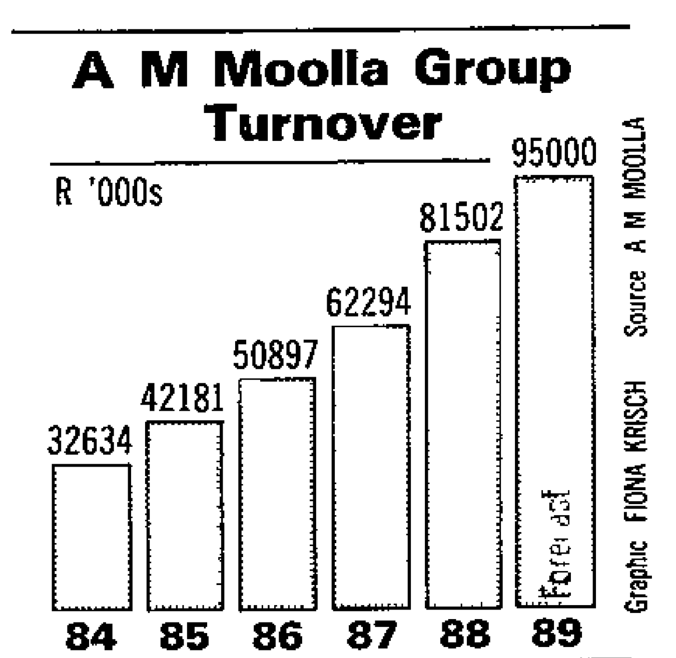
These turnover figures are most impressive in the light its growth from a relatively low base — turnover for the 1980 financial year-end was R14m

The average turnover growth during the last five years has been 30% with an average profit growth of 19% In the last financial year to end-February 1988, turnover was R81,5m and pre-tax profit was up 46%

To what is this explosive growth attributed? As chairman and CE Sadek Vahed points out, while "clothing is a business that is always growing", there is more to A M Moolla's success

Among factors contributing to its success are its extensive programme to introduce the latest in technology and computerisation, as well as continual improvements in manufacturing productivity

Other factors given a high priority by the A M Moolla management team include motivation of staff and long-term trading relationships with its clients, particularly the major chain stores



Financial director Ebrahim Dhai says "From 1980 onwards, increased investment in factories and manufacturing capacity allowed us to take a much greater share of the market"

The group's first manufacturing plant was Kingsgate Clothing, established back in 1955 in metropolitan Durban This clothing division together with the Majestic Clothing division remains the backbone of the group and is responsible for 70% of its turnover

During its early years, the group's activities were primarily Durban-based Some of its growth has been via development of its own factories, some by acquisition In 1978, it acquired the Reunion factory in Durban

In later years, the group has taken advantage of decentralisation incentives, building its factories in outlying areas

In 1982, the group opened its first plant in Isithebe, Kingsvik Clothing Industries This was initially a pilot operation Its success may be measured by the fact that the group now has five factories in Isithebe

SPECTRUM

In total, the group now has eight production plants and six marketing companies In terms of size it may compete with many JSE-listed companies and is the fourth largest clothing manufacturer in the country

Even following such rapid growth, the group is undoubtedly ripe for further expansion It is presently operating at well above its current capacity, sub-contracting out some 20% of its production

AMM addresses 90% of the entire clothing market, spanning price brackets from budget to middle market and high fashion

An important factor in its success, this diversification into the full spectrum of clothing has been a definite strategy over the past 10 years

In 1983, the acquisition of Star Shirt & Clothing, Salt of the Earth Creations and Antique Fashion with a production plant in Hammarsdale, extended the group's range of merchandise even further, particularly catering for the medium to higher end of the market

Its comprehensive product range comprises almost all types of menswear, boyswear, ladies and girls outer wear and underwear, infant clothing, pre-school garments as well as a full range of school clothing under the Princeton label School clothing in fact forms 15% of the group's total sales

As regards the sharply increased buying power ascribed to the black consumer, Vahed notes that the company does not set out to produce a specific range of clothing aimed at the black market However, he does concede that "blacks are buying far more fashion garments than before so they are swelling the size of the total clothing market"

Throughout this expansionary phase, the A M Moolla Group's conservative financial policies, particularly as regards gearing, protected it from over-extending on interest-bearing debt The group currently has a conservative debt to equity ratio of 24,3%

The group's current ratio of 1,90 1 and total liabilities to equity of 99% compares very favourably with the rest of the industry, particularly in the present scenario of rising interest rates

Wise trading policies have paid off in another direction The group has succeeded in halving its ratio of bad debt in the past 10 years to 0,12%

The group imports 20% of its raw materials and covers forward at all times This policy helped substantially in limiting forex losses in 1985/86

Productivity drives and investment in new technology have also played their part in achieving high growth figures, along with a determination to "get the best rates" whether it be in fabric purchases, on forward cover, on insurance, or on loan finance from local or foreign bankers

In all of these areas, the A M Moolla management team is living up to its traditional Indian "merchant trading" roots, says Dhai, who adds "We gain satisfaction from knowing that we've never done a deal without ensuring we're getting the best rates"

All of these highly creative and entrepreneurial features contributing to A M Moolla's phenomenal performance were behind the group's worthy win of the Business Day Non-Listed Company Award They were also responsible for it being numbered among the country's top 20, and later top 10 private companies by that award in 1986

Size and profitability were not the sole criteria The judging panel looked for evidence of entrepreneurship and ingenuity, financial soundness and the number of jobs created It also looked at the environment in which the company operated and how it had managed to survive

In view of this last criterion, it is of interest that the A M Moolla group has reached its current position despite a number of constraints

Trading restrictions placed on non-white businesses by group areas legislation had to be faced, as well as a lack of funding opportunities According to management, it has also encountered its share of racial prejudice in competitive situations

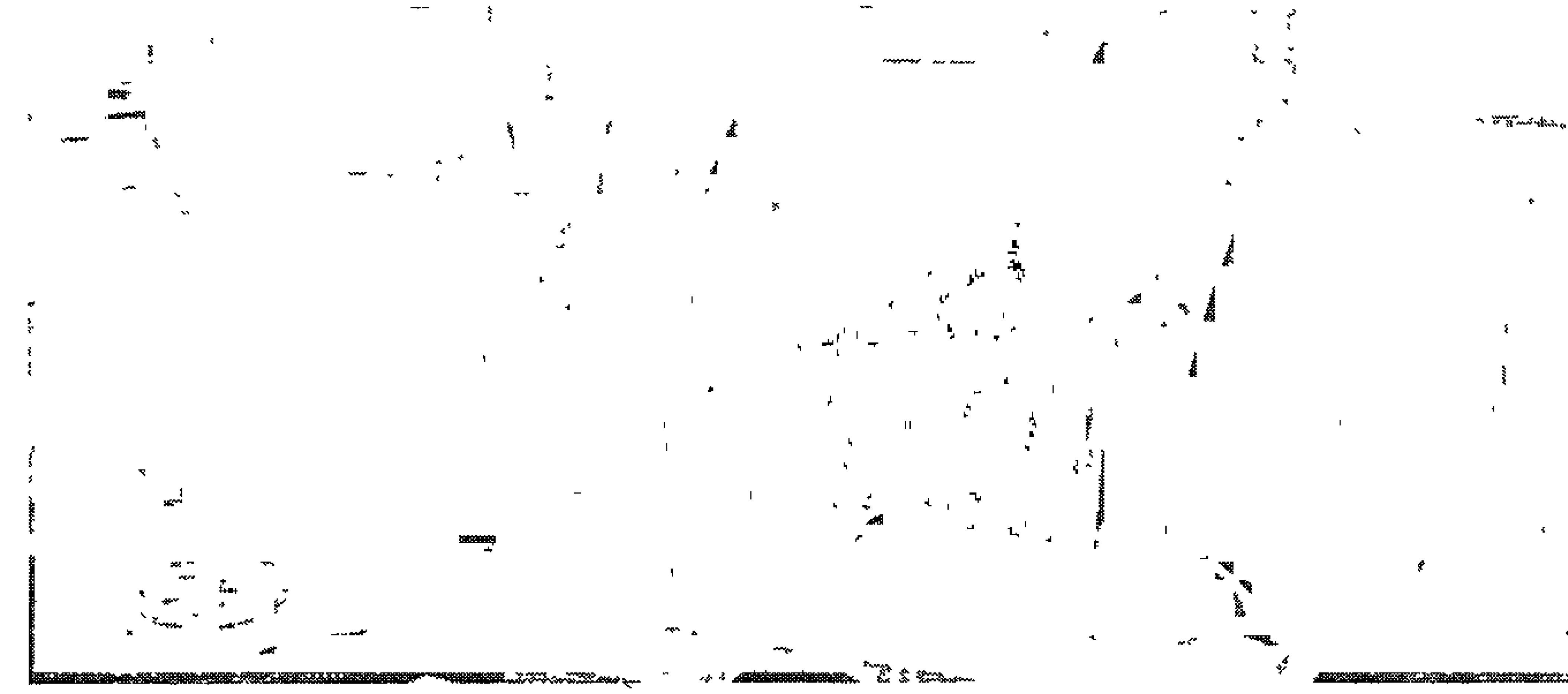
Says Dhai "Over the years, many restrictions have been placed on Indian traders Neither financial institutions nor the quasi-government financial institutions were keen to lend

"Limited help came from the Indian Development Corporation during the Seventies, but it was not until the Small Business Development Corporation was formed in the Eighties that real assistance became available

"In view of this, it is a real achievement that there are now three Indian-owned companies listed on the JSE"

The lack of funding opportunities in the past may to some extent be behind the group's initial preference for dealing primarily with its own funds In recent years and with its expansionary policy the group has adopted a more relaxed attitude to financing

If the A M Moolla group has thrived, even against these constraints, it is interesting to note its management philosophy According to Vahed in a recent public address "We approach adversity not as an obstacle but rather as a challenge"



Chairman Sadek Vahed .. clothing is a business that is always growing

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CORPORATE PROFILE: A M MOOLLA

Key is in planning and technology

THE A M Moolla Group's mammoth manufacturing workload requires sophisticated resource planning and some of the world's latest technology

The output of the group's eight factories may be small in comparison to some of the world's largest, but on a local scale, it is one of the largest, producing 55 000 garments a day - 330 items every minute of every day, since the factories virtually work a six day week (The group currently uses 100% of capacity and still subcontracts some 20% of its workload)

The size of the task may be seen in that group factories consume 19 million sq m of fabric annually, its annual output adding up to 15-million units of clothing a year

Total manufacturing storage and administration floor space is 70 000 sq m and raw material warehousing alone has the capacity to store 12-million linear metres of fabric

The total process can take seven to ten months from start to completion In this time raw materials, accessories and trimmings are bought, capacity in the factories monitored and production runs scheduled

"It's an enormous undertaking that can only be achieved by an efficient management structure working with the right resources and motivated staff," says group managing director, Mohamed Dhai

"In some way the process is more complicated than motor manufacturing Production is done in batch runs and over 10 000 different product ranges are produced every year

"The whole process requires an infrastructure developed over many years and a concerted effort by all parties"

Part of developing that infrastructure has included developing dedicated software for all aspects of manufacturing and management functions This was developed both in house and using outside consultant.

Another part has come in on going training and motivation of staff

From an accounting point of view, the Group has streamlined the way its factories interface with group marketing functions

To encourage efficiency, the factories operate on an autonomous basis as cost centres responsible for their own profit and loss situation

"In effect they are service centres for the marketing companies and treated as separate companies in our internal accounting systems

Further financial advantages have come in as the group has taken advantage of decentralisation benefits Since 1982 when the first factory, Kingsvik was established at Isithebe employs 2 300 workers at Isithebe

Apart from the tax concessions, the group has found other advantages in its Isithebe operations

"From the beginning, quality standards have far surpassed our expectations The high quality of industrialist found there has enabled excellent employer/employee relationships to be built up The result has been a tremendous amount of labour stability

A further factor in the move to Isithebe was and still is the slowing of metropolitan labour coming into the clothing industry "Clothing is not seen as exciting as other forms of manufacturing so it has been easier to take our factories to the labour"

The five factories based at Isithebe are Kingsvik, Kingscharm Undies, Kinsgwear, Rickemp and Kleesh manufacturing a wide cross-section of the groups products

The company's longest established factory is the Kingsgate factory in Durban employing 700 people Because of the experience and skills of its workforce it produces high fashion orientated products requiring greater technical expertise

The Hammarsdale factory came into the AMM Group through its acquisition of Star in 1983 Employing 1 600 people the factory is responsible for much of the group's production of medium to high fashion goods particularly fashion merchandise and denim garments

It is also one of the most heavily used factories working seven days a week for at least half the year to turn out summer and winter fashions.

The latest addition to factory facilities in the group was the establishment of K K Clothing Factory at KwaZulu capital, Ulundi, in a joint venture with KwaZulu business leaders The factory was established with a dual purpose, one to expand the group's manufacturing capacity and secondly, to stimulate job and industry creation in this rural area

AMM financial director, Sadek Vahed says that while it has certainly succeeded in creating jobs, the factory has also been an excellent business proposition and has great potential. It became profitable within its first financial year, and is now employing 200 people Growth planned for the new year will see the company's staff complement grow by a further 350

An efficient warehousing and distribution network is vital to the success of an organisation such as the AM Moolla Group because of the need for a sustained flow of raw materials and goods to and from the factories

Group transport is centralised, operating from the Ammdale warehouse which also serves as a central depot for stock To keep control of materials and avoid cluttering valuable manufacturing space, raw materials are sent from the warehouse to the factory just two weeks prior to being processed

The finished merchandise is then returned to the Ammdale warehouse - this time to the finished goods section

There are two main reasons for this procedure Most chain store clients' goods cannot be delivered piecemeal and several factories often manufacture goods for the same client. These orders need to be sorted into single packages to minimise transport charges

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CORPORATE PROFILE: A M MOOLLA

Factory in KwaZulu creates jobs and skills

THE establishment by the A M Moolla Group of a manufacturing plant in the impoverished rural area of KwaZulu, Ulundi, in 1987 was hailed by the community as a positive "bridge building" exercise

The project, which has already created jobs for over 200 people in its first financial year, gives preference to "people living in Ulundi who are unskilled"

According to AMM CE Sadek Vahed "They are given the necessary training and become skilled employees" The venture is in fact a joint one

At the time of establishment it was a three-agreement between the late Bishop Alpheus Zulu, chairman of the KwaZulu Finance Corporation (KFC) and Johnny Mhlungu, a director of Khutala

It was inaugurated as an equal partnership in which all three directors had a say in the running of the company

After Bishop Zulu died, J Buthelezi was appointed chairman of the company

Vahed recalls "About two-and-a-half years ago we were approached by the late Bishop Zulu, one of the leaders of the KwaZulu community to consider establishing a factory in Ulundi, the capital of KwaZulu

"His motive was to create jobs as at that time there was no industry at all in Ulundi

"At that stage, we employed 2 500 people in our five factories in Isithebe After a feasibility study we went into the joint venture and K K Clothing was formed"

VIABLE

"We completed the factory premises in March 1987 — an area of 1 500m squared at a cost of R1,3m In its first financial year — from May 1987 to February 1988 — the factory had already proved viable A small profit was made, and we had created jobs for 200 people, turning them from unskilled to skilled labourers," says Vahed

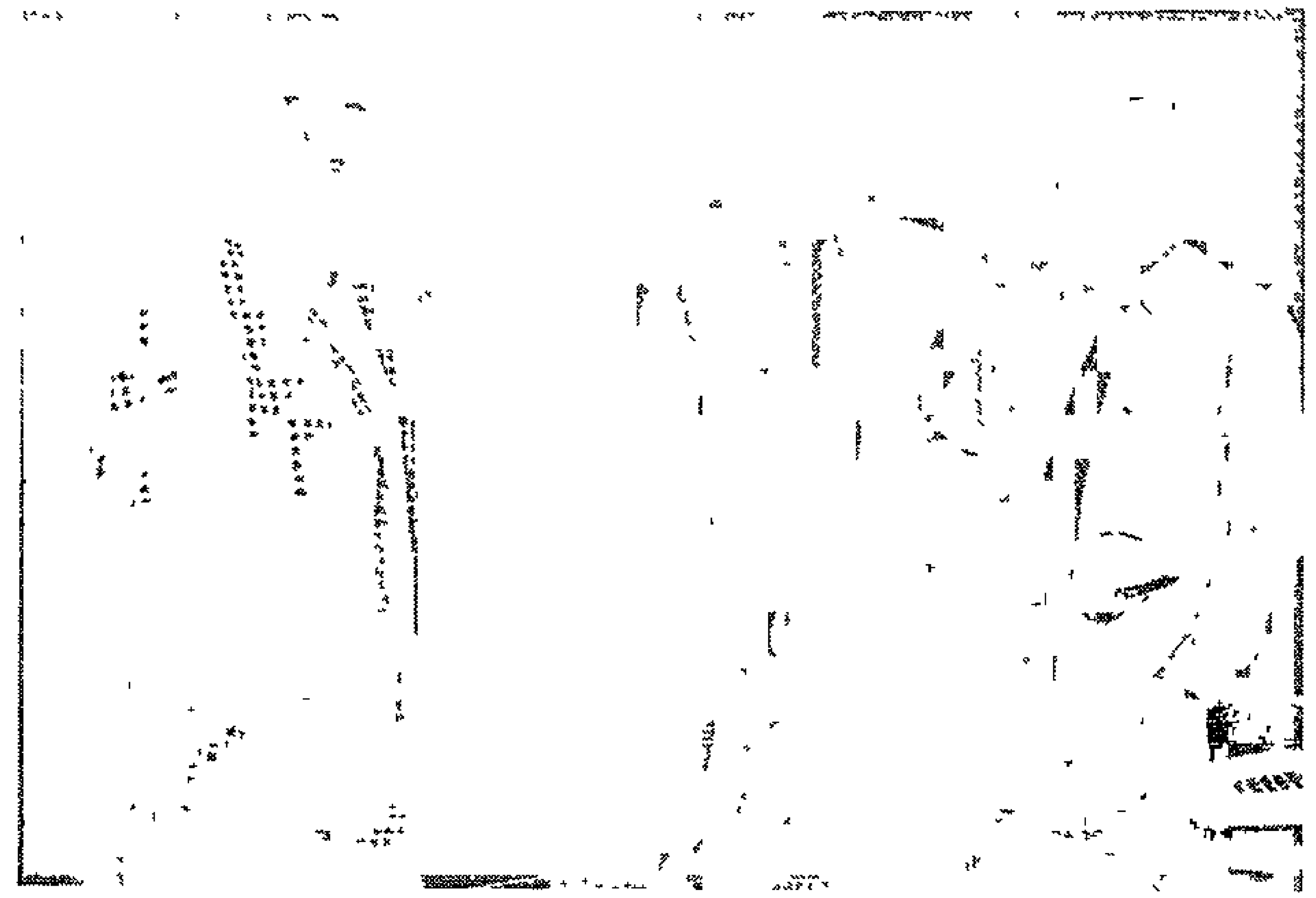
It is expected that within the next six months, the factory will create another 150 job opportunities and its turnover will grow to about R1m

The holding company for the new factory, Khutala Industries Ltd, is jointly owned by more than 50 local Zulus — a factor which all three of its founders felt was important

After his opening address to the members of the KwaZulu Legislative Assembly, Bishop Zulu said "Come, let us adjourn to pay a visit to the factory we all own"

This expresses a firm commitment which AMM management shares with many black leaders, to contribute towards social upliftment for black communities in a way which involves their personal participation and effort

Ulundi is a great example of the type of positive contribution that can be made by the business sector towards the goal of upliftment, of curbing unemployment and of investing not only in business success, but in creating a stable social environment for the future



Group financial services fall under the control of Muriel Wildman, divisional credit manageress, Hassim Vaid, deputy financial director, Cassim Amla, divisional accountant, and Cassim Peer, divisional credit manager.

All goods subject to rigid quality controls

QUALITY control at AM Moolla is not restricted to expensive high fashion goods but extends down the line to even the cheapest items

"Any and all goods are manufactured to specific standards laid down by the client which we strictly adhere to," says group production manager Ebrahim Karachi

From the time the AM Moolla Group first entered into clothing manufacturing in 1955 it has concentrated on producing goods in time and to the right quality standards

Today the philosophy remains the same and has played a key role in the ongoing growth of the group The company is proud of the standards it sets to the point that its rejection rate is less than 1,5% — and this is largely because of flaws in the original fabric, says Karachi

The company places such importance on quality control that one in ten people in its factories are responsible for quality checking

As in much of its business dealings, the company works closely with the retail chains in setting standards Its first formalised quality control programme was installed with the assistance of Edgars

Quality standards in the clothing industry are largely dependent on the price negotiated with the client but it is up to the group to follow those standards To this end, the company works hand in hand with the retail chains in setting and keeping to standards The quality cycle starts at the very beginning — the design of new ranges

At this stage the designer and the buyer are already deciding on the standards to be followed Once designs are approved a prototype pre-production sample is made which sets the standard A sample item is sealed to provide a basis for comparison should disputes occur

It is from this sample that the factory standards are set The quality programme starts with the buying of fabric

Checks are made at all stages of the manufacturing run At the finishing section every single item manufactured is given a final check before despatch to the finished goods warehouse

It is here that the final quality check takes place when the customer's quality controller checks the goods to see they meet the standards laid down when the order was first placed

AN INDUSTRY GIANT DEDICATES ITSELF TO SOCIAL UPLIFTMENT

AS a leader in the Indian and Natal business community, the A M Moolla group maintains a continuous involvement in charities and social responsibility programmes.

Through the A M Moolla Charity Trust, the various programmes provide more than R300 000 a year in the fields of education, religion and the social upliftment of Asian and black communities

Beneficiaries of some of the largest donations from this trust fund have been the University of Durban/Westville and the central Durban Mosque

Other beneficiaries this year include the Spes Nova School for the cerebral palsied, the V N Naik School for the deaf and other charity organisations which receive amounts ranging from R100 a year to R25 000.

In keeping alive this generous social responsibility programme, chairman Sadek Vahed is continuing a tradition started by the late founder Dr A M Moolla.

Moolla, in establishing the trust in 1959, has the organisation distributing its profits to welfare organisations annually with a set minimum amount of R60 000

The group under its present management have far increased this limit.

Moolla is said to have worked tirelessly to widen educational opportunities

He has played an important part in establishing the Orient Islamic Educational Institute and the Indian Centenary Scholarship Trust, serving as chairman of both these organisations

His attitude, and that of the present management of the company he founded, is eloquently expressed in his quote. "If I can serve my country and my people in the field of human endeavour, then I do so unhesitatingly with only one object in mind — the reward and satisfaction of having served"

Manufacturing flexibility

THROUGH its policy of channelling 25% of its output via the cut, make and trim (CMT) industry, the AMM group achieves considerable manufacturing flexibility

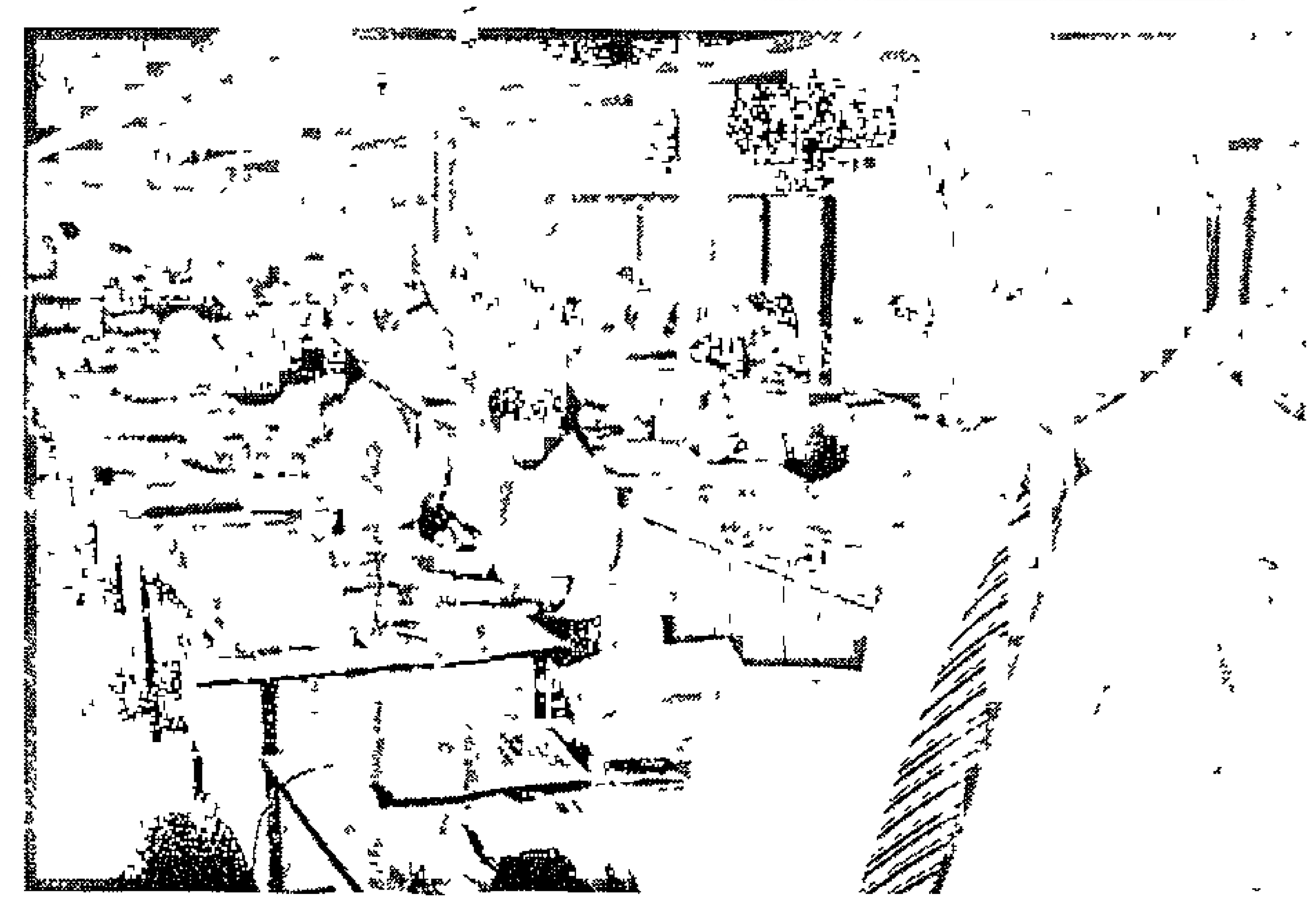
This practice enables the group to constantly have its own facilities operating at 100% of capacity

Apart from assisting the company in riding out demand cycles, there are other benefits such as being able to commission specialist items from specialist CMT operators

"Because of the way our infrastructure is geared for production of mainline clothing items, there are certain types of clothing which cannot be made in our plants at competitive prices Rather than try to do these ourselves we subcontract — particularly low-price items," group MD Mohamed Dhai says

One example is belts, another embroidery Screenprinting of clothing is also sub-contracted and many of the small components that go into the finished clothing item

Through the CMT industry, some operators which solely supply AMM, the group indirectly employs



Mahendra Dama, group accountant internal audit and stratefic financial planner, with his staff at the company's modern offices.

more than three-million units annually

A similar policy of sub contracting specialist work covers other functions within the group Although the group has its own data-processing department with a staff of six, the balance of its development work is done by specialist software consultants

The bulk of the group fleet of 150 vehicles — cars and trucks — is not managed in house but is maintained and operated by Prime Car Leasing, full maintenance leasing company

Major textile union mooted

W/E ARGUS 31/12/88 (186)

By DICK USHER
Business Staff

SERIOUS moves aimed at the formation of one major union in the garment and textile industries are underway and expected to start in earnest early next year.

Several preliminary meetings have already taken place between the clothing-based Garment and Allied Workers' Union (Gawu) and the Amalgamated Clothing and Textile Workers' Union (Actwusa), a Congress of South African Trade Unions (Cosatu) affiliate.

Gawu's general secretary Desmond Sampson described discussions so far as "talks about talks" but spokesmen for both unions confirmed that a further round of talks would be held on January 26.

Labour supply

Both parties were hesitant to disclose further details about progress to date but there appeared to be a greater sense of optimism in the air than over previous attempts to join forces.

Employer sources said their information was that July had been set as a target date for amalgamation

WEEKEND ARGUS Business Staff wishes all readers a happy and prosperous New Year.

With Gawu's 112 000 members and Actwusa's 73 000, a combined industry-wide union would rank about second in Cosatu to the National Union of Mineworkers, roughly equal to the National Union of Metalworkers.

Comment in the latest *IR Data* from Andrew Levy and Associates is that "a merged union heavily influenced by Actwusa workerist philosophy may well have considerable strategic influence within Cosatu.

"Without doubt a merged union would have significant influence in the clothing and textile industries — particularly in the Western Cape and Natal — both in relation to the control of the labour supply and in terms of current unrest between the competing unions."

Since their formation from mergers of smaller unions, there has been competition and a degree of co-operation between Actwusa and Gawu

Gawu was granted observer status at Cosatu nationally with co-operation at local level, but affiliation to Cosatu was barred by the federation's one-industry, one-union policy which meant that unions seeking affiliation were require to merge with the existing Cosatu union in the industrial sector

Amalgamation

Actwusa was formed in 1987 from a merger of the National Union of Textile Workers (NUTW), Textile Workers' Industrial Union and National Union of Garment Workers.

Gawu was formed later that year from an amalgamation of the Garment Workers' Union (Western Province) and the Garment Workers' Industrial Union (Natal). It recently absorbed the Eastern Cape-based South African Textile and Allied Workers' Union

Before this the groups forming the two unions had been involved in unity talks under the umbrella of the South African Federation of Textile, Garment and Leather Workers

Extensive changes

These talks failed to produce one big union, mainly because of NUTW's refusal to accept the Garment Workers' Union

Since then, however, Gawu has undergone extensive changes in leadership and direction, most significantly signalled by members' participation in the three-day June protest against the Labour Relations Amendment Bill

CORPORATE PROFILE: A M MOOLLA

Exports to assume a bigger company role

THE AM Moolla Group (AAM) is placing a new emphasis on export markets and expects exports to be more than 10% of turnover within 18 months

Chairman Sadek Vahed says "In the past we have had export markets but have never actively explored them"

The renewed emphasis on exports is a means of riding the ups and downs of the local market "We tended to let this side of the business fall away when domestic demand picked up and it has not played an active part in our growth plans until now

"With a substantial export business we will largely be recessionary proof and, although business is good now, it will not always be so

"It's also a good way to earn valuable forex"

The drive is being spearheaded by Vahed who has largely handed over the reins to his management team while he develops these markets

The export drive is focused on Western Europe and North America where a number of contracts have already been signed up

To cater for this new source of demand, the company is building a R6m factory at Isithebe It is optimistic demand will be sufficient and consistent enough to satisfy the factory's manufacturing capacity

Vahed says "We are targeting at exporting a minimum level of 10% of turnover with no set maximum limits The new export division will be allowed to grow with the business."

In line with its traditional approach to growth, the company is not exposing itself to much risk with the new investment.

Some 25% of the company's local manufacturing requirements are contracted to the cut and trim sector

Should export contracts fall through, the factory will take up some of the load that is subcontracted

COMPETE

The export path is not an easy road to take with strong competition from overseas manufacturers and the pariah status of SA manufactured goods

Vahed says "There is a tremendous amount of competition in the Western European market from the Far East and the eastern bloc countries

"This competition is particularly strong in the budget end of the market and even with the rand exchange rate as weak as it is, we cannot realistically compete at this level."

To overcome this barrier, AMM is pitching its prices and products at the middle and high fashion sectors of the clothing market where it can be competitive

To circumvent the stigma attached to SA goods, the company is working through distributors "Although this does tend to cut down the profit potential"

Goods will be sold carrying existing house-brand labels or relatively unknown SA labels

"The excellent relationship we have with certain clients overseas also means that notwithstanding politics they will buy from us if the price and delivery schedules are right"

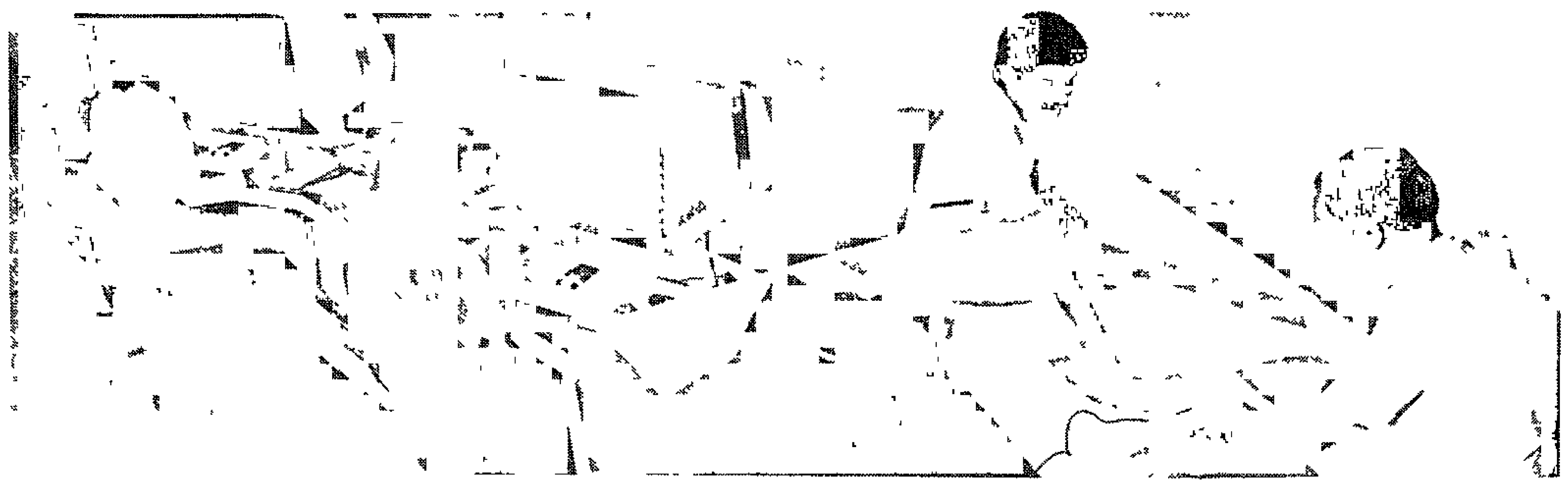
Government incentives will also assist AMM in its export drive.

The clothing industry expects the Board of Trade and Industry report on the structure of the clothing and textile industries to identify clothing as one of the prime industries to conduct an aggressive export campaign

Vadek welcomes a recent announcement by Stef Naude, director-general of the Department of Trade and Industry, that a new system of export incentives designed to reward exporters rather than subsidise their expenses is to be introduced in 1989

He says "Government is already going all out to promote exports and has been most amenable to granting export concessions to us

"We are confident that, with the groundwork that has been done and the contracts that have been signed, the export market will become a significant and growing proportion of our overall business"



High technology enters the clothing trade as computers at the head office design centre help save time and money

Saving time and money

COMPUTERISATION in all levels of its clothing manufacturing operation — from design to cutting and distribution — is improving the A M Moolla Group's efficiency and productivity levels

The company believes its R2m computer system and the introduction of new technology will, within 18 months, enable it to

- ☐ Increase manufacturing capacity by 15%,
- ☐ Reduce material usage by more than 2% and save R600 000 a year,
- ☐ Dramatically improve inventory control and prolong the life of existing warehousing by five years, and
- ☐ Free up to 25% of existing factory space

"A major management focus within the group is to bring about ever greater manufacturing and operating efficiencies," says financial director Ebrahim Dhai

"We believe by streamlining the entire operation we can improve manufacturing capacity by at least 15% without having to install new manufacturing plant or hire more people

"By becoming more efficient we will be able to reduce inventories and improve capacity planning, meaning we become more profitable as a result By streamlining clothing design and pre-production we can significantly cut the design cycle time

"Much of our current computerisation efforts are geared to this end"

Heart of the R2m management computer system is a large Unidata network powered by a Unisys A4 mainframe A network of 150 terminals and printers links the group's eight factories, its warehouse and its head office in central Durban

Over the past four years, the system has been continuously upgraded to suit the group's growing needs and today is a powerful planning and management tool "The concept we use is to work on-line, letting each department use the group's full computer facilities in real time, that is each terminal is directly linked to the mainframe"

Because of the limited availability of software specifically catering for the clothing industry, the company has developed much of its own software systems — both in-house and by outside consultants

Explains Dhai "The clothing industry has a tremendous lack of software available to it — possibly because of the vast variety in product ranges For example, we produce about 10 000 different types of garments a year Any one garment comes in many colour and size variations In the case of a shirt range, for example, there may be up to 84 items

"Managing the production and distribution of such a wide range of merchandise requires considerable planning and control The software had to be customised"

The clothing industry's accounting procedures also differ vastly from most other industries As a result, standard accounting packages are unsuitable. The most notable difference is payment to the manufacturer from the retailer by post-dated cheques

The cheque is received within 60 days of delivery, but on terms as long as 90 days Company-developed systems include order processing, sales analysis, inventory control and general accounting systems Together this improves the group's ability to plan manufacturing resources

"The system gives us comprehensive, accurate data for analysis and action For example, by forecasting sales month by month, we can suit the flow of production of finished product to match This gives more efficient use of capacity

"In fact, with better inventory control, the existing raw material warehouse at Ammdale should be adequate for our needs for the next 10 years"

The group has ambitious intentions for implementing the latest in "just in time" (JIT) and manufacturing resource planning (MRP)

Says Dhai "I have visited factories in Germany that were eight times bigger than us, yet had 10 times less raw material stored in their warehouse than we have We have to carry so much stock because of our supply lead times They work on seven-day delivery schedules We'd like to work towards that kind of efficiency"

The introduction of fabric cutting equipment in the manufacturing process will save more than R600 000 a year on better use of raw materials

"Our biggest single operating expense is fabric and it is vital that we limit and reduce our wastage levels," says Dhai

A M Moolla plans to invest R2m in this direction over the next 18 months Dhai believes reduced raw material wastage and the resulting savings will more than justify the capital outlay

Fashion quality is top priority

ALTHOUGH quality is largely dependent on price, the ability to guarantee quality in fashion is a key focus of the A A Moolla group

AMM financial director Ebrahim Dhai says "Fashionable goods are highly engineered, requiring a lot of intricate work It has to be perfect to bear top quality high fashion labels"

An indication of the standard of quality that flows from the AMM factories is that a large portion of the group's production is for the three chains in the Edgars group

FORTHRIGHT COMMENTATOR — BRED BY EXPERIENCE

From Page 16

member of First National Bank. He is welcomed as a member of a team that will help to take SA into a changed future

His view on how that change can come about with least turbulence revolves on "an alignment of moderates" and he urges the Government to move ahead with reform through these means.

"By aligning moderates, we can gain all the support it needs for reform. Why worry about the right wing? So lose some seats but take the balance in a coalition."

Identifying moderates, Vahed notes: "There are the Worralls, the Hendrickses, the young Stellenbosch enlightened Afrikaner academics, the Slabberts and leaders in the business community like Dr Anton [illegible] generating [illegible] improved business within the present scenario is very much Sadek Vahed's business, and to concentrate on strategy planning, opening up new markets for A M Moolla, and to cultivate exports, he is now leaving the management of the domestic side of the business to his management team

Beyond his leadership role in A M Moolla, one of the country's largest private clothing manufacturers, Vahed is a leading spokesman for his industry as Vice President of the National Clothing Federation of South Africa.

"I will now focus on exports. That's what the Board of Trade wants us to do. Apart from the benefits to our own company and to the clothing industry as a whole, we will be [illegible]

"How do we face the future. Do we shut up shop and run away? No, we do our best to contribute to uplifting all the people of South Africa. We must know we will have to go through a turbulent patch on the way but eventually, I believe there will be a settlement, and there will be peace and prosperity. I still have hope," says Vahed

His roots are as South African as his life has been devoted to the development of A M Moolla.

At the age of 14 — in preference to completing his schooling, Vahed joined Lockhat Brothers — the country's largest Indian wholesale company, managed by his uncle A M Moolla.

He started off as a boy Friday — worki[illegible]

...Minister Mangosuthu Buthelezi

"Moderates are not to be feared. We all want orderly reform, not chaos. We all want to look at our country positively. People want to talk of how we can make the best of a bad lot and improve our economic situation. If we get the political problems out of the way, the rest will follow naturally.

"I remember, at one of my recent meetings, a friend of mine described our predicament extremely well. He said we are all like prisoners handcuffed in a cell. To talk of making ourselves more comfortable in that cell is useless. We should be talking about how to get ourselves out."

For all that, every possible strategy for The broader context — of which Vahed never loses sight — is the country's need to stem the outflow of foreign capital.

"Reform need not happen overnight. But if we were to start serious and meaningful political negotiations with all race groups in the country it would be enough of a signal to other countries to start foreign capital flowing back in," believes Vahed.

All in all, Vahed's vision of the future is a positive one.

"As a third generation South African I am as committed to this country as any Afrikaner. I travel all over the world and I return to this one with the feeling that it is the most beautiful.

week.

He learned his business acumen in as he says, "the old school of experience".

He learned accounting, import procedures, knowledge of fabrics, and about garment manufacturing and wholesaling.

The development of A M Moolla as a dedicated manufacturing company owes much to Sadek Vahed.

He launched the manufacturing operation for A M Moolla-owned company, Mahomed Ismail & Co, formerly a fabric wholesaler.

This was in fact the beginning of Kingsgate, today the leading company in the AMM Group

Another coup for the group came with its winning of the sought-after Calvin Klein franchise for against stiff competition from other clothing manufacturers

Calvin Klein, a leading American designer label, is rated as among the world's top designer products, while Edgars have gained a wide reputation for their quality guarantees, catering to a market that is value rather than price conscious

CORPORATE PROFILE: A M MOOLLA

TRADING executives are Yusuf Vahed, MD Ladies' & Girls' Wear division of Majestic, Ashraf Moolla MD Men's & Boys' Wear division of Majestic; Mohamed Dhai, group MD and MD of Star, and Yacub Vawda, deputy MD Ammdale division of Kingsgate Clothing

'Delays in deliveries hamper industry'

ONE of the major problems facing the clothing manufacturing industry in its drive for greater efficiency is delivery delays of locally manufactured fabrics

"No matter how hard we try, lead times remain very long even though orders are placed well in advance," says A M Moolla Group chairman Sadek Vahed

"This requires us to buy cloth early and store to ensure we can deliver our chain store garment orders on time

"In turn this has a major impact on our cash flow during the pre-season manufacturing runs

"We are forced to carry large volumes of fabric which results in high holding costs — particularly before our active summer season manufacturing period, which unfortunately falls at the end of our financial year

"We find it takes on average 210 days from when the fabric arrives in our stores to the time the finished garments are dispatched

"Considering that thereafter we only get paid on an average of 60 days, the whole cycle takes nine months

To go some way to reducing the impact of this problem, the group has in recent years spread its business over as many local mills as possible rather than one or two mills

"This provides us some relief but not enough It directly affects the ability of local clothing manufacturers to compete in export markets in terms both of price and lead times"

Imports form about 20% of the group's raw materials purchases "We import wherever fabrics are not manufactured locally and when supplies of local fabrics cannot be obtained within a reasonable period Nevertheless, there seems to be hope of improvement and I encourage my marketing divisions to obtain their maximum fabric requirements from South African textile suppliers," says Vahed

"However, until SA mills can satisfy the bulk of our requirements on time, we must continue to source at least 20% of our fabrics overseas"

One advantage of a mix of local and imported fabric in any clothing range, of course, is variation and fashion As Vahed observes, "Imports help to ensure that our ranges have some life in them and do not become stereotyped 'flat' ranges"

That fact aside, the problem of long local lead times is counted in rands and cents

"Until the time the mills can supply materials timeously, the clothing manufacturing industry will always be hampered in its efforts to improve manufacturing efficiencies and productivity," says Vahed

Shooting star in the group

THE Star Shirt and Clothing divisions have been star performers in a group that has grown by leaps and bounds.

In the five years since its acquisition by the A M Moolla Group, Star has recorded an average annual growth of 110% to contribute 28% of the group's turnover in the last financial year

Average growth of 110% a year

"The marriage has been a runaway success," says A M Moolla chairman Sadek Vahed

"We were looking for an opportunity to move into the manufacture of branded clothing Star gave us the opportunity to diversify and offer a wider range of clothing than before"

With the takeover of Star the group could operate in virtually all segments of the clothing market, extending its ability to supply to the major chains This in turn brought more business to the group as a whole

"It is impossible to quantify this benefit but it played a vital role in the group's 30% a year growth in turnover over the last five years"

Management attributes Star's success to its ability to offer the latest fashions aimed at the competitive middle to high end of the fashion market, the strength of relationships with chain stores and its strong brand names

Well known brands in the Star line-up include Smith & Wesson, Sweats, Nexxt.

Being at the leading edge of fashion in SA requires company designers and buyers to undertake regular trips overseas to the major fashion shows Fashions seen at these shows are interpreted for the local market New fashions are worked out with chain store buyers who regularly accompany the designers on their overseas forays

"The more sophisticated SA consumer wants the latest in fashions We are not fashion leaders but followers working a year ahead and interpreting overseas trends for the commercial fashion market," says designer Alex Botha.

Star has two subsidiaries, Salt of the Earth Creations and Antique Fashions — both were acquired with Star in 1983

Salt of the Earth specialises in house brands and the newly launched Gap range Gap, aimed at the 12 to 25 age-group, is a new specialty store launched in 15 OK Bazaars outlets throughout the country

PRE-SCHOOL

"The concept is not high fashion but simple fashion at a good price OK has been raising its clothing quality in recent years and these stores should go a long way to establishing a higher image of quality among consumers"

Antique specialises in pre-school boys' clothing

This wide diversification in the types of clothing manufactured by group companies has ensured A M Moolla substantial penetration into the widest sector of the clothing market It has been a conscious strategy of corporate development in the past 10 years and one that is bearing its full fruit in current growth figures

CAD CALLING THE TUNE

OF THE most recent additions to the A M Moolla (AMM) group's range of high-tech equipment is a sophisticated R120 000 computer-aided design (CAD) facility.

The CAD system has significantly reduced the time taken to design clothing and decorative artwork. It will also considerably cut the company's colour reproduction bill.

AMM financial director Ebrahim Dhai says "Because of the time-imperative nature of clothing design, the system will soon pay itself off in faster turnaround times.

"Future software enhancements will enable us to design and run out story boards for presentation to clients This will result in further time efficiencies."

In just four months since its introduction, the system comprising Wyse hardware and Gerber Creative Designer Software, has become a vital tool in the group's design departments.

Supplied by PE-based Intermarket, the system has been developed specifically for the clothing industry.

The AMM design departments also run out their finished artwork in-house — on a full colour Tektronics laser printer.

Group transport manager Joseph Msomi

FLEET BOON

LIKE many companies taking the modern approach to non-productive assets, the A M Moolla Group prefers to run most of its car and truck fleet of 150 vehicles on a full maintenance leasing system

This provides off-balance-sheet financing, minimised tax exposure for employees, fixed cost of maintenance and accurate forecasts of running costs for budgeting purposes and cash flow analysis

The fleet, which is with Prime Car Leasing (formerly Hertz Leasing) is Prime's largest in Natal

A M Moolla financial director Ebrahim Dhai says "We switched to full maintenance leasing three years ago and we've found it improves our fleet management, our costs and allows us to get on with the business of clothing manufacturing instead of worrying about running cars

"When you try to run your own fleet without the real know-how more often than not it ends up being crisis management"

(184)

CORPORATE PROFILE: A M M

A M Moolla Group MD and Star MD Mohamed Dhai

Kingsgate generates 70% of group's sales

THE oldest and biggest of the A M Moolla Group's trading and marketing divisions, Kingsgate Clothing Manufacturers, remains the backbone of the company, generating 70% of its sales worth over R65m this year

Its continued contribution to the success of the group lies in its focus on the lower to middle end of the retail clothing market

With ever-increasing black spending power, this "Third World" sector represents the largest and fastest growing segment of the entire SA clothing market

INCORPORATES

Already about 60% of Kingsgate's output is targeted at the budget end of the market

Some 70% of output is sold to the chains while the remainder is marketed to independents

Kingsgate trading and marketing division incorporates two other marketing divisions — Majestic Clothing Manufacturers and Reunion Clothing Manufacturers

Majestic comprises two divisions — men's and boys' wear, and ladies' and girls' wear

A wide range of goods are manufactured including blouses, slacks, skirts, dresses, sportwear, T-shirts, shorts, school wear, all types of shirts, trousers, mens and boys pyjamas and dressing gowns and work wear such as boiler suits and dust coats

While Kingsgate and Reunion focus on the budget end of the clothing market, Majestic looks to the medium-end for sales

Well-known brands include Sunset Boulevard, Brat Pack and a wide range of goods supplied to the chains under their own house brands

To complete its range it has launched a new middle and upmarketlingerie division under the Obsession label and expects from early 1989 to be a major force in this market, selling to both chain and retail stores

Lingerie to be manufactured will be upmarket sleepwear and satin underwear.

"This is a very competitive market in which it is difficult to establish a name However, response has been encouraging from clients and there is a strongly-felt need for reliable suppliers"

CONSCIOUS

There is also a definite upward trend in the black market

"The black market is becoming very fashion and quality conscious with a strong move to silk-type fabrics"

A new range for 1989 is fashionable ladies' working clothes for the over 25 age-group. The division will also launch a range of courier wear under the Profile label

These new ranges are evidence that although this well-managed group has success fairly sewn up, it has a keen awareness that its leadership depends on moving with its market

● BOBBY LOGUE

A quest for good relations

A M MOOLLA Group's open-door style of labour policies, with a progressive attitude to negotiations, should keep industrial relations problems to a minimum

"In a labour-intensive industry like this, and a 6 800 workforce, there will be problems from time to time To be oblivious to the realities of a strike is not good management We take this possibility into account in our forward planning," says chairman Vahed

Industrial relations director Bobby Logue oversees employment practices aimed at setting industry standards and, like other clothing manufacturers, the group handles labour negotiations at industry level through the Clothing Manufacturers' Association

"Very little is negotiated at plant level with the exception of Hammarsdale because we are the only clothing manufacturer with a factory in central Durban," says Vahed

He adds. "At Isithebe certain conditions of employment are also negotiated at plant level"

The group reports cordial relations with unions representative of the industry — mainly those of the Garment and Allied Workers' Union and Allied Clothing and Textile Workers' Union

In pursuit of the ultimate system

IN a bid to achieve the ultimate in efficient manufacturing procedures and to improve productivity, the A M Moolla group has earmarked a sum of about R3m to be spent in this area over the next four years

The group believes it may be able to increase its output by about 15%, by upping productivity levels without expansion of capacity and without increasing employment

First step in this programme is a study commissioned by the group to be conducted by the National Productivity Institute (NPI)

Chairman Sadek Vahed says "The NPI will use one of our plants as an example and thoroughly research our pre-production, warehousing, manufacturing and distribution procedures and employee productivity levels

"We have commissioned the study because we want to assess our productivity against that of the industry generally, in order to have some kind of yardstick

"The value of having it done by outside consultants is that they are objective Anyone within our group would tend to be drawn into our culture and be unable to assess clearly

18.

ANNEXURE C

COURSE CODE (BOLD CAPS)	TITLE
SAN 225 F	SOCIAL ANTHROPOLOGY OF TOWN AND COUNTRY

YEAR/STATUS *	SEMESTER/WHOLE YEAR	LECTURES PER WEEK	TUTORIALS PER WEEK *	PRACTICALS PER WEEK *
2nd	1st Semester	3	1	

POINTS OR CREDITS *

2

LECTURER/CONVENER

PREREQUISITES AND/OR CO-REQUISITES (IF NONE, ENTER "NONE")

4 Credit points from any one subject offered in the Faculty of Social Science and Humanities, and (or including) one 100 level Anthropology course or by permission of the Head of Department.

SYLLABUS INFORMATION

Anthropological studies of rural and urban contexts, with special reference to problems of the unit of study and the rural-urban continuum.

LECTURE PERIOD(S): ...5th.. period

TUTORIAL MEETINGS IN *: ....5th....... period

PRACTICAL MEETINGS *

SEMINAR MEETINGS *: .... period

DULY PERFORMED REQUIREMENTS (IF NONE, ENTER "NONE")

All essays, plus a satisfactory tutorial attendance.

EXAMINATION REQUIREMENTS

essays and tests count for .50..%
project counts for ....%
...1.. x ..3... hour written examination in .June...... counts for .50.... %
...... x ...... hour practical examination in .... counts for ...... %
..... x . ... oral examination in .... counts for ...%

THIS COURSE WILL/~~WILL NOT~~ BE OFFERED IN 1988.

* IF APPLICABLE

SIGNED ..J. D. Sharp...

MANUFACTURING – CLOTHING

1989

Tollgate chief explains Arwa share deal

BSU CNB 7/1/89

By BRUCE WILLAN

THE pending takeover by Tollgate of 58,5% of the issued share capital of Arwa stands to make the Claasen Trust a R20m "paper" profit after costs on the initial investment.

Johan Claasen, who represents the Claasen Trust is also chairman of Tollgate and Duros.

The fact that the Claasen Trust paid about R2,5m for the 10 584 245 Arwa shares and are now selling them to Tollgate in return for 9 027 290 Tollgate shares worth about R30,6m, has raised serious doubts as to the integrity of the deal.

Commenting on the deal, Johan Claasen said yesterday that the companies involved were fully aware of the sensitive nature which surrounds a deal of this kind, particularly when one of the directors represents the vendors of the shares.

He, however, points out that in four years Arwa has turned around from a turnover of R13m and a loss of R700 000, to a turnover of R100m and a pre-tax profit of R11m. This reflects in the share price and its inherent value.

The deal, which is only part of a complex restructuring and diversification programme undertaken by Tollgate management, is to be put to the vote of shareholders on January 11, 1989.

Duros, the holding company of Tollgate, will be exercising its right to vote, says Claasen.

But, he stresses that he will not be taking part in the proceedings because of the possibility of people making the wrong assumption and accuse him of partiality.

Claasen adds that at the time the deals were negotiated this was taken into account and it was decided to use additional merchant bankers not within the group for the deals to distance Duros and Tollgate from the market.

This he said indicates the willingness of the parties concerned to be as impartial as possible.

Claasen has an impeccable record and has never had to answer for his actions and he intends to keep it that way.

As chairman of Duros, Claasen said he is not able to influence the decisions taken by the board of directors in voting as his shareholding does not outweigh the collective shareholding of the other directors.

This indicates that the decision taken by both the Tollgate and Duros boards to acquire Arwa has been on the merits of the company and within the constraints of the group policy.

Should the deal be approved along with the acquisition of 25% of Gants, a similar offer to the minority shareholders of Arwa will be made.

Cashworth minorities get 35c offer

ANN CROTTY

DETAILS of the change of control at Cashworth indicate that the minority shareholders will be offered 35c a share against the current share price of 38c The deal, which values the company at almost R5 million, involves selling off some of Cashworth's assets and getting an injection of cash

Directors Norman Schutz and Eli Gottschalk and their family trusts, who are the controlling shareholders of the company, have agreed to sell 8,5 million shares (56,67 percent of the company) to the MAP consortium

The 8,5 million shares are being sold for R2,8 million which is equivalent to an average of 33,12c a share but as some of the shares were sold at 35c, the minorities have to be offered 35c.

The transaction is dependent on a number of conditions including audits confirming the warranties of Cashworths net asset value, confirmation of the validity of certain material lease agreements and, approval of the sale of certain of Cashworth's assets back to Mr Gottschalk

As part of the restructuring the new controllers have agreed to sell Sassoon, a wholly owned subsidiary of Cashworths, to Mr Gottschalk for just over R2 million The Actronics division of the Poste-Haste Mailing company is also being sold to Mr Gottschalk at net asset value

For the six months to end-October Cashworths reported a loss of 3,5c a share and a net tangible asset value of 48c a share If the Sasson sale had been effective for those six months, the loss would have been reduced to 3c a share and NTAV would have been 51c

The

TAKEOVERS

ARGUS 11/1/89 (184)

Tollgate gains 50pc of hosiery market after Arwa deal

By DICK USHER, Business Staff

TOLLGATE Holdings will control about 50 percent of the South African stocking market through its acquisition of Arwa in a deal approved by shareholders at a meeting in Cape Town today.

The meeting also approved the acquisition of 25 percent of the food company Gant's

Chairman Mr J Barnard, in reply to a question from the chairman of the Shareholders Association, Mr Issy Goldberg, said Tollgate had an option on a further 25,3 percent of Gants still held by Lougant Holdings

The Arwa acquisition was for R27,9-million for the 11,2-million shares held by Mr J L Claasen, 58,5 percent of the issued share capital, to be settled by the issue of about 9-million shares in Tollgate

The acquisition of 15-million shares in Gant's will be for R20-million in cash and 4-million Tollgate shares, totalling R33-million

Mr Goldberg, referring to the company circular on the financial effects of the acquisitions, said it estimated that the acquisition of Arwa would raise Tollgate earnings a share from 31,7c to 37,8c

But he pointed out that Tollgate was fully taxed while Arwa paid almost no tax and it was unfair to compare the two.

Mr Goldberg said the association would make submissions to the JSE for inclusion of companies' tax rates in regular financial publications

Price of school uniforms up by 12 pc this year

Star 14/1/87

184

By Zenaide Vendeiro, Education Reporter

The cost of school uniforms has gone up by about 12 percent this year in line with the inflation rate, according to one of the largest schoolwear manufacturers in South Africa

Mr Almero Oosthuizen, managing director of Veka in Newcastle, yesterday said input costs, such as prices of wool and polyester fabrics, went up by more than 12 percent, but the company was able to absorb some of the increases

Schoolwear outfitters in Johannesburg yesterday reported increases of between 8 percent and 15 percent

A manager at McCullagh and Bothwell in Hyde Park, which supplies uniforms for 30 schools, said some items of clothing had not gone up at all while others had increased by about 15 percent

Another Johannesburg stockist put the increase at between 8 percent and 10 percent.

It will cost parents about R135 this year to kit out a Grade One boy with a basic uniform consisting of grey flannel shorts, white shirt, socks, jersey, plain blazer and shoes

Additional purchases such as a tracksuit, athletic shorts and vest and swimming trunks will cost another R82

A boy's basic high school uniform consisting of grey trousers, white shirt, striped blazer, jersey, socks and shoes will put parents back about R190, with extras such as tracksuit, swimming costume, athletics shorts and T-shirt costing an extra R100 Girls' uniforms are a little more expensive.

The Star Finance

Tollgate shareholders give nod to Arwa deal

Star 12/1/89

184

By Dick Usher

CAPE TOWN — Tollgate Holdings will control about 50 percent of the stocking market through its acquisition of Arwa in a deal approved by shareholders at a meeting in Cape Town yesterday

The meeting also approved the acquisition of 25 percent of Gants, the food company

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ACQUISITION

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Mr Goldberg said the association would make submissions to the JSE for inclusion of company tax rates in regular financial publications

S Times 15/1/89

(184)

Export drive

SEASPRITE, a manufacturer of swim- and exercisewear is looking for export sales

Founder and chairman Hans Noli says the company will build a factory in Cape Town and one outside South Africa

Paul van der Horst, former executive in charge of swimwear at Gossard SA, has joined the company as managing director Andre Byren is production manager, succeeding Raymond Law, who is retiring after 30 years with the company

Star 18/11/89

184

Seasprite expands production

By Dick Usher

CAPETOWN — Seasprite, a leading manufacturer of swimwear and exercise clothing, is to double output through building a new R3 million plant in Cape Town

Mr Hans Noli, company chairman, said the expansion would underpin growth on both the local and international markets When completed it could provide up to 75 extra jobs.

Mr Noli said he had just returned from Europe where Seasprite's range had been very well received

"Our successful distributing company in the United States had to be abandoned when sanctions were imposed two years ago. But we aim to replace that loss by selling in Europe

"Our experience in the US showed that with reliable deliveries we could penetrate the market not on price but on merit

The announcement of the expansion coincides with the appointment of Mr Paul van der Horst, former executive in charge of swimwear and exercise wear at Gossard, as managing director of Seasprite

COMPANIES

184 B/Day 23/1/89

Arontex moves to main board today

TANIA LEVY

ARONTEX Holdings is to move from the DCM to the JSE's clothing, footwear and textile sector today.

MD Alan Gitsham says the Natal-based clothing group is well placed to achieve profits of more than R1m for the second successive year.

He believes that in spite of the difficulties being experienced by the entire clothing industry in obtaining textiles, turnover for the year to February will be at least 30% up on last year's R11,14m.

Last year's results far exceeded the listing prospectus forecast.

Chairman Trevor Aron said in the annual report the rationalisation of acquisitions, increased mechanisation and a higher level of computerisation would continue to contribute to growth.

Following its listing on the DCM in October 1987, Arontex took over shirt manufacturer Alida Clothing and R & L Proos, maker of active-wear clothing.

The Port Shepstone factory was relocated to larger premises last year resulting in a 40% increase in production capacity. The installation of a new garment conveyor system at this plant is also making a further positive impact on productivity.

"We are introducing our new summer clothing ranges in February, which will lend added impetus to our prospects for the new financial year," says Gitsham.

Aron is confident that improved market penetration will be achieved through promotions of major labels and new ranges.

Growing schoolwear market helps Veka

B/Day 26/1/89

TANIA LEVY

184

VEKA has continued to generate real growth in the schoolwear market and has reported a 48% increase in profit for the year to December

Profit of R3,1m (R2,1m) translates into earnings of 10,7c a share compared with 7,2c a year ago

Despite the growth MD Almero Oosthuizen said yesterday that the board had decided against declaring a dividend in order to provide capital to finance further growth expected this year

Notwithstanding the pessimism about the economy, real growth was still expected this year, especially in the black schoolwear market, said Oosthuizen

Schoolwear makes up 85% of the Newcastle-based Veka's business

The menswear market would also experience real growth, but from a smaller base

Turnover increased 45,2% to R37,5m from R25,8m and operating profits were up by a similar percentage with margins of around 13% were maintained

No tax provisions were made for the year because of the tax loss of R13m in 1987 Tax losses still amount to R10m which means Veka will again benefit from no deductions this year about 1 000 civilians attached ... will be needed for

... cost of the ... effort to keeping operation Delivery time is critical if Untag is to meet its April 1 deadline.

Ill Cashworths in new hands

S/Times 29/11/89

184

By Ian Smith

TROUBLED Cashworths Fashion Holdings, the Cape-based clothing manufacturer and retailer, has been taken over.

Columbia Corporate Finance will help the new MAP consortium to turn the group around.

Controlling shareholders Norman Schutz, Eli Gottschalk and their family trusts will sell 8,5-million Cashworths, representing 56,7% of issued share capital, to the MAP consortium for R2,8-million

The consortium was formed by merchant banker Harry Spain and Natal clothing manufacturer Yakoob Paruk to take over Cashworths in the deal effective from January 1. Mr Spain will be chairman and Mr Paruk will be joint managing director with Mr Schutz

The consortium says Cashworths will be used to expand interests in the clothing industry after unprofitable areas have been hived off.

Mr Spain says: "We are confident Cashworths can be turned. It has about 30 stores and the computerised knitting equipment is modern. Prospects look good for the second half of the year"

Cashworths was listed on the DCM in September 1987, but it failed to achieve its prospectus forecast profit in the year to last April because of an extraordinary loss on the sale of an associate company. Attributable income jump by 57% to R1,2-million and earnings were 11,1c a share compared with the previous year's 7c

The 100c shares opened at 120c, but slumped to 30c this month. Recent sales have taken place at 37c

...d now and ... M&R's wholesale motor spares ... purely a trading ... to go to work on your

Delswa's interim raises hopes for year

B/Day 30/1/89

(184)

ANALYSIS:
STEPHEN RICHTER

DELSWA's strong interim report helps to explain why the clothing group's share is fast approaching its 1987 high

Delswa was a strong performer during the 1987 bull market as its price rose swiftly from the 450c low in mid-1986, to reach a peak of 1 600c by August, 1987 The crash brought the share down to the 1 000c level, but the price has now regained momentum.

Full orders

The fuel for this strong price action is provided by the 57% jump in taxed profits for the six months to October, 1988, to R1,4m (R862 000)

Earnings a share rose by a similar percentage to 194c (124c)

Directors say order books are full for the second six months of financial 1989, which should result in record earnings Therefore, it would not be surprising to see the share price advance to record territory

MD Stephen Jaff is hopeful second-half profits will maintain the same percentage growth as during the first half

Shareholders, however, are not reaping the full benefit of the profit increase The interim dividend was raised by only 17% to 35c (30c) and Jaff says the final dividend increase will also rise proportionally less than the increase in second half profits

This is because the higher level of activity has resulted in a rise in Delswa's stockholdings and debtors, which must be financed internally

Despite the proportionally lower dividend increase, Delswa still offers upward potential The share is on an historic dividend yield of 7,3% based on its recent 1 500c price Earnings over the past 12 months are 427c, making the historic earnings yield 28% By comparison, the average industrial share trades on an earnings and dividend yield of 10,1% and 3,6% respectively

Costs

The directors are concerned about the high interest rates, increasing real costs of raw materials and labour as well as the effects of high tax rates, This should serve as a warning to potential investors that economic activity could slow this year which may have an impact on market sentiment

Consortium to take over Cashworths in R2,8m deal

(184) 81Day 30/1/89

ZILLA EFRAT

CAPE-based fashion manufacturer and retailer Cashworths has been taken over by new group, the MAP consortium, in a R2,8m deal.

At the same time, Cashworths has announced a loss of 3,5c a share for the six months to October 1988

The purchase price for the 8,5-million shares — representing 56,7% of the issued share capital — is equivalent to an average price of 33,12c a share

But it is believed the 35c a share, the highest price paid to acquire control, will form the basis of an offer to Cashworths minority shareholders

Directors say this offer represents a significant discount on Cashworth's tangible net asset value The group is to be restructured as part of the deal.

Cashworths will sell its entire investment in R Sassoon for R2m in cash and the Actronics division at its book value to one of the present controlling shareholders, Eli Gottschalk

It was reported over the weekend that merchant banker Harry Spain and Yakoob Paruk formed the MAP consortium to take over Cashworths

In a statement, Paruk said Cashworths would be used as the base for expansion into the clothing industry by the consortium, an experienced group with some of its members engaged in textile operations of their own

The company would dispose of unprofitable operations and expand those existing operations which showed significant potential New acquisitions would also be made, said Paruk

The deal is dependent on a number of conditions including an audit confirming the warranties of Cashworths net asset value, the validity of certain material lease agreements and Gottschalk fulfilling certain conditions

Cashworths, which was listed on the DCM in September 1987, failed to achieve its prospectus forecasts for the year to April 1988 because of an extraordinary loss on the sale of an associate company But earnings for the year still increased 57% to R1,2m (R732 000)

Directors expect the change of control and restructuring proposals to result in improved financial performance

The Star Finance Star 31/1/87

Unexpected export fillip for rag trade

By Tom Hood

CAPE TOWN — Clothing manufacturers should be able to step up exports to Britain and other European Community markets because "Made in South Africa" labels are no longer compulsory.

Mr Sadek Vahed, vice-president of the National Clothing Federation, says "With the British and EC markets no longer requesting the Made in SA label, I believe there is enormous scope for all of us to enter the export market

"By 1992, barriers between Britain and the European Community will fall away and if a manufacturer establishes a base in the UK, it will be the ideal vehicle to do further volumes in EC countries"

Smaller and medium-sized manufacturers should band together and work collectively as one group, with each participant marketing those items in which he has specific strengths, says Mr Vahed

The label became compulsory with the British Trade Descriptions Act of 1972, but the European Commission has now decided the Act falls foul of the Treaty of Rome.

Mr Vahed forecasts the commercial rand will depreciate to $0,35 by the middle of the year.

Competitive pricing

Writing in the federation's latest newsletter, he says "This will result in such competitive pricing of our garments, after taking into calculation the new incentives, that overseas customers will put their morals on the shelf and be tempted to place volume business with us."

The clothing industry is under severe pressure because of rapidly escalating input costs, says Mr Hennie van Zyl, executive director of the National Clothing Federation, in the newsletter

Prices of textiles — accounting for more than half of the clothing industry's input costs — are increasing by 19,5 percent a year, he estimates.

The price hike is not only 5,5 percent more than the clothing industry's own output prices, but also 7,5 percent above the clothing retail price index

"Unless the authorities, particularly the Board of Trade, take bold and urgent steps to address the cancer of high input costs, South Africa will never solve its endemic inflation problem and we will just have to be satisfied with the continuation of sub-optimal economic growth and the gradual slide into a typical African economy"

The financial authorities should avoid action to control the relatively insignificant imports constituting the prime and basic inputs of the various labour-intensive industry sectors making basic necessities such as clothing, he says.

Good news for the industry is that aggregate production volumes are rising, although the latest level is still substantially below the peak reached six years ago

Total retail sales — a leading indicator of clothing industry growth — continue to increase, although they cannot be expected to continue on this upward trend much longer, he believes

The trend in retail sales for both men's and boys' clothing and women's, girls' and infants' clothing is expected to remain upward for some time

Clothing industry employment levels continue to increase, although at too slow a rate

Textile manufacturers, meanwhile, have pointed to alarming increases in the volume and value of imported textiles

Mr Stanley Shlagman, executive director of the Textile Federation, says official figures for the first nine months of last year show the volume of imported fabrics increased by 22 percent to 212 million sq m and the value by 32 percent to R464 million

The volume of household textiles rocketed by 149 percent to 1,8 million sq m and the value by 124 percent to R20 million.

"These increases went far beyond any actual increase in consumer demand and affected demand on local production sources," says Mr Shlagman

"The concern expressed by the textile industry over conditions in the marketplace have now been quantified and the cause pin-pointed"

SAB scoops control of Da Gama Textiles

CAPE Times 2/2/89 (184)

JOHANNESBURG — SA Breweries has concluded a deal with Tootal Group plc, a United Kingdom company, for 49,8% of Da Gama's issued ordinary share capital for a purchase price of R175m

In terms of the agreement SAB will acquire effective control of Da Gama from Tootal, which will result in Da Gama becoming a SA-controlled company However in terms of a management and technical services agreement, Da Gama will have access to Tootal's international technical and management expertise and technology for a minimum period of 10 years

SAB will acquire its interest in Da Gama through Da Gama Holding Company (Holdco), the company through which Da Gama presently holds its interest of 49,8% in Da Gama's issued ordinary share capital

The R175m payable by SAB will be settled by the issue of automatically convertible preference shares in SAB entitled to an annual preferential dividend of 165c per convertible preference share and which will be issued at price of 2 200c per share

Arrangements have been concluded for the placement, on behalf of Tootal, of SAB convertible preference shares at 2 200c per share

● Australian textile magnate Abe Goldberg has increased his holding in Tootal to 17,2% by mopping up 8m shares, bringing his stake to 17,2%, nearly double what it stood at two weeks ago

Goldberg's £500m takeover bid for Tootal was rejected a few days ago

FmMC

TEXTILES (184)

Finding a home

Textile producers have traditionally relied heavily on the clothing market for nearly all their growth That's changing

Household textiles are shaking off their reputation as the Cinderella of the industry The first comprehensive study of the sector reveals it accounts for nearly one-third of the textile industry's turnover

The report's author, textile analyst Joop de Voest, says its findings are based on input from all the country's leading textile manufacturers and retailers

Even excluding curtaining and table linen, household textiles enjoyed turnover of R1,3bn in 1988, or 28% of the textile industry's R4,7bn total turnover This year it is expected to account for 32% of turnover

De Voest expects unit demand to rise by up to 20% for some items The duvet market is expected to grow from 1,35m units last year to 1,62m for 1989

Individual companies say their findings match those of De Voest, particularly those with high exposure to the black market The Sales House arm of the Edgars group, and Pep Stores, say their forecasts are very encouraging, but white-orientated stores like Edgars aren't so optimistic

Da Gama CE Harry Pearce expects 40% growth in money terms for duvet covers and 12%-13% unit growth in the bed linen market.

"This growth is far in excess of apparel textiles where there is unit growth roughly the same as the growth in GDP," he says "We have seen duvets turn from an urban English product to a white product and now increasingly to an all-race product

"Black purchasing has been spurred on by an increase in home buying, and the electrification of the townships "

Mooi River Textiles MD Peter Riding says there is a trend towards matching bed linen and curtains. Many people are buying second duvets and changing covers according to fashion "Gone are the days when the only shades available were lemon, pink, blue and white "

It remains to be seen if the textile mills, many of which are working on full order books, can meet the extra demand De Voest predicts a further 29m m² of woven and knitted textile fabrics will be needed, of which 65% will be in polyester/cotton blends and cottons

Pearce has no qualms about being able to keep up. He says the industry has seen this as the major growth area for some time and has invested accordingly

"At Da Gama we've bought the latest Japanese air-jet looms which will more than double output per loom There may be shortages at first but I'm sure the rest of the industry is also getting ready for demand "

Frame household textiles marketing manager Stephen Woodward says he hopes government won't need to institute tariff rebates to allow imported household textiles into the country

But the feeling is there is unlikely to be huge demand for cheap household textile imports, as there has been from clothing manufacturers.

Says Pep Stores MD Basil Weyers· "We buy on the local market as it meets our requirements With De Voest's report, we should be able to fine-tune ourselves to the precise requirements of the SA market "■

3/2/89.

3/2/89

Wooltru turns in strong interim

60
184
Star 8/2/89

By Ann Crotty

A fine performance by Wooltru in the six months to December shows the Cape-based group continues to enjoy the benefits of strong consumer demand.

Sales were up 24 percent to R1,1 billion (R860,4 million), while operating profit shot up 37 percent to R88,6 million (R64,5 million), reflecting an improvement in margins from 7,5 percent to 8,2 percent.

Chairman Mr David Susman says the improved margins reflect better productivity at Woolworths and Makro which, in turn, reflects tighter asset management.

Earnings were up 42 percent to R46 million (R33 million), equivalent to earnings per share of 133,9c (94,6c).

An interim dividend of 47c has been declared, which is 34 percent ahead of the previous interim.

Mr Susman says that because of the continuing momentum in consumer spending, Christmas trading was more buoyant that expected.

Woolworths' sales increased by 21 percent. Sales in the speciality retail group rose by 30 percent and at Makro by 27 percent.

The group recently acquired the remaining one-third interest in Makro which, Mr Susman believes, will allow it to expand its wholesale operations with a greater degree of flexibility in both traditional and new formats to reach a wider market.

The interim figures incorporate a change in management policy in accounting for provisions for stocks.

"In the past, the unaudited results for the first six months of each financial year had been based on highly conservative assumptions for stock provisions and potential markdowns at December 31.

"This basis, however, did not reflect the level of earnings most appropriate to the sales achieved during the review period," it says.

The comparative figures for 1987 have been restated to include the effect of the change.

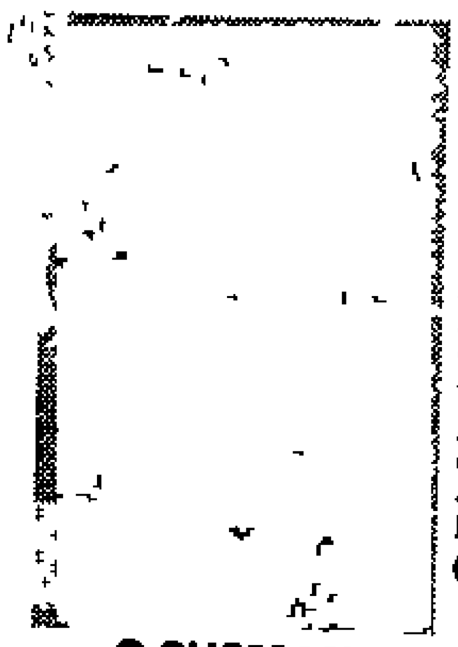
Financial director Mr Jon Lavies says that generally improved management control systems, and specifically merchandise controls, have enabled the group to produce much more accurate mid-year figures and that this in turn has enabled it to make more realistic mid-year provisions.

The change has a once-off effect, which increases the stock valuation and lifts net income.

The second half is expected to show continued growth, but at a lower rate of increase.

Wooltru shareholders get late Christmas gift

B/Day 8/2/89. 184



● SUSMAN

TANIA LEVY

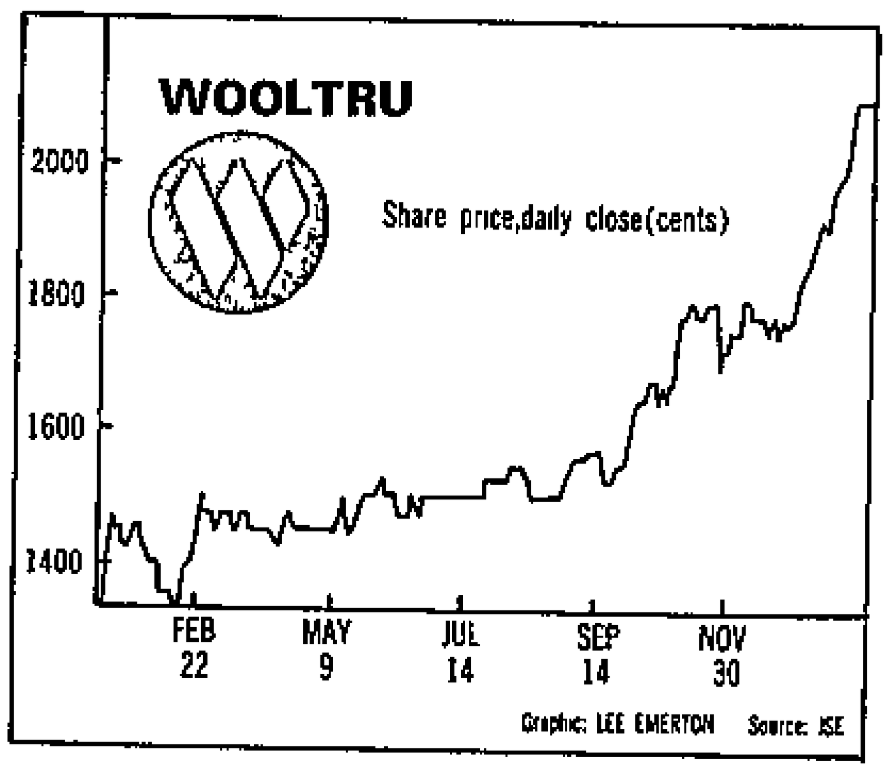
WOOLTRU shareholders have been presented with a late Christmas gift, in the form of a 47c interim dividend, 34% up on the previous interim distribution.

The buoyant Christmas experienced by the group has resulted in a 42% increase in earnings a share to 133,9c (94,6c) for the six months to December

With sales for the first six weeks of 1989 21% ahead of last year, Wooltru chairman David Susman expects comfortable profit growth for the year, albeit at a slower rate

Susman said yesterday that the determination of interim results had been changed to reflect the higher profits usually achieved in the first six months

This would reduce the proportion of profits attributed to the second half of the year but would not affect year-end results



In the past, the unaudited interim results had been based on highly conservative assumptions for stock provisions and potential markdowns at the end of December

"This did not reflect the level of earnings most appropriate to the sales achieved in the first six months," said Susman

Wooltru sales outstripped analysts' forecasts by increasing 24% to R1 068,8m (R860,4m restated) during the period under review, boosted by Christmas trading which exceeded expectations

Woolworths sales were up 21%, sales in the Speciality retail group increased 30% and Makro sales rose 27%

Operating margins, which have been under pressure during the past four years, increased notably on restated figures from 7,5% to 8,3%

Susman pointed out that improved productivity at Woolworths and Makro had generated better profit growth than was indicated by the increase in sales

Sales outstripped analysts forecasts, rising 24%, pre-tax profits grew 37% to R88,6m (R64,5m)

Record results from Seardel

Cape Times 10/2/89 (184)

Financial Editor

THE Seardel Investment Corporation (Seardel) has achieved record results for the six months to December 31 and executive chairman Aaron Searll is optimistic about prospects for the second half of the financial year

He pointed out yesterday that the major clothing retailers who are the group's biggest customers were still trading strongly in January

The interim results included Bonwit, the former manufacturing arm of Wooltru which Seardel acquired last year, for the first time

Turnover rose by 31,3% to R386m, operating income by 38,7% to R31,2m and pre-tax income by 28,7% to R22,5m

Explaining why earnings had risen by only 21,7% to 73c, Searll said higher interest rates meant the cost of finance was 73% higher than in the first half of the previous year And the tax rate had risen to 38% from 34%

In spite of this, he said, earnings were at a record level and the interim dividend had been increased by 23,1% to 8c (6,5c) Reserves had increased with equity up by 24,2% to R105,5m "We are getting a percentage return of 14,3% on our total assets"

Searll said much of the group's debt was short term "It is a stocks and debtors situation"

He forecast that earnings per share for the year to June should rise to about 120c a share "subject to no major change in the socio-economic factors which impact on economic activity in this country"

Discussing the outlook for the economy, he said "It is anticipated that economic activity will slow down during the second half of the year Interest rates appear to have peaked and are expected to reduce during the next six months"

However, he pointed out "There may not be a slowdown We are well positioned to take advantage if conditions remain good"

Senior executives said the group was still able to export clothing, and demand for its products was good

Progress Industries posts 11% pre-tax profit

BDay 15/2/89

184

CHARLOTTE MATHEWS

PROGRESS Industries posted an 11% increase in pre-tax profit in the year to December in spite of the impact of civil unrest in Natal on the group's productivity and profit margins

A final dividend of 25c has been proposed, which will bring total distribution for the year to 42c from 36c paid in 1987

Profit attributable to ordinary shareholders was R4,4m (R3,7m), resulting in a 19% increase in earnings a share of 158c (133c)

Higher earnings resulted partly from a higher turnover of R50,8m (R42,5m) and partly from a change in the basis of computing deferred taxation

Operating profit rose from R6,5m in 1987 to R7,6m last year but margins stayed the same

"The record results achieved were due to the buoyant trading conditions experienced in the country and it is expected that these conditions will continue to prevail through 1989," said CE Philip Jacobson

Interest charges were more than double those of last year, with R957 000 compared to R464 000

Gearing was 55%

Progress had a net asset value of 631c a share at the end of 1988

The share (450c yesterday) was trading at a considerable discount, with the dividend yield at an attractive 9,3%.

Cape Times 16/2/89

Frame finances R2,5m co-op venture

By ALAN FINE

JOHANNESBURG — A unique co-operative production venture, initiated by the Amalgamated Clothing and Textile Workers' Union (Actwusa) and financed by the Frame Group to the tune of R2,5m is set to begin the employment of 300 workers this month

The venture, announced in October, is designed to provide employment for hundreds of employees laid off by the Frame Group as part of a rationalisation exercise

GM Glen Cormack, appointed by Actwusa to run the first of three planned clothing factories, said yesterday the co-op Zenzeleni (which means "Do it yourself") was in the process of being registered as a private company

Zenzeleni, he said, had leased 3 000 sq m premises at Jacobs near Durban Renovations would cost R300 000, while an order for more than R1m in capital equipment was in the pipeline

Cormack, who resigned his post as personnel director of Tiger Oats' baking division to manage Zenzeleni, said profits from the project would be used to start similar ones at Ladysmith and East London Wages rates would be based on industrial council minima in the Durban area negotiated by Actwusa

Pals bolsters income by 43%

CAPE TIMES 18/2/89

Financial Staff

PALS — the locally based menswear manufacturer has boosted attributable income by 43% to R546 000 (R381 000) for the six months ended December 31, 1988

Operating income rose by 21% to R745 000, while turnover increased by 49%

An interim dividend of 1,4c has been declared.

Chairman Selwyn Kagan says the extended production facilities and increasing foothold in the lucrative Transvaal market coupled with an aggressive market strategy were the main reasons for the group's highly satisfactory performance

Joint MD Harold Noik says the company is not excessively geared which is favourable in the light of the higher interest rates

Noik adds that the recently acquired Huguenot Clothing plant has been upgraded and production capacity increased by 20%

W/C Argus 18/2/89

184

Case of a wrong choice of words

ACTIONS speak louder than words, but sometimes a wrong choice of words can lead you down a thorny path

LABOUR AFFAIRS

DICK USHER

Take the Cut, Make and Trim (CMT) Manufacturers' Association

Association members employ about 4 500 workers out of about 15 000 involved in this branch of the clothing industry, but last year they lodged an objection to the new industrial council agreement which managed to blow up a storm with the Garment and Allied Workers' Union (Gawu)

One of Gawu's proposals to which the CMT people objected was for maternity and paternity benefits which, it said to the union, could lead to greater promiscuity among employees

Gawu took this up in their weekly journal *Clothes Line*, along with several other points

"Many of the arguments used by the CMT bosses are an insult to the dignity of workers," said *Clothes Line*

"For example, the CMT Association says they cannot accept the new maternity benefits.

"These bosses are saying that maternity benefits will encourage women workers to sleep around

"Gawu outrightly reject such claims We believe that maternity benefits are a right for all women workers"

Sleeping around

In the latest issue of *The CMT Bulletin*, an "open letter to Gawu" says "If our objection was interpreted by Gawu to mean that we accuse women of sleeping around, we immediately withdraw that statement and apologise for it.

"Any suggestion of that nature would go against the dignity of the workers

"We are, like the rest of South Africa, concerned that our economic growth is not keeping pace with our population explosion

"Again we would like to play a meaningful part with Gawu in an attempt to contribute to the solution"

Chairman of the association Roy Dalle Vedove said the letter was a response to "propaganda" in *Clothes Line*

Maternity benefits

He agreed that "promiscuity" had not been a fortunate word to use, but said it had been taken out of context in their overall position on maternity benefits

"We supported maternity benefits, but for women who are married or in a stable relationship," he said

"It is a fact of our industry that at any given time about 10 percent of our female employees are pregnant, and we have a high rate of unmarried mothers

"We are worried about the possible effects that maternity benefits might have, not in the sense that it could encourage promiscuity, but that the birth rate needs to be reduced," said Mr Dalle Vedove

He said that in Germany, for example, which faced a declining population growth rate, maternity and paternity benefits had been introduced as an incentive to having children

Smokescreen

But Mr Dalle Vedove said the maternity benefits issue was being used to "smokescreen" the main issue — what was going to happen to the economy

"Wages have to be tailored to the parameters of the economy," he said

Here he was referring to Gawu's claims that the CMT employers "do not want to give workers a decent wage increase"

The open letter declared support for Gawu's living wage campaign "as it it to the benefit of our country's economy as a whole. We have never declared our opposition to it"

711

Swimline Holdings income rises 20,5%

B/Day 20/2/84

184

SYLVIA DU PLESSIS

SWIMLINE Holdings' interim results for the six months to December showed a 20,5% increase in income to R1,6m from R1,35m at the same time the previous year.

The group — which manufactures and markets swimming pool accessories and plastic injection moulded products — showed a 19,1% increase in earnings a share to 8,1c (6,8c).

SWIMLINE

Although turnover increased to R14,5m (R11,0m) operating margins declined slightly to 11,9% (12,6%).

Director Richard Rennison predicted the group's turnover would top R30m in the current year. Although it's SA operations would start paying tax of around R100 000 in August, earnings growth should be around 40% in the current year.

Chairman John Puttergill said, in the period under review, the group had difficulty in establishing sound market niches in both its bathroom fittings and video cassette ranges, manufactured by Aqualine, the group's recent acquisition.

"We can anticipate that it will take another year before we can look to any significant earnings from our Eyeline range of video cassettes," Puttergill said.

"This is due in part to the imposition of the recent surcharge on the imported content of the cassettes and the ad volorem sales tax that virtually removes any advantage of local manufacture."

This problem was being addressed and was likely to be resolved soon, he said.

Indications of a slowing down of consumer spending over the past two months were cause for some concern.

Clothing sector shares come out of the closet

B/Day 2/3/89 186

CHARLOTTE MATHEWS

DEALING in clothing industry shares had been low over the last few years because of a misconception that the industry was cyclical and a doubtful investment, Delswa chairman Sam Jaff said yesterday

"Most of these shares have a net asset value above the figure at which the share is being offered and the yields of up to 30% are higher than those reflected in other sectors," he said

Net asset value (NAV) of Delswa shares is 1 666c against yesterday's selling price of 1 600c.

Jaff said "I think the clothing industry has changed It has become very much stronger in terms of capital investment requirements and there is rapidly growing consumer demand

"In a sense all industries are in the fashion business I think the clothing industry is a safe investment at present-day yields"

Aaron Searll, chairman of the Seardel group, which includes Sharp Electronics, Prima Toys and industrial textiles as well as clothing manufacture, agreed

"The clothing industry sector has not really recovered since the October 1987 crash but I think it will come back into fashion.

"This particular sector does offer good value in terms of earnings and dividend yields"

Frame group chairman Mervyn King said he could only speak for the textile industry but felt that the shares were undervalued

He believed the textile industry was a sunrise industry with a big future in selling to southern African states

The NAV of Seardel shares is 432c against yesterday's selling price of 370c and Frame shares have a NAV of 3 173c compared to a market price of 1 225c

Investment advisers, however, remained unconvinced

Earnings

Metboard senior portfolio manager Kevin Cockroft said clothing was a cyclical industry, sensitive to consumer expenditure, and over the years had tended to respond to changes in the economy

"The net asset value is not as important as the historical earnings yield Clothing shares tend to be held by families and employees, and are difficult to acquire and it is technically hard to gauge the long-term share performance"

Max Pollak Investment Analyst Martine Hickman said he would recommend clothing shares selectively

"I would be happier with the textile sector Consumers tend to cut back on clothing purchases in an economic downturn and a lot of the smaller companies are highly geared and very vulnerable" paid (from R411 000 to 384 000) and a decrease in the tax bill from R378 000 to R142 000.

Rex stays true to form with rise in interim profit

n/Day 3/2/89 184

REX Trueform Clothing's operating income increased to R9,0m (R6,4m) for the six months to December.

Net attributable income accordingly moved up to R8,0m from R5,4m for the corresponding period in the previous year.

This is equivalent to earnings a share of 195,2c (133,1c).

Production capacity is booked for the remainder of the financial year, and provided the economy maintains at least a moderate rate of growth, the directors expect earnings for the second six months of the 1989 financial year to exceed those acquired for the corresponding period of 1988.

Quality profits from Rex True

C/Times 3/3/89 (184)

By AUDREY D'ANGELO
Financial Editor

THERE is no sign yet of any fall in demand for top quality clothing, says Stewart Shub, executive chairman of Rex Trueform Clothing Co (Rex True), which has lifted earnings for the six months to December to 195,2c (133,1c) a share

His group's production capacity is fully booked until the end of the year and Shub says retailers are still reporting buoyant sales

The group's exports are "holding up nicely" with new markets opening up And in this country, says Shub, "our retail friends report that at least half our clothes are being sold to the so-called black market

"Increasingly, more of our clothing is finding its way into that very important market"

Rex True does not disclose its turnover or the proportion coming from exports But the directors say it was 14% higher than in the first half of the last financial year and Shub said."Our exports are nicely up on this time last year They are more than satisfactory."

Stewart Shub

Operating income for the six months rose to R9m (R6,4m) Net income was R8,6m (R6m)

The interest bill rose to R413 000 (R408 000). No tax was payable because of an assessed loss brought forward from previous years

Capital expenditure rose to R1,4m (R574 000) The directors say capital commitments total R569 000 which will be financed from the group's own resources

Shub said the group was currently making clothes for next winter and retailers were placing forward orders "with more confidence than one would have expected"

He was confident that there would continue to be at least a modest growth in demand for the group's products for the remainder of the financial year to June 30

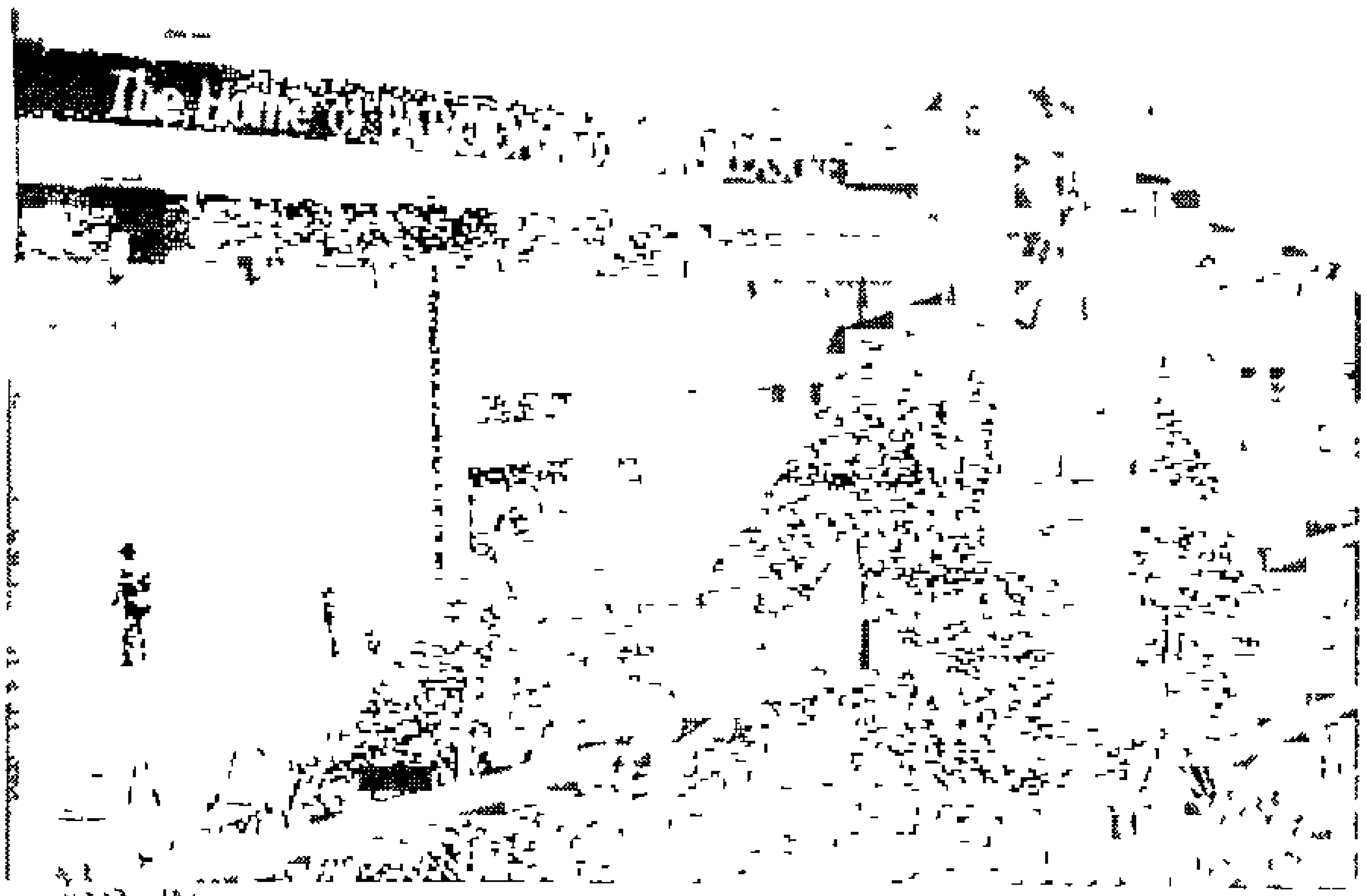
He was positive about prospects in the long term, both in the export and domestic markets

The group was soundly based in the European and British markets where its experience and the high quality of its clothing put it in a strong position The lifting of all tariff barriers between European Economic Community countries "could only be a positive move", he said

SA's largest clothing factory opens in Cape

W/C Argus 4/3/89 (184

By TREVOR WALKER
Business Staff



FASHION FACTORY: Mr Roger Howes, managing director of Its a Pleasure International in front of the new fashion clothing factory in Epping.

THE country's largest single fashion clothing factory under one roof, Its a Pleasure International in Epping was opened by the mayor, Mr Peter Muller yesterday

Its a Pleasure employs more that 3 000 people around the country and the various ranges of fashion clothing are sold via appointed agents

Owner and managing director, Mr Roger Howes said the company carried eight weeks stock worth some R10-million at Epping and about 5 000 individual orders were handled each week

Tight control

The factory produced about 20 000 garments a week covering a range of 2 400 items

"Because we control our distribution and manufacturing operation from under one roof, we are in a position to keep very tight control over the whole design, manufacture, distribution and sales flow of our products"

Its a Pleasure has a turnover of over R1-million a week and well over 100 000 regular customers on its books

Mr Howes said the skilled workforce was a major factor in the factory's ability to meet tight design and manufacture deadlines and Its a Pleasure was a good example of the depth of skills in the clothing trade available in the Western Cape

AF & OVER SHOWS INTERIM PROFIT HIKE

CHARLOTTE MATHEWS

ARICAN and Overseas Enterprises (Af & Over) achieved a 41% increase in operating profit to R9,5m (R6,7m) for the six months ended December, well above the 15% rise in turnover.

The directors say a sustained demand for its products, improvement in the quality of turnover, successful asset management and continued tight control of expenses were responsible for the group's higher profitability.

Af & Over is a financial and holding company with its main interests in clothing concerns.

Earnings a share climbed 48% to 180,8c (122,3c), aided by a lower tax rate as Rex Trueform still has assessed losses. The bottom line also benefited as interest paid as a percentage of operating income declined to 4% from 6% last year.

The group maintains very low gearing at 9% (11%).

Rex Trueform reports full production capacity and predicts increased earnings in the second half of the year.

Gubb & Inggs earnings show a 5% decline

CHARLOTTE MATHEWS

GUBB & Inggs posted attributable earnings of R3,4m for the six months ended December — 5% lower than the R3,5m shown for the same period in 1987 — owing to adverse market conditions and bigger interest payments

The company, which buys, processes and markets wool and mohair, showed a 66% rise in pre-tax income to R12,5m (R7,5m) against a 4,4% fall in earnings a share to 165,9c No turnover figures were provided

Nevertheless, the company will pay an interim dividend of 15c a share, identical to last year's

The results have been hit by a 139% rise in interest payments to R8m (R3,4m) because the higher price of wool demands additional funding and the company is paying for a modernisation and expansion programme

Other factors dragging down profitability were the loss of income from investments compared with last year's R45 000, and the rise in preference dividend payments to R988 000 (R544 000) after an additional issue in the last financial year

Chairman Rudi Stucken said yesterday the absence of income from investments was the result of a time difference since the December rates had not yet been finalised These would appear in the current results

Asked what he expected from the current six months, he said "Peace and quiet All things being equal — normal demand for wool, good trading conditions and stable prices — we have the facilities to show improved results for the remainder of the year"

BDay 8/3/89

BDay 9/3/89

Bergers notches up another record year

(186)

LIZ ROUSE

BERGERS Group, the retail clothing chain, has notched up another record year with 1988 earnings up 58,9% to 20,5c (12,9c) a share and the annual dividend raised 52% to 9,50c (6,25c)

Turnover rose 39,6% to R62,8m (nearly R45m in 1987) with operating profits up 56,2% to R6,5m (R4,2m)

Attributable income was 58,7% higher at R4,1m (R2,6m) in the year to December

The impressive results were achieved through the group's expansion programme and revamping of existing stores, plus more buoyant demand

The total number of stores now stands at 179 and at least 25 new stores will be opened this year

Bergers chairman Howard Mauerberger says 1988 was another outstanding trading year, enabling the group to show consistent growth and to reward shareholders for their confidence since listing in April 1987

The group continued with its expansion programme and revamping and relocation of existing stores to improved trading sites

The new-look stores, and enhanced merchandise presentation, are working well for the chain and have helped increase market share

Bergers is continuing with its expansion and revamping programme this year Relocations to better sites will be done as opportunities arise

Mauerberger says the chain focuses its business at the B and C income groups, concentrating on the smaller towns and rural areas in SA and its surrounding states.

The policy has worked well for Bergers.

The group is able to fund the expansion out of its own resources

Mauerberger says the infrastructure is geared to support the growing chain following investments in personnel, computers, merchandise distribution and administrative systems

The shares at 140c are trading near their year's high of 145c

Historic earnings yield is 14,6%, dividend yield 6,8% and the stock is trading on a PE ratio of 6,8

Steady growth for Strebel as earnings rise 22%

(184) B Day 13/3/89

CHARLOTTE MATHEWS

STREBEL continues to show steady growth with a 22% rise in attributable earnings to R3m for the six months ended December and the declaration of an interim dividend of 4c a share

Strebel, listed in 1987, manufactures trimmings, fasteners and accessories for the clothing, footwear and luggage industries

Strebel has factories in Cape Town, Johannesburg and Durban

The 33% increase in turnover was eroded by a fall in interest receivable, a rise in interest paid and a small rise in the tax rate to 33% from 30%

As a result earnings a share rose only 22% to 20,2c against 16,5c for the same period in 1987.

During the period Strebel acquired the Embroitex group for R2,5m in cash and this has already begun to contribute to the company's profits

Part of the haberdashery division moved to Pietersburg and General Dyers expanded to include a knitting plant

The company is also investing R2,5m in new technology, but in spite of the expansion, gearing has improved to 6% from 20% in 1987

MD Fred Strebel says prospects for the second six months are encouraging in spite of the uncertain outlook of the economy

"Given the variety of essential commodities produced by the group, the directors are confident of continued growth," he says

COMPANIES

Arwa meets Tollgate's earnings target

BDay 14/3/89

184

CHARLOTTE MATHEWS

ARWA's first consolidated year-end results since its acquisition by Tollgate in January show a 44% rise in attributable earnings to December, compared with the same period in 1987.

Earnings a share before extraordinary items are 36,6c (28,5c) and a dividend of 8,3c (7c) a share, covered four times, has been declared.

After extraordinary items, earnings a share are 38,3c.

According to the published agreement between Tollgate and Arwa in November last year, Tollgate's purchase of 58,5% of Arwa's share capital was dependent on Arwa showing earnings of not less than 38c a share after tax and extraordinary items.

Turnover was four times higher than last year's figure as a result of the acquisition of Venus Knitting, Westex and Cravateur during this period.

With effect from January 1989, the results of the R11m acquisition of Berkshire will be felt by the group.

Interest payments tripled to R3m (R960 000) due to the financing of these acquisitions — also funded by a share issue — and higher interest charges.

The inclusion of an extraordinary item of R330 000, derived from "leasehold improvements" of R450 000 less redundancy payments from the relocation of the hosiery operation, helped Arwa to achieve its forecast share earnings.

The directors expect Arwa to "continue to show positive growth" in the current year in spite of less buoyant trading conditions.

COMPANIES Argus 14/3/89 (184)

Buoyant Arwa gets Cravateur

By TOM HOOD, Business Editor

CRAVATEUR, the Cape-based tie manufacturer, has been taken over by Arwa Group, which joined the Tollgate stable in mid-year

The purchase price is not disclosed but the deal is will be settled by the issue of shares

This is disclosed today in Arwa's preliminary report for 1988, which reports an earnings increase of 28 percent to 36,6c (28,5c) a share

A number of takeovers and a big increase in share capital make comparisons difficult

Borrowings, for example, were stepped up to R9-million from R2,7-million to finance the acquisitions of Arwa Fabrics, Venus Knitting Mills, Arwa Leisurewear (formerly Westex) and Arwa Ties

Since the year-end Arwa also acquired the hosiery business of Berkshire International

Turnover jumped almost fourfold to R97-million and pretax profit rose 80 percent to R10,8-million

The interest bill topped R3-million compared with R960 000 previously, partly as a result of higher rates

Earnings attributable to shareholders amounted to R6,9-million, up 44 percent on the year-ago R3,9-million The dividend payout is being raised by 19 percent to 8,3c (7c) a share

The directors say the company will continue to show positive growth this year although current trading conditions are less buoyant

Abhold becomes owner of Big Time Stores

B/Day 20/3/89

CHARLOTTE MATHEWS

CLOTHING and knitwear manufacturer Abhold has acquired ownership of Big Time Stores, the rural-based food, clothing and footwear retailers, with effect from March 1

There are 47 Big Time Stores situated in the northern and eastern Transvaal which aim at the black lower-to-middle class income group

In terms of the agreement Abhold has acquired the total issued share capital of Big Time Trading Company (Pty) Ltd, Big Time Trading Company Venda (Pty) Ltd, and Broadway Trading Company (Pty) Ltd

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Issue

Abhold has also acquired 85% of the issued share capital of Alex Kekana (Pty) Ltd

The purchase consideration is to be settled by the issue of 2-million Abhold shares to the vendors.

"We have traded with Big Time over a long period," said Abhold Chairman Joe Aboo

"There is a natural fit between the two businesses

"The acquisition will further consolidate our interests in the clothing industry while simultaneously offering Big Time further opportunities for expansion as part of a large group."

22-29/3/89. (184)

Joining the Cosatu "family"

THE Garment and Allied Workers Union took their discussion on joining the Congress of South African Trade Unions to their members in great style

And in the end, 5 000 workers at a series of colourful and emotional meetings gave a resounding "yes" to the trade union federation.

The meetings, held over the past fortnight at several venues all over the Western Cape, were attended by workers from Gawu locals in Atlantis, Athlone, Maitland, Epping, Cape Flats, Southern Suburbs, Northern Suburbs, Elsies River, Salt River, Woodstock and Cape Town

Yellow, red and black predominated as worker delegations marched into the meetings singing freedom songs with banners held high

"Viva Cosatu", "Forward to one union, one industry, one federation", "Worker unity now!" and "Viva worker control" the factory banners read.

These set the tone for speaker after speaker to take the floor to support joining Cosatu amid an air of growing excitement

Workers said the victories of the past year had made them proud of their union

"Garment workers have found their voice," a speaker said amid a roar of approval at the Athlone meeting.

"Now the time has come for us in Gawu to join Cosatu We want to stand together with other workers For too long we have been divided by the bosses and the government."

"We were supported in the Rex Trueform strike by other workers Under the umbrella of Cosatu, we will have the support of over a million workers," said a speaker from the Salt River local

"If we stand together as workers, we have the power to fight for a better future where we won't suffer from poor housing, unreliable transport and inferior schools and where bosses can't exploit us," said an Epping worker, prompting workers to burst into singing, "There shall be houses, security and comfort".

It was obvious that workers had all discussed joining Cosatu at their factories, said South African Municipal Workers Union general secretary John Ernstzen, guest speaker at the meetings

"The government and the bosses want you to be afraid of Cosatu but Cosatu is not a devil with horns," Ernstzen said.

"Cosatu is the federation to which your brothers and sisters, mothers and fathers belong. Now we are welcoming you into the Cosatu family."

The proposal to affiliate to Cosatu met with enthusiasm as workers leapt to their feet to show their support.

Gawu members during the meeting at the Athlone Civic Centre

PIC BENNIE GOOL

CLOTHING & TEXTILES (184) FMAIL

W(e)ar of words

24/3/89

The clothing and textile industries are engaged in last-minute lobbying ahead of the Board of Trade & Industry's (BTI) report

(184) FMAIL 24/3/89

on the clothing pipeline, due out early next month

Each industry is trying to portray itself as a worthy candidate for special export incentives under the new dispensation

The clothing industry has never enjoyed high export volumes No more than 5% of SA's clothing production is exported The most visible exporters, until now, have included such upmarket companies as Rex Trueform But there are plenty of others who claim they want to emulate those companies' example

However, A M Moolla chairman Sadek Vahed says. "We haven't done any exporting and we won't be able to until the status of clothing exports has been clarified by the BTI."

Even so, Marketing & Planning Consulting Services' Joop de Voest says many clothing companies have seen exports as a short-term measure. They have gone abroad on export missions and have come back with cold feet

"Exporting isn't just a case of arriving in a foreign country with a basket of surplus goods. It is based on a relationship with retailers overseas that can take five to 10 years to build up"

The textile industry, on the other hand, has more established export markets and is making a determined effort to shake off its reputation for inefficiency and high prices.

The Textile Federation claims that while most foreign textile exporters are assisted by official measures, "SA textile exporters have succeeded through sophisticated and concentrated marketing, highly focused on selected market sectors and targets based on service, innovation and quality."

The industry exported fractionally over R150m in textiles last year, of which R111m was yarns, R12,2m apparel fabrics, R20,2m woven and knitted non-apparel fabrics and R6,7m household textiles.

Textile manufacturers are the latest group to climb on the local content bandwagon There is strong speculation that the BTI will offer particularly high incentives to clothing producers who make use of local textiles — rather than add value to imported materials

Says Textile Federation executive director Stanley Shlagman "Indirect exports, being made up of local fabrics supplied to clothing companies for the export of their products, have not been a major item in the past, but may be more so in the future"

However, it is unlikely there will be a dramatic increase in clothing with a high local content as long as input costs are higher than world prices

Says National Clothing Federation president Terence Kinnear "Each industry has a responsibility to fight increases in its own input costs." ■

W/E News 25/3/89

Union merger steams ahead

MOVES to form one national union in the clothing and textile industries are moving along at a brisk pace

In Cape Town last weekend the first high-level substantive talks took place between Garment and Allied Workers' Union (Gawu) and Cosatu affiliate Amalgamated Clothing and Textile Workers' Union (Actwusa) after a series of exploratory discussions which started last year.

LABOUR AFFAIRS
DICK USHER

A target date of July 1 has been set for the amalgamation and sources from both unions have described the atmosphere as the most promising it has been since the two unions were formed from a series of mergers in 1987.

There are also hopes of including leatherworkers in the national union.

The two unions in that sector, National Union of Leatherworkers and Transvaal Leather and Allied Trades Industrial Union are close to merging into one national union, but they have not yet made a firm decision either way on joining the Actwusa/Gawu talks.

Since it was formed from a merger between Garment Workers' Union (Western Province) and the Natal-based Garment Workers' Industrial Union, Gawu has been keen to affiliate to Cosatu.

But Cosatu policy is that unions seeking affiliation have to merge with the existing affiliate in their sector. Here Gawu was blocked by tensions between itself and Actwusa hanging over from the days when the Garment Workers' Union was a leading member of Tucsa (Trade Union Council of South Africa) and viewed by the more militant progressive unions as little more than a "benefit society".

Smooth over

But changes in style, content and leadership of Gawu helped smooth these over and open the way to the present merger talks

Over the past two years Gawu has taken a far stronger position on worker issues than previously Last year saw the first strikes in the industry for many years and members took part in the June 16 stayaway.

All Gawu locals have given a mandate for affiliation to Cosatu and the national executive committee has set up a national merger committee. This committee will implement the Gawu merger programme and work towards forming one union in the garment, textile and leather industries.

Other tasks are to·

- Set dates for meetings between the unions' national executive structures,
- Arrange joint seminars of the leadership of the unions;
- Set up a committee to draft a constitution for a new national union, and
- Investigate an agreement on matters such as finance and assets of the unions, a structure, staffing and other organisational matters.

All these will be taken to a special national congress of Gawu on April 15-16 where the merger committee will put forward its proposals on a merger with Actwusa. A merged union involving Gawu and Actwusa would have about 200 000 members, roughly comparable with the National Union of Metalworkers among Cosatu affiliates.

Amshoe abandons plan to buy Coastal Clothing

B/Day 28/3/84 (184)

SYLVIA DU PLESSIS

AMALGAMATED shoes — Amshoe — has abandoned its plans to buy a 76% controlling interest in Natal-based Coastal Clothing Manufacturers.

The company announced this today and said a general meeting scheduled to consider the proposal had been called off.

The announcement is the latest in the ongoing dispute between Coastal and Amshoe and follows the decision by Lenco Holdings — Amshoe's major shareholder — to block the acquisition

Lenco's holding in Amshoe increased after the footwear manufacturer, then called Jaguar, acquired Budget Footwear in December last year for R30,5m

The resolution to approve the deal was to have been proposed at Amshoe's general meeting, originally scheduled for last month and to have been convened in terms of the Coastal acquisition agreement.

The dispute centres around the general meeting — one of the conditions of the Coastal purchase contract signed last year — and whether Amshoe MD and major shareholder Roy Eckstein is bound by a clause in the acquisition contract to vote in favour of the purchase

Eckstein originally undertook to vote in favour of any resolution to approve the Coastal transaction, according to Amshoe's announcement published today

In terms of the Budget Footwear transaction, Lenco passed conditional voting control of its Amshoe holdings in favour of Eckstein

However, Lenco's support of Eckstein's voting rights will not be extended in his favour in respect of the Coastal transaction, Amshoe said

Decided

"Therefore, the resolution will be defeated and the Coastal acquisition agreement will not be implemented," Amshoe said in a statement

"Accordingly, the board of directors of Amshoe has decided that the convening of the general meeting of Amshoe be dispensed with"

Coastal MD Bernard Cohen confirmed last night that his company would be proceeding with legal action against Eckstein and Amshoe for not fulfilling the terms of the transaction agreement and was planning to issue a summons on them

He said he had no prior knowledge of Amshoe's latest statement

He doubted whether it had any legal bearing, since neither Lenco nor Budget had any *locus standi* in the matter

One condition of the purchase contract — signed on July 1 last year — was that a meeting of shareholders be convened

A second condition was the JSE's approval of the transaction

According to Cohen, neither party had fulfilled these obligations, in spite of having been informed by Coastal in December that they had 14 days to remedy the breaches.

"We want Eckstein and Amshoe to perform their obligations Lenco and Budget were not parties to the transaction, so they can't call the shots, but Eckstein has allowed them to put a clamp on the deal," he said

"We will definitely take action when we see fit. We believe in the sanctity of contract and the parties concerned should act with decorum."

Eckstein and Amshoe had not at any stage repudiated the agreement, he added

When contacted yesterday, Eckstein said Amshoe would probably contest the legal proceedings, but declined to comment further

Exports, weak rand boost Meritex profit

Cape Times 29/3/89

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By AUDREY D'ANGELO
Financial Editor

EXPORTS and the weak rand helped Cape-based clothing and textile group Meritex to lift after-tax profit for the year to January 31, by 45% on a 22% rise in turnover.

Chairman and MD Ed Gordon said export turnover had "increased by an excellent 62%" during the year, causing a substantial reduction in tax liability

But he emphasized that exports were still below 7% of total group turnover — and would be kept below 8% until the government confirmed long-term export support for the garment sector

This was group policy "in order to avoid throughput disruptions from any reduction of export incentives"

Meritex achieved income of R5,8m (R5,3m) before tax and interest The interest bill dropped to R226 000 (R572 000) and the tax bill to R1,2m (R1,8m) leaving after-tax income of R4,3m (R2,8m)

Attributable income rose to R4m (R2,8m) and earnings were 37% higher at 26c (19c) a share The dividend was 7c (6c) a share, covered 3,7 times (3,2 times) by earnings The net asset value has risen to 87c (68c) a share

The directors say they concentrated on refocusing the group's activities in the past year

The restructuring included the sale of the Meritex outerwear division assets to a new company, New Colours Clothing, which is a joint venture between Meritex and the Polo men's fashion group

Capital expenditure was greatly increased for the second year running, to expand group garment and fabric manufacturing capacity and the textile printing operation

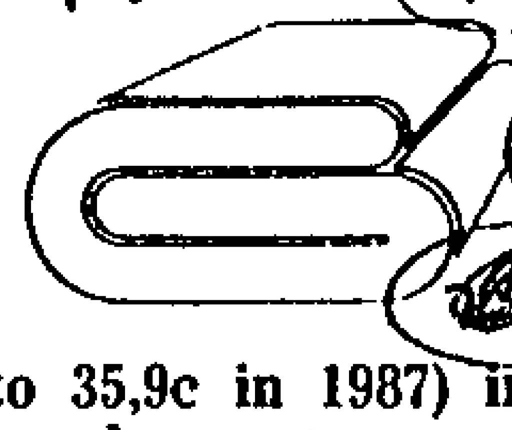
"This programme includes a vertical T-shirt manufacturing capacity in Parow at a capital cost of more than R3m"

Gordon said the outlook for the group remained favourable, in spite of predictions that the economy would slow down, because the order book for the remainder of the current year looked "extremely good"

However, he warned, there was a danger that higher interest rates, labour difficulties, overseas sanctions and trade boycotts could have an adverse effect on operating profits

Glodina wraps up a 41% increase in profit

BDay 31/3/89



184

CHARLOTTE MATHEWS

RECENTLY listed Glodina Holdings posted earnings of 40c a share for the year to December (compared to 35,9c in 1987) in spite of achieving lower turnover than expected for the second half of the year.

Turnover rose 23% to R63m (R51m). Attributable profit rose 41% to R7,5m (R5,3m), aided by a mere 19% increase in interest payments to R1,7m (R1,5m) and a 2% tax rate compared to 1987's 38% tax rate.

A final dividend of 10c a share was declared bringing the total dividend for the year to 16c against an annualised dividend of 14,4c for 1987.

The company, first listed in October 1987, manufactures towelling products, kitchen linen and warp-knitted fabrics.

During the year the company embarked on an extensive capex programme. Machinery of R3m was installed at the Hammarsdale factory and the older machines were moved to the Qwa-Qwa factory.

Directors say the benefits of this investment will be felt in 1990.

Star 21/4/89 (184)

Delswa wearing well

Sharespot

LYNNE PEACH

Delswa was founded in 1947 by the current executive chairman, Samuel Jaff, and listed about a year later His family have remained at the helm and today only three, out of a total of eight directors, are not Jaff family members.

The directors and their families have a significant 19,6 percent interest in the group. An even greater percentage of the equity, however, is in the hands of Jade (Jaff-Delswa), namely 46,4 percent Consequently, other shareholders are left with 34 percent of the equity, or 236 627 shares, which has made Delswa shares very difficult to accquire.

Delswa, at R16,25, is trading on a price-earnings ratio of 3,8 which will reduce to less than three, if expected earnings of 550c materialise for the year to April 1989. It is also relatively cheap compared with Jade, which is trading at 340c. (Jade's share price should be about 20,3 percent of Delswa's price, or around 330c)

Delswa is a holding company and conducts its business through subsidiary companies. The group is involved in the manufacture and sale of women's and childrens' outerwear and sportswear to selected retailers.

Garments are marketed under various trade names, including Delswa, Good Companions, Jade, and Marchesa MD Stephen Jaff says that this division is the most important contributor to group results.

Delswa is also engaged in the knitting and sale of womens' and girls' knitwear under the trade names Delton and Hickory, the manufacture and marketing of schoolwear for girls under the trade name School Maid by Markstan, and the manufacturing and marketing of boys' wear under the trade name Tomorrows Set by Youngset.

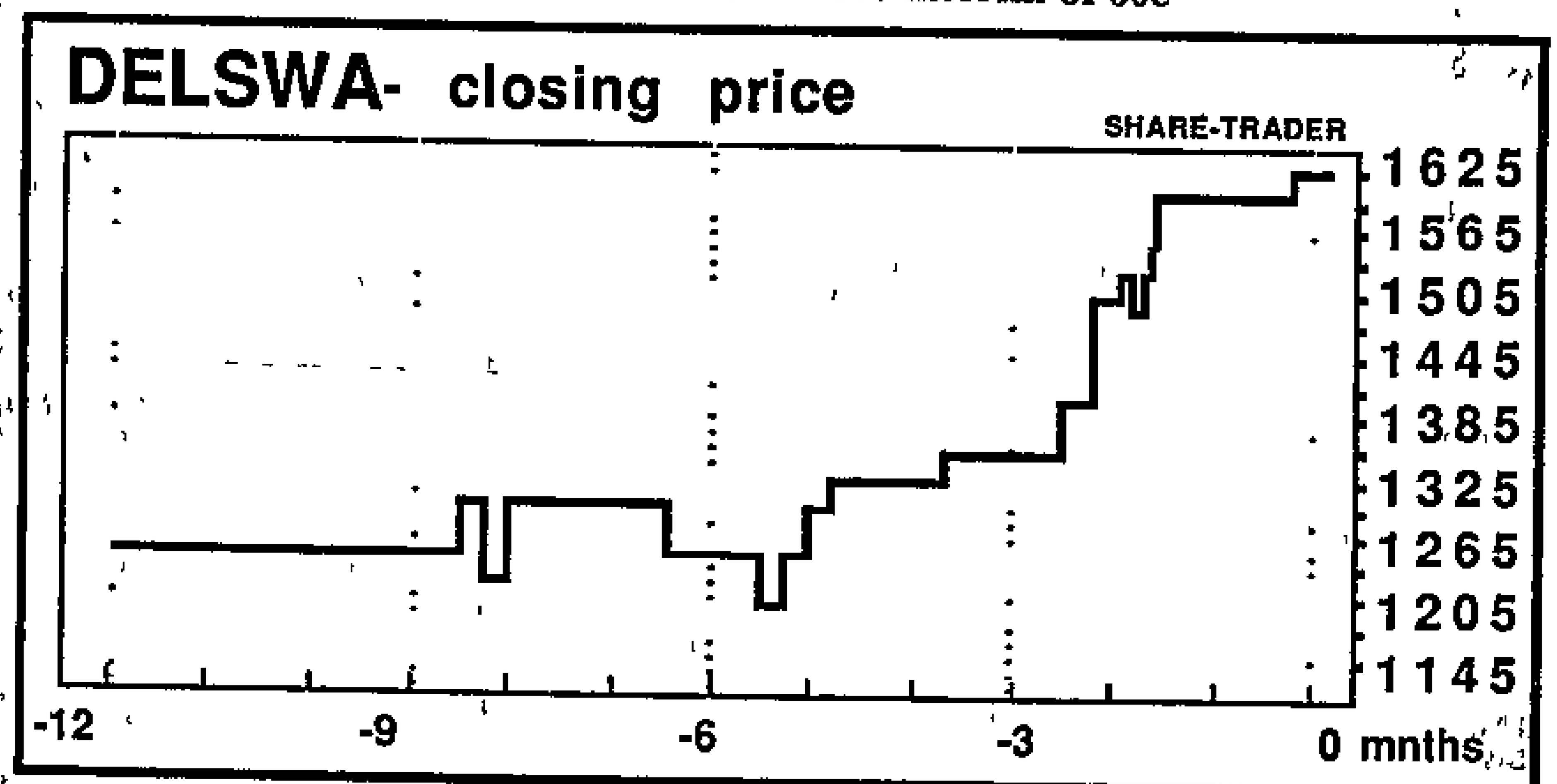
All-in-all there are seven factories located in Kimberley, Kroonstad, Johannesburg and Botshabelo. Most of these properties are owned by the group As far as potential labour disruptions are concerned, Mr Jaff says that one year agreements have been concluded with the relevant trade unions

In the past few years Delswa invested R536 000, by way of a loan, in the establishment of a foreign trading company In financial 1988 the full amount of the investment was written off because the company had not been successful.

Although it was mentioned in the annual report that the company could still prove viable, Mr Jaff says that so far the situation has not changed.

The industry in general is having to face the threat of sanctions and continuing depreciation of the rand. Mr Jaff says that while there are still foreign suppliers willing to provide materials and equipment, a major problem is the high cost of imports Not only is the rand losing strength but import permits are difficult to obtain and import duties are prohibitively high.

In the six months to October 1988, Delswa increased its earnings by 57 percent to 192c The interim dividend was 35c, compared with the financial 1987 interim of 30c



Because of the relatively low trade in Delswa, its share price does not change as frequently as with most other shares Shareholders, however, should continue to benefit as the charts confirm that the share has recently started a bull trend,

Investors remain sceptical in spite of fine interim showing by Frame group

ANALYSIS:
STEPHEN RICHTER

THE FRAME group's strong performance for the six months to December initially appeared to be a pleasant surprise for Diagonal Street. But judging by its recent price action on the JSE, investors remain sceptical about the textile group's medium-term prospects.

The market reacted blandly to the interim earnings report which showed Consolidated Frame's (Conframe) earnings up by 40%, with Frame's bottom line rising by a similar percentage.

The day prior to the earnings release, Conframe was trading at 730c, Frame closed at R13 while the industrial index stood at 2 441. Since that time, both counters have slipped back and underperformed the industrial index.

In fact, the accompanying charts clearly show that the listed Frame group shares have failed to keep pace with the performance of the industrial index since the crash. Though industrials are now above their 1987 peaks, Conframe and Frame are substantially below their respective highs of R15 and R27.

Part of the reason for the poor performance appears to be contained in the interim report for July to December 1987 which shows the interim earnings jump occurred from a very low base.

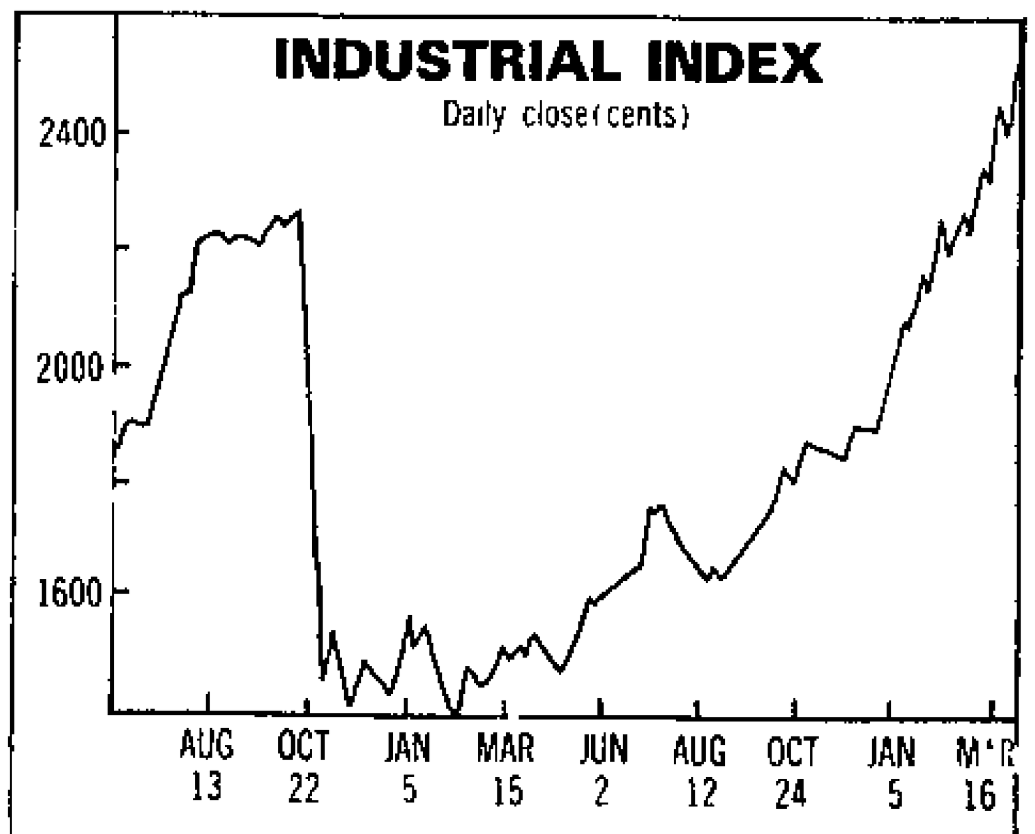
The directors said "Consolidated Cotton Corporation and Consolidated Apparel Manufacturers, together comprising over 75% of group sales, were badly affected by the Natal floods in October, 1987, and the strike action immediately thereafter. These events combined to cause the loss of several weeks' production.

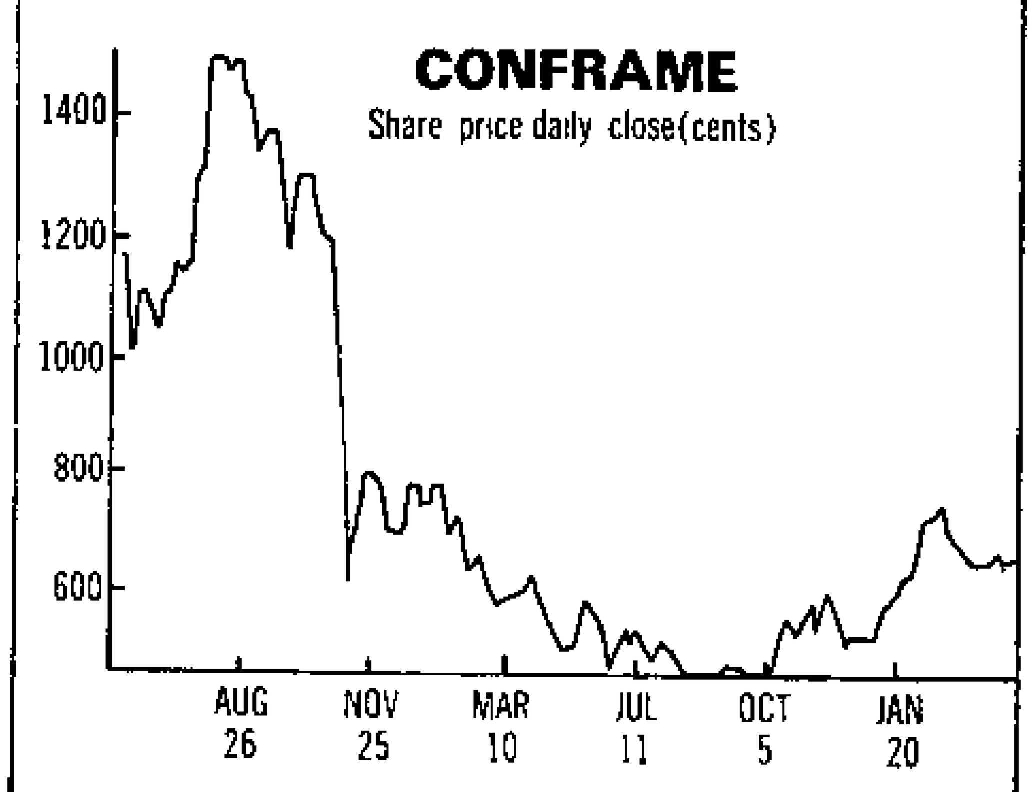
"The knock-on effect of the re-planning and re-scheduling will continue to affect our business until March 1988."

Therefore, while there seems to be some justification to celebrate the interim earnings jump, the real question is whether Frame can continue to generate respectable earnings growth.

Executive chairman Mervyn King says he is happy with the present management team after the reshuffle of the past six months. He says the decision to shrink the central administration staff resulted in an annual savings of R500 000, while the employment of additional staff has improved production efficiencies and product quality.

He also says Consolidated Cotton is now concentrating on quality and efficiency. The improvement in these two areas has been dramatic and is being confirmed by the group's major customers.





Graphic: LEE EMERTON Source: JSE

Frame is also attacking the problem of regaining market share and this has helped boost volumes.

Therefore, on short-term considerations the company seems to be getting its house in order. But looking further down the road, the picture remains unclear.

King admits a long-term strategic plan for the group still has to be finalised. Therefore, he says it could take from three to five years to turn the group around.

While King attempts to lead the group toward recovery, he will have to contend with some formidable obstacles. The problem with low-cost imports continues to plague Frame while its manufacturing facilities are suffering from old age.

One analyst estimates that roughly half of the group's production takes place on machinery which is inefficient. This helps to explain why Frame finds it difficult to compete against imported goods.

Nevertheless, the group has accumulated tremendous wealth over the years and holds an impressive property stake which accounted for 25% of pre-tax profits during financial 1988. Net asset value per Frame and Conframe share is substantially higher than their current JSE levels.

With the properties due for revaluation in mid-1990, this should enhance NAV of both companies. A further positive factor is the absence of any long-term debt.

Therefore, Conframe at 655c and Frame at 1 090c, trade on an earnings yield of slightly less than 10%, while their dividend yields are more than 5%. These counters represent better value than the average industrial share, which is on a similar earnings yield but provides a dividend return of only 3,3%. While no fireworks appear to be in sight for the group, the shares would seem to represent good value for patient long-term investors.

Hansard

Pesticides/herbicides produced/distributed

110 Mr M J ELLIS asked the Minister of Agriculture

(1) What quantities of (a) pesticides and (b) hormonal herbicides were (i) produced and (ii) distributed in South Africa in 1988,

(2) whether information on the production and distribution of pesticides and/or hormonal herbicides is available to *bona fide* researchers, if not, why not, if so, subject to what conditions or provisions?

B262E

The MINISTER OF AGRICULTURE

(1) and (2) The sale of, inter alia, agricultural remedies is prohibited by section 7 of the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947), unless such remedies are registered in terms of the Act Information regarding the registration of all agricultural remedies is regularly published in "Agricultural News"

Agricultural remedies are manufactured and distributed by private concerns Information regarding the quantities that are manufactured and distributed is not available

Sg. W J Beyleveldt. acquittal

129 Mr J VAN ECK asked the Minister of Justice †

(1) Whether, with reference to the reply of the Minister of Law and Order to Question No 5 on 21 February 1989, he has noted that in July or August 1988 a judge stated in the Supreme Court in Kimberley in his judgment in the court case against Sergeant W J Beyleveldt of the South African Police that the accused was acquitted owing to certain deficiencies in existing legislation, if so,

(2) whether he has taken or is contemplating any steps to have these dificiencies investigated, if so, (a) what steps, (b) when and (c) what are these deficiencies,

(3) whether he intends introducing legislation in this regard, if so, when?

B288E

The MINISTER OF JUSTICE

(1) Yes

(2) The matter has already been investigated by the Department during 1987 and it was found that the creation of a statutory offence of "negligent assault" could not be supported

(3) Falls away

Howick: abduction/murder of three pesons

137 Mr P C CRONJÉ asked the Minister of Law and Order †

(1) Whether, since his reply to Question No 5 on 7 June 1988, any further progress has been made in connection with the Police investigation into the alleged abduction and murder of three persons near Howick on or about 6 December 1986, if so, what progress; if not, why not,

(2) whether he will make a statement on the matter?

B332E

The MINISTER OF LAW AND ORDER

(1) and (2)

No Particulars and photographs of a number of persons in respect of whom warrants for arrest were issued, were published in the usual manner and at present they are unabatingly being searched for country-wide

Western Cape: enrolment at high schools

143. Mr K M ANDREW asked the Minister of Education and Development Aid

How many pupils (a) in each standard and (b) in total were enrolled in (i) 1987, (ii) 1988 and (iii) 1989 at each high school falling under the control of his Department in the Western Cape?

B342E

The MINISTER OF EDUCATION AND DEVELOPMENT AID

Name of school	(a) std 6	std 7	std 8	std 9	std 10	(b) TOTAL
Fezeka secondary	234	295	307	188	153	1 177
ID Mkize secondary	224	187	249	175	161	996
Luhlaza secondary	283	261	214	194	155	1 107
Masiyile secondary	590	505	—	—	—	1 095
Lagunya secondary	—	—	—	—	388	388
Langa secondary	388	381	480	305	208	1 762
Crossroads No 3 secondary	334	368	232	75	—	1 009
Sizamile secondary	316	212	279	237	168	1 212
Simon Hebe secondary	112	133	148	73	58	524
(ii)						
Fezeka secondary	346	167	207	130	96	946
Guguletu comprehensive secondary	259	162	226	160	57	864
ID Mkize secondary	114	136	132	108	77	567
Luhlaza secondary	435	238	238	127	87	1 125
Malizo secondary	—	—	498	393	199	1 090
Masiyile secondary	736	563	—	—	—	1 299
Lagunya secondary	—	—	—	—	610	610
Langa secondary	86	102	154	147	77	566
Langa comprehensive secondary	227	93	128	93	63	604
Crossroad No 3 secondary	275	202	259	125	54	915
Sizamile secondary	172	168	136	93	121	690
Simon Hebe secondary	155	146	144	147	79	671

Hansard

(iii) Not available

Figures as on the first Tuesday in March of each year

Sonderwater Prison· death of certain person 183

152 Dr M S BARNARD asked the Minister of Justice

(1) Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, died in Sonderwater Prison on or about 1 September 1988, if so, what is his name,

(2) whether he had received any medical treatment in the 24 hours before his death, if so, (a) why, (b) on whose instructions, (c) who gave the treatment and (d) what treatment was given,

(3) whether an autopsy was held, if so, (a) when, (b) on whose instructions, (c) who conducted the autopsy and (d) what were the findings,

(4) whether any further inquiry has been or is to be conducted as a result of this person's death, if so, (a) by whom, (b) when and (c) on whose instructions?

B352E

The MINISTER OF JUSTICE

(1) Yes
The same as was furnished by the Honourable Member

(2) Yes

(a) For nausea

(b) Registered medical personnel and the District Surgeon

(c) Registered medical personnel

(d) The treatment which was regarded as necessary by the relevant member of the medical personnel and the District Surgeon

(3) Yes

(a) 2 September 1989

(b) All mortalities in South African Prisons are dealt with in terms of Section 86 of the Prisons Act, 1959 (Act No 8 of 1959) and the provisions of the Inquest Act, 1959 (Act No 58 of 1959) The statutory provision in this regard were complied with because the Magistrate Cullinan ordered the autopsy

(c) The District Surgeon of Bronkhorstspruit

(d) After anatomical-, microscopic-, pathological- and special investigagains to realise them. *Brendan Ryan*

AVI/MOOI RIVER (184) 7/4/89.

Textile takeover

Less than a week after Anglovaal Industries (AVI) announced a restructuring that will result in delisting five of its companies, the group has sealed a R78,2m purchase of the assets and liabilities of Mooi River Textiles. The company is controlled by the Dutch-based Koninklijke Nijverdal Ten Cate NV.

The deal will substantially enlarge AVI's textiles operations — which are unlisted — and will take them into new markets in what has recently been recognised as a burgeoning industry. Less than two months ago SA Breweries bought control of the East London-based Da Gama, which it said had been identified as a leader in a new growth sector.

AVI executive director David Royston, who is chairman of AVI's wholly owned

(184) FM ALL 7/4/89

textile subsidiary Avtex Holdings, says there is no overlap between Avtex and Mooi River's activities. Mooi River has a strong presence in the poplin shirting market and a similar presence in the market for household fabrics, Avtex has only a very limited presence in the latter area

"We have taken a long-term view on this deal," he says The group has concluded that demographic trends and the country's large housing backlog will result in rapid growth in demand for household textile fabrics

He points out that the fall of the rand since 1984 has made the industry far less exposed to imports, and that the resulting pickup in confidence among textile groups contributed to higher levels of capital spending and profitability since 1986 He is confident government's awaited report on the industry will provide an acceptable overall strategy.

Apart from new markets, by acquiring Mooi River Avtex has gained access to cotton spinning technology which the group does not have at present Royston says that Mooi River's 1988 year-end accounts will show that the replacement costs of the company's plant and equipment were estimated at R125m and an independent valuer has valued the land and buildings at R24m

Royston says that, while the p.e which Avtex paid for Mooi River on historic profits may appear high to an outsider, the forward p e will be lower Among factors affecting Mooi River's 1988 profits was a management fee of about R1m which will no longer be paid Also, a R13m capex programme completed in December 1987 had not yet reached its potential but was expected to improve throughput and efficiencies

In general it's felt that Mooi River will benefit from higher levels of investment than it has seen, and Avtex intends to maintain an ongoing capex programme. After payment of its latest dividend, Mooi River's borrowings will amount to about R3m

Andrew McNulty

Foschini expects successful year

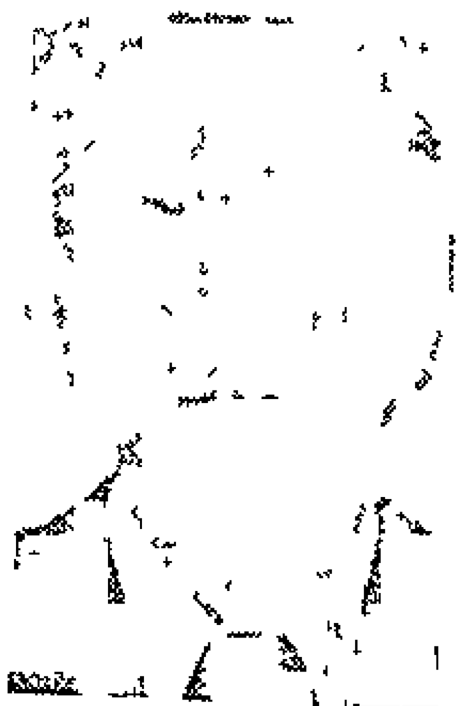
B/Day 12/4/89 189

LIZ ROUSE

FOSCHINI, which achieved record profits last year, should experience another successful year, says chairman Stanley Lewis in his annual review

Trading for the current period is already ahead of target The clothing chain's aim is to increase turnover ahead of inflation, with productivity the hallmark of its achievement

This reflects the group's substantial investment in technology, enabling decisionmaking to be not only timeous but based on a wide screen of relevant and credible data to expose a relatively low level of management information.



LEWIS

Lewis says that, in the current inflationary climate, sourcing merchandise and producing the right quality at the right price is an ever-increasing problem

The 617-store chain produced a turnover of R528,5m in the year to December 1988 and, with pre-tax income up at R93,9m, achieved its best pre-tax margin of 17,8% The return on shareholders' funds was an impressive 64,3% and the debt/equity ratio was a healthy 29,3%

With earnings up 46,7% to 487,8c a share, the dividend total was raised to 206c (141,4c) Foschini shares went ex-dividend yesterday (168,5c final dividend paid) and were quoted at R47 bid

May Day dispute in rag trade

News 14/4/89

Labour Reporter

THE Western Cape garment industry faces a potential crisis over the May 1 holiday

Employer sources said the Garment and Allied Workers' Union had made demands for May Day to be a paid holiday, although it was agreed last year that June 16 would become an extra holiday instead of May 1

The union and employers met urgently yesterday and a union spokesman said a statement might be issued

Employers were said to be unhappy because they viewed the union moves as reneging on the original agreement

According to sources in the industry employers offered either May 1 or June 16 as an extra paid holiday

Members had mandated the union to accept June 16.

ROAD TO UNITY

Phone link to unity

VOTING FOR UNITY. Part of the crowd at the Gawu special congress

Reports in this special supplement by CHIARA CARTER. Pictures by BENNY GOOL

TWO landmark trade union congresses held in Durban and Cape Town last weekend gave the go-ahead for the formation of a giant clothing workers' union.

Both the 75 000 strong Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) and the Garment and Allied Workers' Union (Gawu), which has 112 000 members, unanimously decided to proceed with the merger unconditionally.

The new union, which will be the second largest Cosatu affiliate, will have its inaugural congress early in the second half of this year

July 1 was originally set as the merger date but the Gawu congress requested that this be put back to allow members to discuss the merger at all levels and to give members of both unions, which used to be bitter rivals, a chance for greater interaction

After a telephonic link-up between the two congresses on Sunday morning, Actwusa agreed to the postponement.

Substantial progress was made in merger talks between the two unions earlier this year but two obstacles — policy and structure — remained

Affiliate to Cosatu

The unconditional acceptance of the merger means that these last stumbling blocks to unity have been removed

The Actwusa resolution about merger said "The merger will create a powerful new union, able to defend and advance the economic and social interests of the workers in our industry.

Gawu general secretary Desmond Sampson said the merger would "significantly improve the quality of life of clothing workers and create a powerful new union to defend and advance the economic, social and political quality of workers' lives

"The merger will be a major step towards the goal of one union for the industry and maximum unity of the working class," said Sampson.

The Gawu congress also unanimously resolved to affiliate to the Congress of South African Trade Unions (Cosatu).

Sampson said that this decision was greeted with "great jubilation and enthusiasm" by the delegates.

On Sunday the congress debated the union's future direction.

The congress resolved to campaign for national wage negotiations, to broaden the living wage campaign and to begin a political education programme.

Garment workers to shape their destiny

THE special congress of the Garment and Allied Workers' Union (Gawu) was an historic occasion not only for clothing workers but all workers and South Africa as a whole.

That was the view of several speakers at the open session of the congress, attended by over 500 Gawu shopstewards from around the country.

Advocate Dullah Omar, vice-president of the National Association of Democratic Lawyers, who brought greetings from organisations affiliated to the United Democratic Front, said Gawu members had in the past year "thrown off the slave mentality" and should use their labour power to build unity, organisation and democracy.

Community

Omar called on workers to fight not only in the factory floor but also in the community alongside other organisations of the mass democratic movement.

He said workers were part of the broader community and should take part in that community's battles

Only then could they achieve the redistribution of the wealth of the country

"As workers you are the potential liberators of South Africa. There will be no worker liberation unless workers gain political power," he said

Gawu president Ismail Muckdoom, in his opening address, also called on workers to join forces with organisations from the mass democratic movement to create a broad front and take up the challenge of the Living Wage campaign.

He said delegates should decide upon a strong programme of action to fight exploitation and repression.

In the year since the union was formed from a merger between the Garment Workers' Union (Western Province) and the Garment Workers' Industrial Union, Gawu had won many victories

These included the highest-ever wage increases in the industry and winning May Day as a paid holiday in Natal and June 16 in the Cape

"Almost overnight, we have changed working conditions in the industry," Muckdoom said

These victories were a result of the union's commitment to the struggle for a better future and the ideal of working class unity.

But the state had met workers' demands with widespread repression. Wage gains were undermined by inflation and taxation while basic needs such as pensions, health care, inexpensive transport and affordable houses were not met.

Destiny

Cosatu assistant general secretary Sydney Mafumadi said the proposed merger and affiliation to Cosatu was a move towards worker unity.

It was this principle of unity which had triumphed in 1985 when unions had put aside their differences to form Cosatu.

"Only in united action can we shape our destiny," he said

This was very important because South Africa faced an economic crisis with resources being wasted on maintaining apartheid

The result of this economic mismanagement was widespread unemployment, a steep rise in the cost of living and "abject poverty in a land of plenty".

Mafumadi said the state was afraid of worker unity.

This was evident in the government resorting to the Labour Relations Amendment Act (LRAA), attacks on trade unions and other organisations and progressive individuals.

Gawu's affiliation to Cosatu could contribute in building "unity of the oppressed" because most of its members were classified "coloured" and Indian, groups the state was trying to co-opt.

It was of great significance that most Gawu members were women One of the weaknesses of the mass democratic movement was the poor participation of women who were discriminated against not only in terms of race and class, but also because they were women

This meant issues regarding women's rights did not get enough attention.

Gawu members joining Cosatu could mean greater participation by women in all Cosatu structures

The importance of women in trade unions was also emphasised by Thoko Magagula, a Food and Allied Workers' Union shopsteward from Springs.

"There will be no liberation in South Africa before women are liberated. A woman's place is in her trade union and federation," Magagula said.

Fiery

The congress was called to discuss affiliation to Cosatu, the proposed merger with Actwusa and Gawu policies.

In a fiery speech Actwusa vice-president Bert Pitts called for greater worker control.

"We have to form and shape policies in our union. We must run our unions, employ officials and control the finances.

"This the only way democracy will be achieved. Our only power is our labour," he said.

Gawu treasurer Ellen Beaumont spoke at an Actwusa congress held at the same time in Durban

Messages of support from several international trade union bodies were read at the Gawu congress

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ROAD TO UNITY

Clothing workers to fight poverty

THE fight by Gawu for a living wage will this year be waged not only in factories but also in the wider community.

And the campaign will extend beyond wage increases to include demands for affordable houses and rent, medical care, food and other basic needs.

This was decided by delegates at the Gawu congress who also resolved to resist heavy taxes and address the high rate of inflation and cost of living.

The campaign is to be fought against both employers and the state

Gawu general secretary Desmond Sampson said workers were suffering because of the government's economic crisis.

The substantial wage increases won last year had been eroded by inflation, the rise in the cost of living and the heavy taxes

"The causes of this poverty extend beyond the factory gate Apartheid and oppression by bosses are related. We can't wage this war alone We need the support of the broader community"

Gawu will also be actively campaigning for a national clothing industrial council

The formation of such a council would end the discrepancy between wages and working conditions in different regions because all workers would be paid the same minimum wage

The congress also resolved to discuss in the union and Cosatu the recommendations of the workers' summit earlier this year

The union's political policy will be the focal point of an educational programme for all members

The programme is aimed at "building maximum unity" between all members

Delegates noted that Gawu's existing political policy was stated in "broad terms" which needed "greater clarity" and that Cosatu had adopted a more comprehensive political policy which included the Freedom Charter as a "guideline".

In addition to Cosatu's political policy and the Freedom Charter, the programme will also include discussion about the ANC's constitutional guidelines released last year

Political policy was one of the points of difference between Gawu and Actwusa before the congress.

Cape Clothing Manufacturers Association secretary Mr CE McCarthy said employers would have been "very surprised" if the merger had "derailed".

He could not comment on the union's intentions to broaden the Living Wage campaign until the union spelt out to employers what this meant.

Employers were, however, prepared to examine the question of a national industrial council for the industry.

Peace role for Actwusa

THE Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) plans to play a leading role in peace initiatives in Natal

A resolution at last weekend's Actwusa congress in Durban called on the union, the largest Cosatu affiliate in the region, to be a catalyst for peace in the area

Actwusa Western Cape regional secretary Ebrahim Patel said many of the union's members had felt the impact of the violence, endemic in Natal

The union was obliged to strive to restore peace, he said

Actwusa was the first union to push for peace talks with Inkatha. Cosatu later endorsed this position.

The congress also had a detailed discussion about the Labour Relations Amendment Act (LRAA) and the recommendations of the Workers' Summit.

The congress resolved to demand that all employers in the textile industry agree to bypass controversial clauses of the LRAA Should there be no progress on these issues, the union may go for deadlock with employers and take national action.

The decision to fight the LRAA is especially important for Actwusa, whose members have a militant history. This year there have been several "wildcat" strikes by Actwusa members and several employers have resorted to interdicts.

In a move which will have far-reaching repercussions, the union will also ask employers to agree to compulsory arbitration in disputes, effectively bypassing the industrial court

Actwusa and several other unions have recently been sharply critical of the court, which they say favours employers

Should Actwusa and other unions succeeed, it could reduce the court to dealing largely with "sweetheart" unions

ROAD

No easy road to merger

THE Garment and Allied Workers' Union (Gawu) and the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) at special congresses last weekend committed themselves unconditionally to a merger early in the second half of this year.

The congresses said no differences could be allowed to stand in the way of worker unity in the industry.

The new union will have about 200 000 members and will be the second largest in the country.

It will be part of the Congress of South African Trade Unions (Cosatu).

Actwusa is already a Cosatu affiliate and last weekend the Gawu congress unanimously voted for affiliation to the federation

Resigned

The formation of the new union will be a major step forward for worker unity in South Africa

But the road to merger has not been an easy one nor has it happened overnight

It is three years since garment unions, including the Garment Workers Union (WP), resigned from the conservative Trade Union Council of South Africa (Tucsa), after the federation failed to pass a resolution condemning the death in detention of unionist Neil Aggett

The resignation was the final nail in the coffin of the already dying Tucsa which closed its doors the next year

After leaving Tucsa, unions in the garment, textile and leather industries started making the first moves towards an industry-based federation

In November 1986, a year after the formation of Cosatu, the South African Federation of Textile, Garment and Leather Workers' Unions (SAFTGLWU) was born

It comprised of GWU, the Garment Workers Industrial Union (GWIU), the National Union of Leather Workers (NULW), the TLATIU, the Textile Workers Industrial Union (TWIU) and the National Union of Textile workers (NUTW)

The National Union of Textile Workers, Actwusa's predecessor, was already part of Cosatu

In November 1987, the NUTW merged with the TWIU and the NUGW to form Actwusa, which affiliated to Cosatu.

A month later, GWU and GWIU merged to form Gawu with a membership of 102 000. Both unions at their inaugural congresses adopted resolutions calling for one union in the industry

From the start Actwusa adopted a militant stance towards employers, winning major gains for its members.

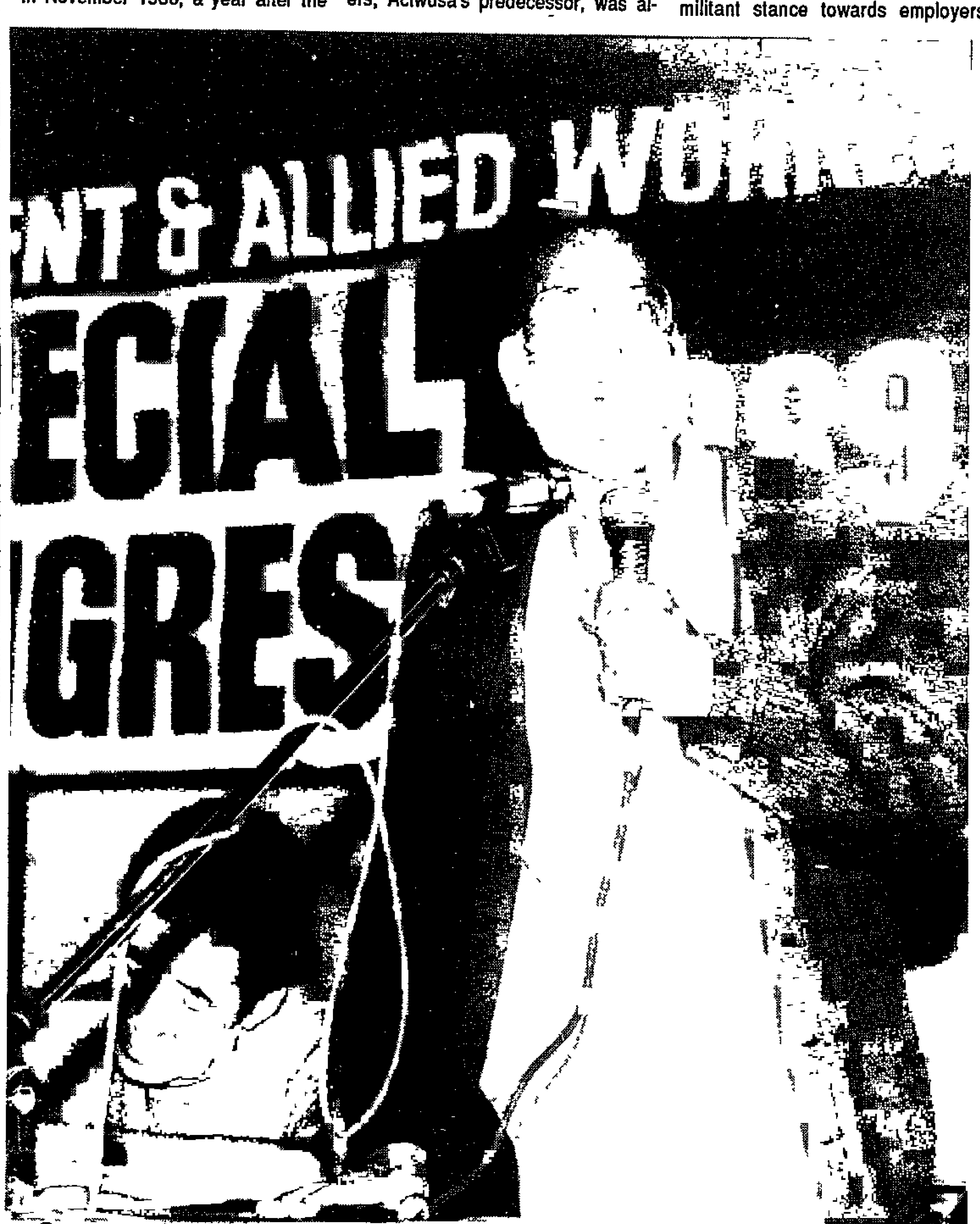
Meanwhile, Gawu was undergoing a transformation

The conservative approach of the GWU disappeared, union structures were democratised and employers were confronted with a militant membership resulting in workers winning important concessions from employers, including substantial wage increases

It became clear that the union had buried its 60-year history of being a sweetheart organisation and was drawing closer to progressive trade unions in Cosatu

At Gawu's inaugural congress in 1987, the union voted to seek observer status with Cosatu

This in itself was another step towards unity with workers in other sectors.



Gawu president Ismail Muckdoom called on workers to join forces with organisations from the mass democratic movement to create a broad front

Action

Underlying Cosatu, the country's largest trade union federation, is the principle of worker unity

This is based on the belief that workers share a common goal and a common enemy They gain strength from each other and unity is essential in order for workers to advance their struggle

Since its inception, Cosatu has seen the drawing together of small unions to form strong industrial unions.

Recently the federation has started to draw closer to the National Council of Trade Unions (Nactu), which has about 300 000 members.

Last year the two federations held talks about common problems and agreed to take united action against the Labour Relations Amendment Act

Conflict

The worker summit in February this year, which was attended by about 40 unions including all Cosatu affiliates, some Nactu affiliates and several independent unions, was another move towards building worker unity

While Gawu was granted observer status in Cosatu, only one clothing workers' union can belong to the federation, in terms of Cosatu policy

With both Actwusa and Gawu organising workers in the clothing sector, there was considerable conflict between members of the two unions, especially in Natal

The roots of the merger lie in a meeting between representatives from Actwusa, Gawu and Cosatu in December last year, to attempt to sort out this conflict

Actwusa proposed that the solution to the conflict lay in commitment to a merger and a date for such a merger, and Cosatu agreed with this view.

A committee consisting of four delegates from each union together with Cosatu general secretary Jay Naidoo and assistant General Secretary Sydney Mafumadi was established to examine all areas relating to conflict in the industry and the merger.

This committeee met in January this year in Durban and areas of conflict were examined.

The unions also exchanged information about structures, policies, staffing and subscriptions. Gawu asked Actwusa to address the union's role in Cosatu over which there had been considerable acrimony and to examine the possibility of including the National Union of Leatherworkers (NULW) in the merger

In February a special meeting of the Gawu national executive committee committed itself to the merger pending ratification at the special congress

Actwusa agreed that the merger with NULW could go ahead subject to NULW taking a resolution to join Cosatu, the merger of all three to take place simultaneously and that NULW

Gawu workers at the special con... by women in

Advocate

be approached ... Gawu.

But last month Gawu that they the merger.

Gawu has asked ... sider its position ... congress invited join Gawu and ... intends to ... workers in the ...

In terms of an ... the third meeting mittee, there demarcation ... and Actwusa ... for membership of Council, thereby factories

...O UNITY

Unions to overcome legacy of conflict

...in Athlone. Since most Gawu members are women, the union's affiliation to Cosatu could mean greater participation ... Cosatu structures and the possibility of issues regarding women's rights receiving more attention

THE Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) and the Garment and Allied Workers' Union (Gawu) are to liaise closely in the period before the merger to overcome the legacy of conflict between the two unions.

In a statement released after the Actwusa national congress in Durban last weekend, Actwusa regional secretary (Natal), John Eagles, said there was a "firm commitment from both unions to merge".

The members of both unions were "wholeheartedly behind this decision"

Eagles said it was important for both unions to work together in the period leading up to the inaugural congress to ensure broad support for the merger and to address the differences which might be causing fears, uncertainties or divisions between the two unions

"While the two unions might have different histories, traditions and policies, it is essential that we overcome these issues so we can realise a true unity of workers in the industry," he said

Powerful union

Over 300 Actwusa delegates at the congress unanimously approved the merger

The congress agreed to a Gawu proposal that the date for the merger, which was originally scheduled for July 1, be delayed until later this year, provided that this be no later than September 16

Delegates to the congress endorsed a resolution which declared their belief that the merger would create a powerful new union "capable of defending and advancing the economic and social interests of workers in South Africa"

Such a merger would bring closer the goal of "one union, one industry" and "worker unity", said the resolution

The congress was also addressed by John Hudson and Clayola Brown from the Amalgamated Clothing and Textile Workers' Union, Actwusa's sister union in America

Hudson and Brown spoke about the problems facing American unions and the building of links between American and South African workers

The congress also passed a resolution on political policy but this was not released to the press

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... NULW notified ... not be part of ...

... union to recon... last weekend's ... W members to ... ew union Gawu ... ganise leather ...

... signed at ... merger com... a complete ... the two unions ... its application ... Natal Industrial ... the conflict in ...

In subsequent meetings, broad agreement was reached between both unions over basic principles, including fighting discrimination on the grounds of race, colour, sex or creed, promoting worker control and ensuring real democracy in the union by structuring it to ensure members have the widest possible access to its decision-making structures at all levels.

At the end of last month the merger committee held its fifth meeting in Cape Town at which differences arose between the two groups over political policy and structure

This weekend's resolutions that such differences should not stand in the way of a merger has removed the last stumbling block to unity.

But this does not mean that it is now all plain sailing.

Not all the workers understand what the merger is about.

Many are still confused about why once-bitter enemies should join hands

The implications of the merger need to be discussed at all levels in both unions

And after the merger, the new union will have to work through differences which are the legacy of both parties' very different histories

But the determination of workers to overcome these problems was clear in the messages brought by speakers who addressed the other union's congresses

About 300 delegates at the Actwusa special congress in Durban unanimously approved the merger, which will create a powerful new union

New tariff move a boost for rag trade

B/Day 14/4/89 (184)

HELOISE HENNING

CHANGES to the textile and clothing industry were intended to treble its contribution to GDP in the next five years, Board of Trade and Industry chairman Lawrence McCrystal said yesterday

New import *ad valorem* tariffs giving the textile and clothing industries moderate protection against imports, on average 5% lower across the board, are gazetted today

Government had accepted in principle that import tariffs be abolished

Included in the tariff announcements were fixed-formula duties to protect local producers against dumping by foreign countries.

And in an attempt to encourage exports, Deputy Minister of Trade and Industry Theo Alant made provision for duty-free imports based on export performance and use of local materials

A new export incentive scheme involving cash repayments to exporters in the industry was still being refined and simplified. Companies were asked yesterday to register with the Department of Trade and Industry by the end of May to become eligible

The target set for eligibility was for a company to export at least 2,5% of its annual production

Until the new export incentive scheme was implemented on April 1 next year, the current A, B and C export incentives would remain in operation, McCrystal said

Government was expecting co-operation from the industry — to keep price increases below the consumer price index rise and to hold wages and salaries to levels matching productivity He said price increases over the past two years had been excessive.

● MCCRYSTAL

Within five years government could reduce the industry's protection by a further 50%, said McCrystal

The textile industry had been awaiting the new tariff announcements since September 1986, when the anti-dumping formula duties were scrapped to accommodate the clothing industry

Textile Federation president Ernest Wilson said last night that the industry would be fine-combing the anti-dumping formulas in the coming week It had appealed for dumping formulas to be linked to a moving index

The industry needed protection, especially against China, the Philippines and newly-industrialised Pacific-rim countries that did not adhere to economic pricing in order to export

Major boost to Cape clothing

(184)

C/C ARGUS 15/4/89

Jobs seen

By TOM HOOD
Business Editor

A REVOLUTIONARY change in government thinking could provide a new boost to the Cape clothing industry and the creation of many new jobs, according to manufacturers

One of the changes is offering cash benefits instead of tax refunds to help companies step up their exports

Tax benefits for exporters have been meaningless for more than 60 percent of the companies formed in the last 10 years because their profits and tax liability were still marginal.

Local exporters will now also be able to buy fabric duty free

Another revolutionary change is a clear attempt to lower inflation and make South Africa more competitive internationally. Benefits to be paid will depend on price increases being held below the consumer price index

"The clothing and textile industries learned of the new exports deal this week when the principles were revealed by the Deputy Minister for Economic Affairs and Technology, Dr Theo Alant.

Welcoming the Board of Trade and Industries' proposals disclosed so far, Mr Mike Getz, president of the Cape Chamber of Industries, said the authorities seemed to be trying to curb inflation by encourgaing productivity and discouraging pay rises that were not justified by improvements in productivity

It was also a fresh idea to motivate exporters by giving them access to duty-free imports.

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association, said the intention seemed to be to create more jobs in South Africa, which meant more consumers in the long run. The cost of creating jobs in the clothing and textile industries was much lower than in capital intensive industries

Manufacturers would also be placed on a more equal footing than in the past with the right to import.

In future the criterion would be the extent to which a manufacturer bought raw materials locally and how he performed in the export market.

The intention was for both clothing and textile industries to increase productivity and be internationally competitive The authorities wanted increases in wages to be matched with increases in productivity — "everybody goes along with that," he added

The message to local textile manufacturers was to control their prices with a warning thst excessive production would be phased out in the future.

Reviewing employment in the Western Cape, Mr Jocum said there had clearly been a growth in employment this year and the industry was reasonably optimistic about prospects, although another rise in interest rates could put a damper on growth

Cape Times 18/4/89 (184)

NCF is luke-warm to BTI clothing report

Financial Editor

THE long-awaited Board of Trade and Industry report on the clothing and textile industries has had a mixed reception from the National Clothing Federation of SA (NCF)

In a statement issued yesterday the NCF said the report "represents significant progress"

The report had recommended tangible and specific action "Therefore the clothing and textile industries have now received certainty in respect of many important issues and are thus in a position to get on with the job — especially in the export field"

However, the statement continued, the report had taken too little cognizance of international developments and trends

And although the NCF welcomed the abolition of import control on man-made fibres and yarns as well as woven and knitted fabric from July 1, it said the benefits of this would largely be negated by the new increased duty on fibres, yarn and fabric

Imports

It "regretted the decision freely to grant permits for the import of clothing"

And it said the withdrawal of the partial rebate on imported fabrics would have a cost-raising effect

"It would be wrong to regard the report as the final chapter on the road to a more effective industrial structure in SA"

The statement stressed the need for industrial sectors to be exposed to international competition to a greater degree

Nashua goes for the PCs

By BRUCE WILLAN

NASHUA (SA) has invested R10m in entering the lucrative R660m a year personal computer market.

It launched its new IBM-compatible Gold series yesterday in Gold Reef City

MD Jac Moolman said the decision to launch the new series was not taken lightly His company had spent "years developing and sourcing the right products to satisfy customer needs"

The entry into the PC market was "seen as part of the long-term philosophy of selling solutions and not merely products"

Moolman said the Gold series range of six models, from a lap-top to the top of the range capable of being used to run a medium-sized business, was "a natural extension of our introduction of laser printers last year and more recently the fax card which enables a pc to be used as a fax machine"

Commodity Index	**2011,6**
Platinum	**\$554,65**
Palladium	**\$170,90**
Raw Sugar	**£172,90**

LSE prices

Mining

Afex Corp	90	Drieftn	$9\frac{7}{8}$	St Helna	8	GFSA	19
Cor Syn	23	Durban	$3\frac{15}{16}$	Stilfont	$3\frac{1}{4}$	Wlkom	$5\frac{3}{8}$
Glb Phnx	58	E Daggas	437	Gldfd P	61	W Areas	125
Lonrho	326	ER Prop	$4\frac{1}{16}$	Vaal Rfs	$84\frac{1}{4}$	W Deep	$32\frac{1}{8}$
MTD (M)	9	ER Gld	$3\frac{11}{16}$	Venters	$1\frac{5}{16}$	Rnd Mns P	288
Nchart	Unq	Elsburg	83	Vogels	102	Winkels	$14\frac{3}{4}$
Wankie	23	Freddies	158				
ZCI	25	Freegld	$8\frac{1}{16}$				
Am Gld	$69\frac{3}{4}$	Grootvl	$1\frac{1}{8}$				
AA Coal	Unq	Harmny	$5\frac{13}{16}$				
AA Crp	$20\frac{7}{8}$	Harties	638				
Barlow	528	Kinross	10				
Bracken	88	Kloof	$8\frac{13}{16}$				
Blyvrs	303	Leslie	80				
Buffels	$13\frac{1}{8}$	Libanon	$2\frac{1}{4}$				
Chrtr Cn	499	Loraine	193				
Cons Gld	1340	Ofsil	$20\frac{1}{2}$				
Cons Mch	102	Rndftn	$57\frac{1}{2}$				
De Brs D	$15\frac{1}{4}$	R Plats	15690				
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Industrials

Abercom	46	Sasol Npv	185
N Eng	129	Stancha	525
R Mines	$12\frac{5}{8}$	Un Stl Cr	$19\frac{1}{4}$
SA Brws	323	Unisel	$3\frac{7}{8}$

London stocks afterhours Blyvoors 303, Bracken 88, Driefontein $9\frac{7}{8}$, E Rand Pro $4\frac{1}{16}$, Freegold $8\frac{1}{16}$, Grootvlei $1\frac{1}{8}$, Harmony $5\frac{13}{16}$, Leslie GD 80, Randfontein $57\frac{1}{2}$, Southvaal $35\frac{3}{4}$ [illegible]

Union merger on track

14-20/4/89

By GAYE DAVIS
Cape Town

WMHL

MEETINGS this weekend could lead to a merger of the two major garment and textile unions under the banner of the Congress of South African Trade Unions

In Cape Town, members of the Garment Workers' Union (Gawu) will be deciding at a special two-day congress whether to merge with the Amalgamated Clothing and Textile Workers' Union (Actwusa), a Cosatu affiliate.

In Durban, Actwusa members will be considering merging with Gawu.

A combination of Gawu's 112 000 members and Actwusa's 73 000 would rank in size in Cosatu ranks second only to the National Union of Mineworkers.

The garment and textile sector is by far the largest in the Western Cape and a merger would represent a major step forward for Cosatu.

Talks between the two unions have been underway since last year and the unions have set a target date for unity of July 1.

Actwusa was formed early in 1987 from an amalgamation of the National Union of Textile Workers (NUTW), Textile Industrial Workers' Union and the National Union of Garment Workers.

Gawu was formed late in 1987 after a merger between the Garment Workers' Union (Western Province) and the Natal-based Garment Workers' Industrial Union. It later absorbed the Eastern Cape-based South African Textile and Allied Workers' Union.

Initial merger talks under the umbrella of the South African Federation of Textile, Garment and Leatherworkers fell apart.

The talks collapsed mainly because of the NUTW's refusal to accept the Garment Workers' Union (Western Province), which it perceived as a "sweetheart" union.

Gawu subsequently underwent extensive changes in leadership and direction.

This was most clearly shown by the union's participation in last year's three-day June protest against the Labour Relations Amendment Bill. Also during 1988, members staged the first strike in the garment industry in the Western Cape for many years.

Although Gawu was eager to affiliate to the national federation, it was barred in terms of Cosatu's one industry, one union policy, which required that unions applying for affiliation had to merge with the existing Cosatu union in that sector.

Clothing body in tough response to BTI report

BDay 18/4/89 (184)

CHARLOTTE MATHEWS

THE National Clothing Federation (NCF) released a hard-hitting document last night which expressed the reaction of the clothing industry to the BTI report for the development of the industry published on April 14.

The negative aspects outlined by the NCF included the likely rise in costs arising from the new duties, unnecessarily complicated formula duties, the report's failure to follow a structural adjustment approach and the fact that it largely ignored international comparisons

But the NCF said the BTI report represented significant progress because it recommended action after many years of releasing purely research reports

The BTI report contained "innovative aspects which could have a significant beneficial impact on future growth"

Some of the examples given by the NCF were the proposed interest rate subsidy on working capital, assistance to promote productivity and value added adjustment assistance

"The major shortcoming of the BTI report," the NCF said, "is that it does not seem to address the real problems which it acknowledges do exist in certain specific sectors"

These problems related to the need for more competition in the man-made fibre, local woven fabric and knitting industries to bring down prices

The NCF welcomed the abolition of import control on man-made fibres and yarns and woven and knitted fabrics, but deplored the increased duty structure on fibres, yarn and fabric

Inflationary

It said the factors which caused the board to grant the rebate facility on certain fabrics in 1986 — a rise in the price of local fabric and inadequate supply of fabric by local textile producers — had not disappeared

It added the withdrawal of the 10% import surcharge exemption on certain fabric imports by clothing manufacturers would have a severe inflationary effect

Excitement at the Gawu special congress held last weekend. See special supplement

Gawu heads for Mayday showdown

THE Garment and Allied Workers' Union (Gawu) is heading for a showdown with employers over the issue of workers taking off Mayday.

Gawu is seeking an undertaking from employers that they refrain from taking action against the union should agreement over Mayday not be reached at clothing factories in the Western Cape.

In terms of the industrial council agreement, workers do not have May 1 as a paid holiday but the matter is open to negotiation at plant level.

Employers warned Gawu that they reserved the right to take action should they consider the union to have breached the industrial council agreement.

Such action could include suing the union for loss of production.

But Gawu regional secretary Lionel October said the union had no intention of breaking the agreement.

(184)

South

20-26/4/89

MCAS 21/4/89

Import duty set to rip through clothing budgets

By HENRI du PLESSIS
Staff Reporter

HUGE increases in import duty on textiles will send the cost of clothing through the roof, according to industry sources.

The cost of imported clothing and clothing made from imported textiles is set to double and a ripple effect is certain to increase considerably the cost of clothing made from local textiles

Yarn, combed wool, cotton and woven fabrics have also been hit by the duty increases

It was the lower-priced clothing which was hit the hardest, however, said importer and wholesaler Mr Reuben Shuman.

"Men's and women's jerseys which are now being offered at R59,99 will cost R99 after the duties come into effect," he said.

KILOGRAM COSTS

"The previous duty on jerseys was 35 percent or R20 a kilogram less 60 percent of the overseas cost But this has been changed to 30 percent or R71,50 a kilogram less 70 percent of the overseas cost.

"Although the flat rate was reduced and the deductable percentage of the overseas cost increased, the kilogram costs which apply to the lower-priced garments have soared."

Another example was tracksuits, which would increase from R69,99 to R149 The kilogram cost has been increased to R50 and according to Mr Shuman, tracksuits were relatively heavy garments.

Wool or fine animal-hair jackets, also heavy garments, were now stuck with a kilogram cost of R93,50

If such a jacket cost R100 to buy overseas and had a weight of two kilograms, it would cost the importer the R100 plus R170 less the 70 percent which is R70 in this case.

(Turn to page 2, col 4)

MCAS 21/4/89

(Contd from page 1)

Thus the importer would pay R200 for an item which cost R100 to buy from its manufacturers

And the lower the price of the imported jacket, the higher the duty.

If the same jacket cost only R50 to buy overseas, the same calculation would make the garment cost R50 plus R170 less the 70 percent of R50, which in this case would come to R35 The cost of the R50 jacket would then become R185.

According to Mr Shuman, the imports were not excessive or unnecessary, because the local industry could not cope with the demand.

"People will wonder who was making these high profits and will rightly complain," Mr Shuman said

"The fault lies with the government, who are imposing astronomic duties They are not protecting the local industry, because the local and homeland factories are in full production.

COMPLICATED ISSUE

Mr Allan Leighton, director of the Cape Town Chamber of Commerce, said his office had received reports from members about high increases in duties, especially on cheaper clothing.

"Our Foreign Trade Committee is at present investigating and this might take some time because the issue is rather complicated," he said

"There is quite a lot of concern about this and after the investigation, we would propably have to make strong representations

"It appears some items have been very hard hit by the increases."

An Assocom spokesman in Johannesburg said "We cannot comment before we are absolutely sure what we are talking about, but it certainly seems the consumer will feel the increases," the spokesman said

Dashaus may be boosting cash operations

CHARLOTTE MATHEWS

BDay 20/4/87 (184)

SPECULATION surrounding today's cautionary announcement from Dashaus suggests the furniture and clothing group is responding to government's credit squeeze by strengthening its cash operations.

The group has four chains — retailers Dashaus, Mattress House, The Furniture Hyper and Lay Low Wholesalers

In addition, it acquired Las Vegas, a well-established clothing wholesaler in the hawker market, last month

One analyst says the group's clothing interests are almost recession-proof as it is soundly based in the informal sector

The group follows a policy of keeping credit sales as low as possible, even in its furniture stores, a sector that traditionally relies heavily on credit transactions.

In its last annual report the company said short-term credit sales represented only 20% of turnover.

Dashaus showed a 20% rise in earnings at half-year to 4,7c a share Final results were expected to be released within the next two weeks.

Trade in the shares has been energetic

Volume of shares traded jumped from an average of 45 000 shares a month to 173 000 shares in March alone and continued briskly in April.

The share closed at 55c yesterday after reaching a low 30c in November last year.

TEXTILES AND CLOTHING

FMAL 21/4/89.

Much ado about nothing?

The Board of Trade & Industries (BTI) says the restructuring of the clothing and textile pipeline has been greeted with relief — if only because it ends three years of uncertainty

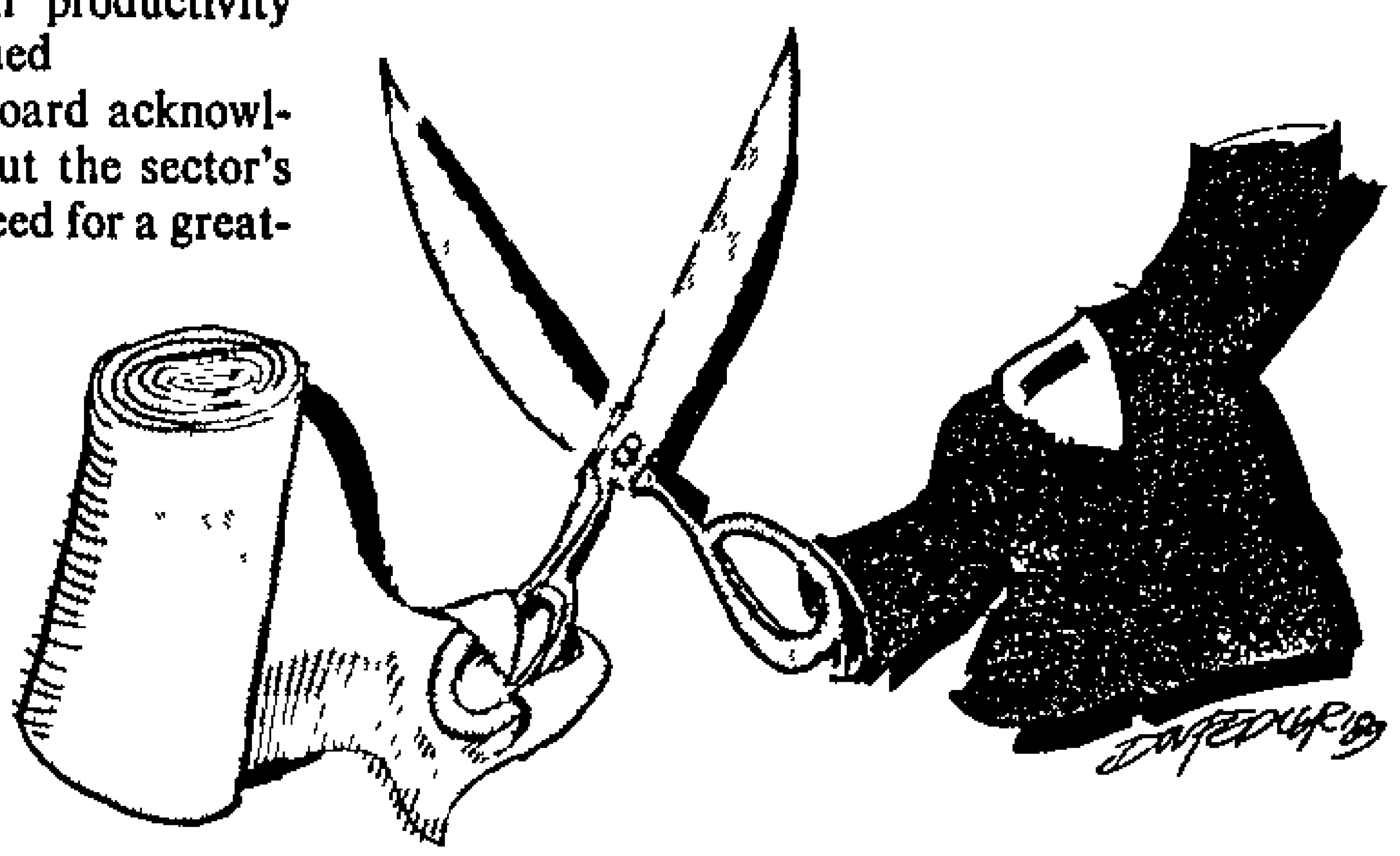
But neither the clothing nor the textile industry is particularly impressed. They see it almost as a non-event.

Some officials consider the term "restructuring" to be inappropriate to what they believe to be a minor readjustment

Some aspects of the report have been welcomed as innovative They include an interest rate subsidy on working capital, which should turn around the poor investment record in the sector and help the industries' modernisation process.

The BTI's decision to encourage exports, through assistance in trade promotion, and a renewed emphasis on productivity has also been welcomed

But although the board acknowledges complaints about the sector's inefficiency and the need for a greater degree of foreign competition, it has stuck to well-worn protectionist measures.



There is controversy over the formula duties, ostensibly there to protect the clothing and textile industries from dumping

The National Clothing Federation (NCF) says, by resorting to formula duties, the BTI hasn't carried out a proper structural adjustment The capital investment required to create a job in the textile industry is 10 times greater than in the clothing industry. Consequently, it argues, resources should be shifted towards clothing

Says executive director Hennie van Zyl. "The benefit to be derived for the textile industry through encouragement of the downstream clothing industry, far outweighs the short-term benefits to be gained from formula duties "

For the textile industry, on the other hand, some of the formula duties are too low In particular, it feels more protection should be granted against Red China which discounts its currency by 40% for exports. A typical polycotton cloth is being sold for US70c/m. With freight costs and duties, this would land here at around R2,00/m. Similar cloth is produced locally for R3,40/m and sold for R3,90/m.

Textile Federation executive director Stanley Shlagman says· "Nobody's being wrapped in cotton wool. We are going to have to learn to become more marketing-orientated in future."

The duty on cotton yarns has been reduced from 20% to 15% or a formula duty of R6,16/kg less 85% of the fob price.

Textile Federation president Ernest Wilson says there is pent-up capital expenditure held back "Now we have reasonable protection again, we are ready to reinvest."

The retail trade is disappointed that much of the process has been delayed until April 1990. Says Clothing Retailers' Committee chairman Frank Wells: "I've been on committees which resolved to change legislation and duties since 1967 and many of the resolutions haven't been carried out

"To call this report a 'structural adjustment' is absurdly grandiose A few duties have been changed but otherwise it's a non-event."

The much-heralded export incentives will also get off to a slow start Because of lobbying from the TBVC countries and Botswana, Lesotho and Swaziland, clothing and textile manufacturers will be able to import only 5% of domestic requirements duty-free instead of 10% in the original report

Clothing manufacturers will be able to import 70% of the value of the previous year's exports duty-free This, though, isn't much of an innovation. Manufacturers are already allowed to import raw materials duty free if they're used for re-export

The BTI talks about the need to keep price increases below the CPI Both clothing and textiles have difficulty with this.

Says Van Zyl "It doesn't take into account union demands They won't want members' wages to fall behind inflation "

Adds Shlagman "We can't control a number of input costs For instance, synthetic raw material prices have increased much faster than the CPI."

Although the report is supposed to be a final one, none of its recommendations is irreversible. Industries can appeal to Deputy Economic Affairs & Technology Minister Theo Alant, who is seen as more sympathetic to the textile industry than the BTI ■

SASOL FMAL 21/4/89.

Rapid reaction

Sasol expects to cut by more than half its insurance claim arising from last December's Sasol 3 fire in which nine people died.

MD Paul Kruger says three of the four affected reactors were expected to be out of commission until the second half of this year and the fourth until the middle of 1990.

However, three are already in operation and the fourth will come on stream in June This will not only cut losses, but also slash the original insurance claim estimate from R390m to R180m.

Meanwhile, Kruger denies accusations that corrosion at Sasol 3 has exceeded safety limits.

An engineer at the plant alleges corrosion reduced pipe thicknesses to dangerous levels. Where the explosion took place, he says, pipes were due to be replaced the following week

Kruger won't comment on the cause of the fire, explaining that the insurance claim is still being adjudicated.

However, he stresses Sasol has never compromised on plant safety, especially as substances handled in chemical or petrochemical facilities are "naturally corrosive and potentially dangerous "

He concedes there must be a trade-off between corrosion resistance and cost He says plant designers seek a balance between frequency of replacement and the cost of components

Items are designed and built using materials which will have only a predetermined economic life For example, pipelines are made of carbon steel with a provision for corrosion, rather than of more exotic materials

Kruger

Kruger notes that more than 400 contractors from across the world were used in the design and building of Sasol 2 and 3 Fluor, builder of all the Sasol plants, provides constant main-

184 21/4/89. FMM

(ADE) will be deemed 100% local content — even though many of the components are imported

ADE MD Hartmut Beckurts says the decision is subject to the company adhering to a nine-year development programme to reduce the level of imported components

The decision eases the headache of vehicle manufacturers, who must raise the local content value of vehicle production to at least 55% this year The target will rise in stages to 75%.

ADE is SA's only supplier of engines to truck and bus producers, all of whom will benefit by having their engines deemed 100% local.

However, the concession does not apply to vehicles destined for export There, ADE engines will be assessed at actual local content value, taking account of imported components. ■

MOTOR INDUSTRY

Contented ADE

The Board of Trade and Industry (BTI) has offered vehicle manufacturers a lifeline to help them achieve new local content targets.

The BTI says engines produced for the local market by Atlantis Diesel Engines

200 000 workers give thumbs up to merger

By GAYE DAVIS

A MERGER between two major garment and textile unions under the Congress of South African Trade Unions (Cosatu) banner is on track

Special congresses last weekend of the two unions resulted in both organisations unanimously endorsing the move

The target date for the merger — involving the Garment and Allied Workers' Union (Gawu) and the Amalgamated Clothing and Textile Workers' Union (Actwusa) — has been moved from July 1 to later in the year

Gawu has 112 000 members and Actwusa 85 000.

At its congress in Cape Town, Gawu delegates voted unanimously in favour of affiliation to Cosatu. Actwusa is already an affiliate

Gawu general secretary Des Sampson said this week Gawu intended running an education programme involving all levels and structures in the union on South Africa's political situation.

The programme would be based on the Freedom Charter and constitutional proposals issued last year by the African National Congress

The union would also launch a campaign for a national living wage for the garment industry and the establishment of a national industrial council

184 WMAIL 21-27/4/89.

Adonis takes OK to court over ad

That's a 'stitch by stitch copy of our jersey'

BDay 24/4/89

(184)

SUSAN RUSSELL

CLOTHING manufacturer Adonis Knitwear brought an urgent application against OK Bazaars and the SABC in the Rand Supreme Court yesterday, claiming an advertisement for the chainstore to be shown on TV next week contains a cheap copy of one of its jerseys

Adonis has asked the court for an order interdicting the OK from selling the jerseys

It also wants the SABC stopped from flighting the OK advertisment all next week

Adonis claims the jerseys were copied "stitch by stitch" by the manufacturers who sold the jerseys to the OK

The court was told the Adonis design was launched last year under the Christian Dior label, for which Adonis holds the licence

Adonis sold 8 000 of the jerseys

The OK has bought 1 000 of the jerseys, which Adonis claims are a cheap copy of its own

In the TV advertisement, to be flighted on SABC, BopTV and M-Net, the jersey is one of a number of products shown

The jerseys are advertised from R43,99

Counsel for Adonis submitted its garments were originals and of high quality and sold to select outlets and boutiques catering for the upper end of the market

The OK, it was argued, was known to sell goods at lower price

Adonis's reputation would be damaged, the judge was told, because people seeing the advertisment would identify the jersey as last year's original, which was sold for R100, and assume it was being sold by the OK for R43,99

Counsel argued Adonis would be unable to go back into the market and sell the product at R100 again

It was submitted on behalf of the OK that the jersey appeared only fleetingly with various other products in the advertisement and could not possibly lead to any confusion

'Not identical'

It was not advertising a specific product, the judge was told, but was a corporate advertisement promoting the fact that the OK had a range of knitwear for winter

The fact that the jersey was only substantially similar to, and not a "stitch by stitch" copy, meant the garment was not identical, the court heard

Mr Justice Levy said he would give his judgment on Monday

Veka to pay dividend again

B Day 21/4/89 (184)

CHARLOTTE MATHEWS

SCHOOLWEAR manufacturer Veka celebrates its 50th birthday in 1989 with a positive outlook after several difficult years when the company was in imminent danger of closing down

Veka was started in 1939 as the Volkshemde En Klere Fabriek, a nonprofitmaking concern with the sole purpose of providing employment for poor white Afrikaans women coming to Johannesburg from rural areas

According to legend, the organisation was doing so badly by 1942 that Albert Wessels — later founder of Toyota SA but then working for Suid Afrikaanse Spaarbank (Sasbank) — was sent in to close it down and decided to run it himself as a company.

Thanks to Wessels' drive and enthusiasm, Veka flourished in the schoolwear market In the 1950s it opened a factory in Standerton and in the 1960s expanded into menswear with the purchase of M Bertisch, listed on the JSE and was the first company to move to Newcastle under the decentralisation policy

Veka began to experience serious problems in 1984 when a loss of about R6,2m was posted arising from labour problems, forex losses and a loss on the sale of Bertisch

The company had to decide whether to carry on or close down, and in the next three years grappled with a weak balance sheet and the slump which affected the whole clothing industry

Faced with an extremely doubtful future the major shareholders, Federale Volksbeleggings and Wesco, expressed a desire to pull out Present MD Almero Oosthuizen got together a consortium and took over the company at a price of 38c a share — shortly before the share slipped to 30c in the October 1987 crash

Oosthuizen has since concentrated on strengthening the balance sheet and penetrating the black schoolwear market The company now employs about 1 400 people and achieved a turnover of R37m in the year to December

Shareholders were disappointed this year as the company paid no dividend in spite of showing a 48,6% rise in earnings to 10,7c a share

Oosthuizen said "Growth in inflationary times is very expensive as far as working capital is concerned We had originally discussed paying a 3c dividend but this would have cost the company several million at a time when interest rates were moving up

"I am confident that we will pay a dividend at the end of the year. We owe it to our shareholders"

He referred to statements in the ...

OK restrained from selling jersey range

B/Day 25/4/87 DIANNA GAMES (184)

THE OK Bazaars has been restrained by a Rand Supreme Court order from selling a range of jerseys which are "substantially similar" to those which clothing manufacturer Adonis Knitwear claimed were a cheap copy of its exclusive design

The order, made after an urgent application was brought by Adonis last week and heard yesterday by Mr Justice Levy, also restrains any advertising of any garment similar to the Adonis design

It further prevents the SABC from broadcasting any visual material showing such a garment — but this order only becomes effective on May 1

An SABC spokesman said yesterday they would flight the OK Bazaars advertisement, which includes the jerseys, until that date

The order was made pending the outcome of an application to be instituted by Adonis against OK Bazaars and the SABC claiming permanent interdicts and damages

Adonis has claimed the jerseys were copies by the manufacturers who sold the jerseys to the OK

Papers before the court said the Adonis design was launched last year under the Christian Dior label, for which Adonis holds the licence Adonis, which submitted its jerseys were originals, said the jerseys were sold at up-market outlets for R100 each

The papers said Adonis's reputation stood to be damaged as its R100 originals would be recognised and identified by the public as now being sold for the OK price of R43,99. Adonis would not be able to sell the product again at R100.

COURT UPHOLDS R33m CLAIMS ON VERMAAS

B/Day 25/4/87 MANDY JEAN WOODS

CLAIMS against the sequestrated estate of Pretoria attorney Albert Vermaas totalling more than R33m were accepted by the Master of the Pretoria Supreme Court yesterday.

These claims included those of the Receiver of Revenue (R14,5m), Standard Bank (R1,6m), First National Bank (R776 000), Syfrets (R1,4m), Volkskas Bank (R9,9m), and Sentra-Oes (R5m)

The Master held over claims totalling more than R15,5m, including those of Kingsway Development for R6,9m, Maryna Lamberton (Vermaas's personal assistant) for R8,800, the National Union of Mineworkers for R2m, architects Oscar Hirsch Silvio Buffler Partnership for R43,940, and Potgietersrus Tobacco Co-operative for R7,5m.

A claim against W A Vermaas & Co — in which Vermaas was a partner with Alwyn Marx, former NP election campaign director and husband of Johannesburg Manco deputy chairman Marietta Marx — of R13 900 by Sancor was held over until Wednesday.

10 MINUTE X-WORD 7322

COMPANIES

Argus 26/4/89

Lenco profits soar

Business Staff

LENCO showed a 74 percent increase in attributable income to R14,2-million, primarily due to several profitable acquisitions in the clothing sector during the year to February 1989

A 73 percent increase in turnover to R207,5-million (R120-million) was due mainly to the consolidation of the results of Amshoe, in which Lenco has a 51 percent share, said chief executive Doug de Jager

Lenco's interest in Amshoe resulted from a transaction in which Lenco subsidiary Budget Footwear's operating divisions were acquired by Jaguar Holdings. Jaguar was subsequently renamed Amshoe, and the listed budget cash shell was retained by Lenco

Mr de Jager was particularly pleased with improvements in the House of Monatic which reflected improved efficiencies in the manufacturing operation

Attributable income grew from R600 000 to R8,2-million, following some highly profitable acquisitions, including Rich Rags and Monatic

The dividend paid was 40 percent up at 7c a share.

Mr de Jager said the acquisition of premises for the two Atlantis divisions were made in the latter portion of the year at a value which directors believed would be of particular benefit once interest rates came off their present high levels

● Adcock-Ingram, helped by the first-time inclusion of Saphar-Med and strong performances by all divisions, reported figures for turnover and operating profit well ahead of expectations

In the six months to March, it lifted turnover by 44 percent to R215,9-million and operating profit grew 51 percent to R30,3-million

After tax at 46 percent, attributable income rose 37 percent to R16,1-million

The dividend has been lifted by 55 percent to 17c a share

● **Rand Mines Properties (RMP)** increased its bottom-line profits by 42 percent from R8,7-million to R12,4-million in the six months to March 31 1989

The interim dividend is 33 percent up at 40c a share

The higher earnings reflect a turnaround of almost R7-million in the operating profits of the property division and a steady contribution from gold recovery operations.

However, the directors warned that second half results would be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales, which must clearly feel the pinch of higher interest rates

After-tax profits for the full 1989 year are forecast at about R21-million, compared with the record R27,8-million earned in 1988

A hive of activity at Pennyville

Star 26/4/89

By Janet Smith

"Theresa's Designs" is a small factory which employs 10 workers to create garments on whizzing sewing machines.

"Theresa's Designs" is also the nucleus of productivity from Mr Basil Crawage, whose desire to manage a small business is soon to be realised, thanks to the help of the Small Business Development Corporation (SBDC) and a hive of activity called Pennyville.

Pennyville, situated on the outskirts of Soweto, was first established in 1987. Since then, the project centre has housed over 200 small manufacturers, each having a separate cubicle, its own labour and machinery.

From having quality cards printed at low cost, to ordering a self-designed lounge suite, Pennyville has it all.

Upholsterers, machinists, shopfitters, gatemakers, mechanics, burglar-proofing, welding and steelwork and sign manufacturing demonstrate the availability of informal sector free enterprise.

Skirtskip sells business and becomes cash shell

BDay 7/5/89 (184)

CHARLOTTE MATHEWS

TROUBLED clothing manufacturer Skirtskip has returned poor final results for the year to February — and at the same time a change of ownership has been announced

This will result in Skirtskip becoming a cash shell, looking for suitable acquisitions to retain its listing on the JSE

Although turnover rose 31% compared with the previous year, attributable profits dropped 50% to R426 000 from R882 000 and earnings a share dropped 51% to 3,8c (7,7c) The dividend has been passed

The directors say the fall in profits was caused by "increased competition and material costs and ongoing production problems at our factory"

Skirtskip, which was listed in May 1987, began by making skirts for the budget market and later widened its range of womenswear Production from the Lebowa factory has suffered from distance and skills shortage

In terms of the change-of-ownership announcement by Duros Merchant Bank, Skirtskip MD Barry Berold will buy the business of the company for R2m

Duros, on behalf of a nominee, will buy Berold's 70% shareholding for R1,6m at a price of 21c a share and make a similar offer to minority shareholders The company will then become a cash shell.

Suspended

Net asset value of the company was 22,6c a share but will fall to 17,85c a share after the sale of the business The price is affected by the loss of goodwill, valued at R293 000 in the prospectus

Trading in the company's shares was suspended at 40c yesterday The shares will remain suspended until suitable assets are acquired The price of the shares fell to 25c in December compared with its issue price of 70c

Fine feathers make fine results at Edgars

Star 10/5/87

184

By Derek Tommey

It is something of an understatement to say that Edgars has come up trumps again

Figures for the 12 months to March show that its successful formula for selling clothing in South Africa's diverse and rapidly changing markets has brought it 2,1 million active credit customers (400 000 more than last year) and a 59 percent increase in earnings

It has also brought shareholders a final dividend 53c, which is 15,5c more than a year ago

This brings the total payment for the year to 75c — an increase of 21,5c on last year's dividend.

This year's final dividend is only 0,5c less than last year's total payment.

Major cause of growth has been a sharp rise in Edgar's market share, says managing director Vic Hammond

He estimates that the national clothing, footwear, textiles and accessories market grew by nine percent in real terms in the year to March.

In the same period Edgars sales grew 34 percent to R1,6 billion, or by 20 percent in real terms, and double the growth in the market

Edgars estimates that it now has 15,5 percent of the retail clothing market

"We are still managing to give consumers a compelling reason to shop at Edgars," says Mr Hammond.

Both Edgars and Sales House, which sells quality classic goods to the black market, were star performers

Sales House has increased sales by 81 percent in the past two years

Number of factors

"Both have a uniqueness in operation, which is not found anywhere else

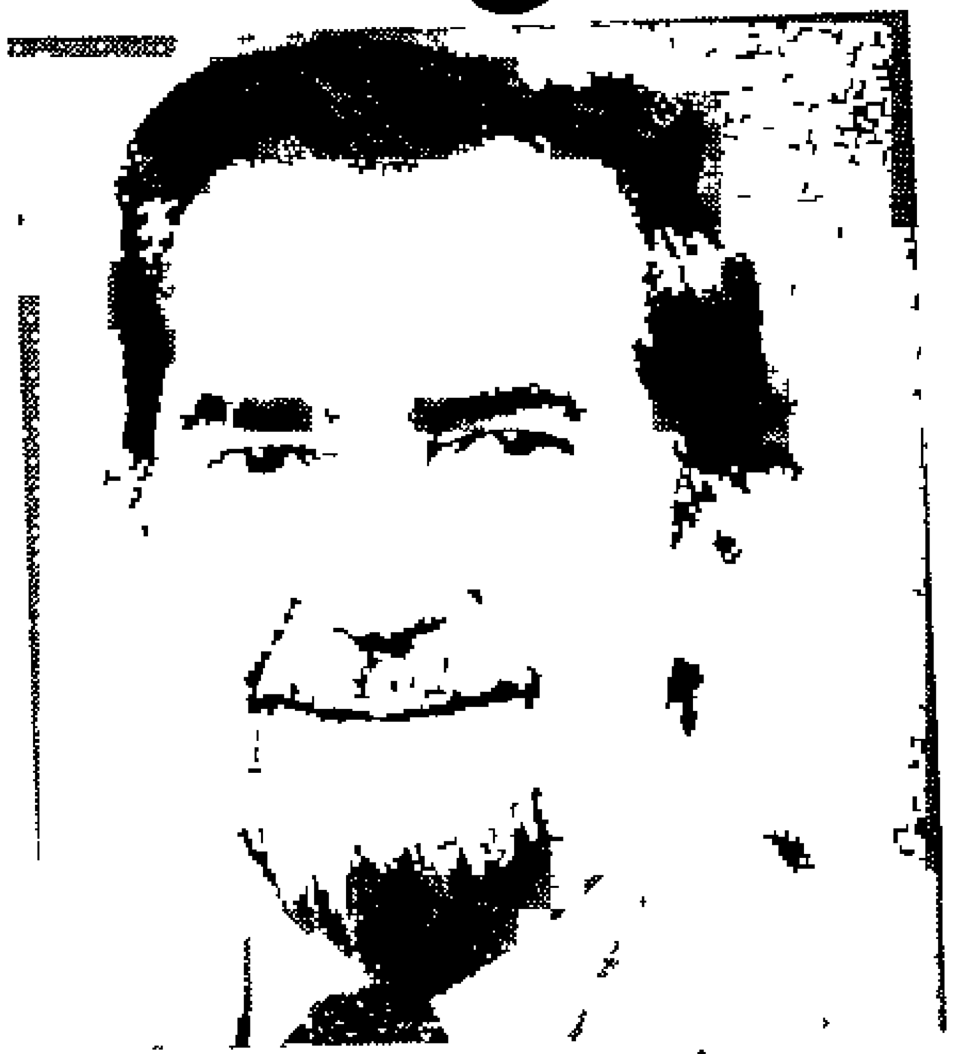
Mr Hammond attributes Edgars' good results to a number of factors

"It is not just one thing that makes it a better operation It's a combination of a number of things in a marketing strategy that is working at the moment".

However, Mr Hammond admits Edgars saw a gap in the market caused by the changing tastes of the emergent black middle class and set out to fill it.

"These people are becoming wealthier and their aspirations are becoming more like those of Europeans and we have managed to cater to their tastes," he said.

This has paid off handsomely. Mr Hammond says while consumer demand in the white market grew by about 25 percent last year, it grew by 50 percent in the black market



Mr Vic Hammond

The black market cash chain is on the mend and sales grew 22 percent in the second half of the year

The experimental Express group, which aims at the lower end of the black market, is showing progress, but has not yet reached a major expansion stage

Express has 18 stores and plans to open another 20 in the coming year

Mr Hammond says the group as a whole is still gaining market share

While he expects the rate of real growth to be well down on the past year's exceptional performance, the group is budgeting for a real increase in earnings a share.

In the year to March Edgars' operating profit rose 52 percent from R138,1 million to R209,7 million and its profit margin on sales rose from 11,7 percent to 13,27 percent.

Pre-tax profit rose 61 percent from R115,3 million to R185,2 million

A virtually unchanged 49 percent tax rate resulted in taxed earnings rising 61 percent from R58,1 million to R93,7 million.

Earnings per share rose 59 percent from 139c to 221c

Capital employed increased by 32 percent from R351,3 million to R465,3 million

This was financed partly by a R63,3 million increase in shareholders' capital and a R50,7 million rise in borrowings.

Gearing increased from a low 0,35 percent to a still acceptable 0,44 percent

One reason for the increase in capital employed has been the decision to capitalise financial leases.

Mr Hammond says stocks are about 20 percent higher than last year, in line with sales trends.

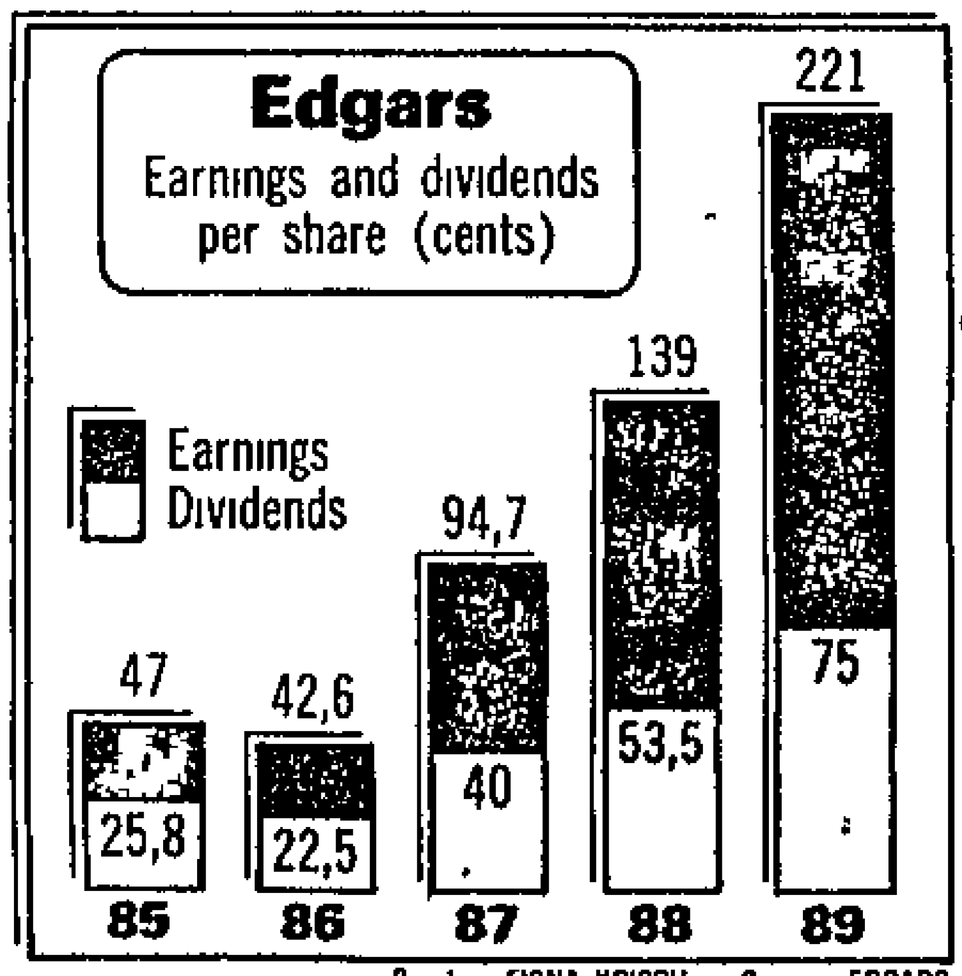
Collections were good and had shown no signs of deteriorating.

Edgars surpasses all expectations with ease

B Day 10/5/89

LESLEY LAMBERT

184



Graphic FIONA KRISCH Source EDGARS

EDGARS has reported another impressive set of results, outstripping growth in the national clothing and soft goods markets and surpassing performance expectations with ease

Turnover for the 53-week year to March grew by a nominal 34% to almost R1,6bn in a buoyant clothing, footwear, textile and accessories market, while real sales growth of 20% was more than double that recorded in the national market

This boosted attributable earnings by 59% to R95,2m, or 221c a share

A final dividend of 53c a share was declared, bringing the total for the year to 75c (53,5c) a share. Dividend cover was increased to 2,9 times in anticipation of the dilution in earnings that would occur when the debentures were converted to ordinary shares later this year

Group CE Vic Hammond said yesterday much of the group's success came from good merchandising and intensive marketing of its Edgars, Sales House and Jet chain stores, particularly to the upper- and middle-income black market

Aggressive account opening programmes pushed the number of active account holders from 1,8-million in the first half to more than two-million by the end of the financial year, in line with the group's expectations, and helped it to increase its share of the market to 14,5%

While Sales House reported the highest

● To Page 2

Edgars surpasses expectations with ease

B Day 10/5/89

● From Page 1

sales growth of the major stores at 43%, the lion's share of Edgars' 36% growth came from black consumers

Jet Stores, which was rationalised last year, has been under new management for the past five months While second half sales were up 22%, compared with about 17% in the first six months, Hammond said it would be some time before the full effects of the reorganisation were felt

The group is still waiting for the Express "experiment" to prove itself a worthy new formula before expanding the new chain of stores Essentially, a cash discount store selling Sales House merchandise at a 25% discount, Express has been repositioned and has been showing sales increases of up to 40% in the last five months

Fairly substantial growth in long-term borrowings on the group's balance sheet was attributed largely to the capitalisation of financial leases and adjustment of comparable figures to comply with a change in its accounting policy. As a result, gearing grew from last year's adjusted 35% to 44%

Canvacor to change name to Projec Investment Holdings

LIZ ROUSE 184

CANVACOR will change its name to Projec Investment Holdings following its drastic restructure

The change stems from the takeover by private investment company Inter-state Breweries, which now owns 89,9% of the company, and the sale of the Solid Pine companies to Alfred Komaz for R1,37m in March

Had the disposal been effective for the year ended November 1988, Canvacor's loss of 0,2c a share would have improved to a profit of 3c a share and net asset value would have increased to 26,2c a share from 21,6c a share

Canvacor's business will now comprise the manufacture of canvas products and protective clothing The directors intend to expand the nature of the operations to an investment holding company, acquiring additional assets when opportune

Share capital will be altered by converting current authorised share capital of 10-million ordinary shares of no par value to 10-million shares of 1c each Therafter, authorised share capital will be increased to R600 000, comprising 60-million shares of 1c each by the creation of 50-million shares of 1c each

BD 13/4/89

By Udo Rypstra

OK keeps tabs on fashions

OK BAZAARS plans a clothing marketing campaign with new labels and refurbished in-store fashion departments served by IBM point-of-sale (POS) terminals.

Information Services Management (ISM) has won a R9-million order for the POS terminals and other hardware. ISM has signed a R7-million contract to equip the company's second computer centre in Johannesburg

OK Bazaars branches in Alberton and Southdale will run a pilot study in their fashion departments next month. After July, installation of 430 IBM Model 4683 terminals will begin in 28 stores as well as at the Roodepoort and Menlyn Park, Pretoria, Hyperamas

OK Bazaars POS project manager Rob Purden says: "We are seeking a more polished 'shop-within-shop' concept. Part of this operation is an information system giving us quick reaction to trends and sales in fashions."

In a first for South Africa,

Information

OK Bazaars will use a double barcode label for its fashion goods. Both codes are scanned at checkout terminals The first code contains merchandising information, such as colour and size. The second contains the department number and selling price of the article.

Mr Purden says: "We will obtain merchandising information immediately. Now we rely on labour-intensive stock counts to gain this information. We tend to discover what lines have sold well only at the end of a season — far too late to do anything about it."

OK Bazaars has ordered a used IBM Model Q64 with performance improved features, an IBM Model 3990 controller and two 3745 communications controllers.

Cutrite has a markedly smarter appearance

B Day 16/5/89

(184)

CHARLOTTE MATHEWS

STEADY growth from clothing group Cutrite Investments in the year to February resulted in a rise of 25% in attributable profits after tax to R2,3m (R1,8m)

Improved margins are shown by comparing the 22% growth in turnover to R32m (R26m) with the 24% rise in operating profits to R5m (R4m)

Earnings rose to 13,8c a share and a final dividend of 3c was declared to bring the total for the year to 5,5c The 1988 annualised dividend was 5c a share

Cutrite has two divisions Cutrite Apparel, making men's quality trousers, and Diva Fashions, manufacturing fashion clothing for men and women

Financial director Hymie Feinberg stressed in an interview yesterday the company's growth was entirely organic

In the current year management is providing for additional unit growth in the black market but had no large capital commitments

Interest payments rose by R150 000 to R512 000, but Feinberg said this figure was not expected to rise unreasonably

MD Peter Edel said the market for Diva's products had considerable potential and Cutrite's order books were full up to December

"Notwithstanding the prospects for a weaker economy, the group is confident that the steady growth trend will be maintained," he said

Clothing, textiles offer good value

STW 17/5/89

184

Diagonal Street

JOHN SPIRA

Clothing and textiles are among the industries best placed to perform relatively well in the years ahead — almost irrespective of the economic climate.

Apart from the potential scope for heightened exports, they are industries which stand to benefit from two positive developments:

- Growing urbanisation, which is creating a new demand for clothing products as the blacks gravitating towards the urban areas acquire increased incomes and Western tastes.
- Import replacement, which is being encouraged by the sagging rand and the import surcharges.

In general, shares in the JSE's textile and clothing sector are attractively priced — largely because they comprise what is termed "second-line stocks" which are not especially marketable and therefore don't attract the interest of the financial institutions.

Looking particularly cheap is Progress Industries.

The company manufactures knitwear, clothing and textiles. Based in Natal, Progress's factories have suffered from reduced productivity as a result of black township unrest. Accordingly, the group has been unable fully to exploit the strong demand for its products.

Nevertheless, Progress achieved record sales and profits in the year to December 1988. Turnover rose 19,7 percent to R50,8 million, while earnings advanced from 107c to 158c a share and the distribution was increased from 36c to 42c.

Prospects for the current year are highly encouraging. The company's new Swaziland factory comes on stream before the end of June — a development which should contribute towards a major increase in turnover in the sweater division, which last year suffered production disruptions.

The apparel division, which produces clothing from knitted fabrics purchased from the group's textile division, should be operating at increased capacity now that new plant has been installed.

Order books in all three divisions are healthy and turnover for the first two months of 1989 was 36 percent ahead of the same period last year.

The shares yield an unusually generous 9,8 percent and offer an ultra-low 2,7 price-earnings multiple.

Dividends should rise to at least 50c this year for a forward yield of 11,6 percent.

In short, the shares contain extremely good value, bearing especially in mind that in 1990 the Swaziland factory will contribute a full 12 months of earnings.

(184) Fmail 19/5/89

PEPKOR

Why the bottom line stays sound

■ Dominance of low-income markets will strengthen Pep in a recession

Most retailers have been making a lot of noise about moving into the black market and enjoying the benefit of at least some of its enormous, and growing, spending power Some, however, have been entrenched in that market for years — and Pep is an outstanding example

But why, when Pep Stores has a history of continuous growth in earnings and profits, can other chains not repeat its success — and why, when its operations were this strong, did holding company Pepkor, at that time the only listed company in the group, fall from favour in the early Eighties?

Pepkor came to the market in 1972, the first major listing after the 1969 crash It was listed as Pep Stores and the name changed to Pepkor later Other group companies now listed are the pyramid, Pepgro, and two of the operating subsidiaries, Pep Stores and Shoprite Pepkor still gets just less than 90% of its income from retailing clothing and soft goods (Pep and Ackermans), with other interests comprising convenience stores chain Hyperette, a property company, and a printing concern

Though there has been some diversification, one reason for Pep's success must be its sharp focus Founded by Renier van Rooyen in Upington in 1955, Pep was the first group to be established which specifically discounted clothing to low-income groups. The idea was to concentrate on high volumes and low margins and — while the business was profitable from the start — it took time to evolve the right formula Chairman Christo Wiese says Van Rooyen developed the format over the first 10 years through trial and error and experimentation is continuing

Ten years is substantially longer than any company would be prepared to invest in developing a chain now; yet, with the formula established by Pep, it might appear easy to create imitations Wiese suggests one reason why other groups have never succeeded in penetrating the same market as Pep — though several have tried, some of them more than once — is that Pep has become so strong and dominant that its position is difficult to challenge.

Executives of two clothing retailers admit they do not understand Pep's market Their companies' attempts to enter it have convinced them they would do better concentrating their efforts elsewhere

Delicate touch

Ackermans, for example, was bought by the group from Edgars in 1984 and turned from a loss to a profit in one year Just how delicate a touch is needed in this market can be seen from the fact that 95% of Ackermans' merchandise is the same as Pep's However, the name and the ambience differ — and some customers prefer to shop at Ackermans rather than Pep In one case, the change to an Ackermans store led to a 60% increase in sales

Then there is the choice of merchandise — the CE of another clothing chain says his buyers cannot tackle this particular market successfully Wiese points out that there have been major changes in Pep itself in the past 10 years A decade ago the merchandise was less imaginative, but the combination of experience and more diversified sources of supply has meant goods have become far more fashionable and exciting in this market

Store layout has also changed at Pep. Shop sizes were increased then reduced again and in-store display was also modified Yet another competitor says he would probably install a totally different layout and realises it's unlikely it would be acceptable to Pep customers, who appear to prefer piles of goods they can rummage through, rather than the more usual open and easily accessible displays

Though Pep Stores has done consistently well, Pepkor made its mistakes, as shown by its performance in the mid-Eighties Until 1983, Pepkor had a solid financial history, with a compound annual growth rate in profits of 25% after extraordinary items In 1983 and 1984, earnings dropped sharply, followed by losses in 1985 and 1986

Wiese explains that problems came with expansion into unrelated sectors of manufacturing During the first decade after the move into manufacturing, all went well and the group became the second largest clothing manufacturer in SA The first acquistion was Budget Footwear from Romatex in 1971, with Pep buying almost all of Budget's production, this was actually a defensive measure

For a number of years, then, the manufacturing philosophy was refined Says Wiese. "We have strict disciplines about how much we take of a factory's output and even how much of one line We see our manufacturing operations as a cut, make and trim service for the buying department We also manufacture only basic items with very long runs" If Pep reads the market wrong, it reduces supplies from outsiders and keeps its own factories going

In 1981, management decided to diversify — and the IL Back (ILB) chain was up for sale, Rembrandt having failed to make a success of it At that time Pepkor's pre-tax profit was R20m and it seemed ILB's losses of R2m could be handled until the company was turned around However, says Wiese, "we ran into the same basic problems as Rembrandt and made the same mistake in thinking that we would get it right by making it bigger"

The factory covered 6,07 ha (15 acres), all under one roof, with constant pressure to keep busy Unlike Pep Stores, this was all very capital-intensive and borrowings leapt as interest rates hit record levels To contain those costs, Pep made the same mistake as scores of other SA companies it went overseas for finance, just before the rand collapsed To make matters worse, the new sales outlet in the US, which helped take some of the ILB production, had to be closed in the wake of sanctions

To release funds, Pepkor placed its properties in a joint finance company Unfortunately, because of the way it was constructed, rising interest rates forced Pepkor to take losses on to its income statement — which had an opposite effect to that intended Finance charges shot from R5,9m in 1982 to R10,4m in 1983, to R23m in 1985 and R40m in 1986 The profit on foreign exchange transactions of R2,9m in 1983 quickly turned into losses of R6m, R40m and R52m in the following years In 1986, they were more than the operating profit

Other extraordinary items had a similar impact on net profit A profit in 1985 became losses in the following two years, reaching R19m in 1987, as a number of ILB operations were closed and the rest sold off

These sales alone could not stop the haemorrhaging "Our saving grace was that the core businesses of Pep and Shoprite kept on track," says Wiese "We had to list the two top performing divisions (Pep Stores and Shoprite) so that the market could see the value in the group This was done in 1986 and in 1987 we sold a percentage of Pepkor's holding to obtain the necessary spread"

Chairman Wiese ... core businesses stayed on track

That, as well as a rights issue, brought in new funds, with the result that debt fell from R129m in 1987 to R4,3m in 1988, while the problems in the joint finance company were resolved By the end of February 1989, Pepkor had R101m in cash.

Another factor in Pep's rehabilitation was its refocus on the original businesses Monatic was sold, as were other businesses which were profitable but not part of the core

Benefits were seen in the year to end-February 1988 Operating profit climbed from R56m to R72m, taxed profit went from R6,5m to R42,3m and after extraordinary items, the turnaround was from a loss of R12m to a profit of R69m In the 1989 year, taxed profits climbed another 50%

In a big group, losses of this size would probably have meant a change in top management With Pep, Wiese — who has control — remained at the helm He may have sailed into the storm, but he also sailed out of it — and, to many investors, Wiese *is* Pep

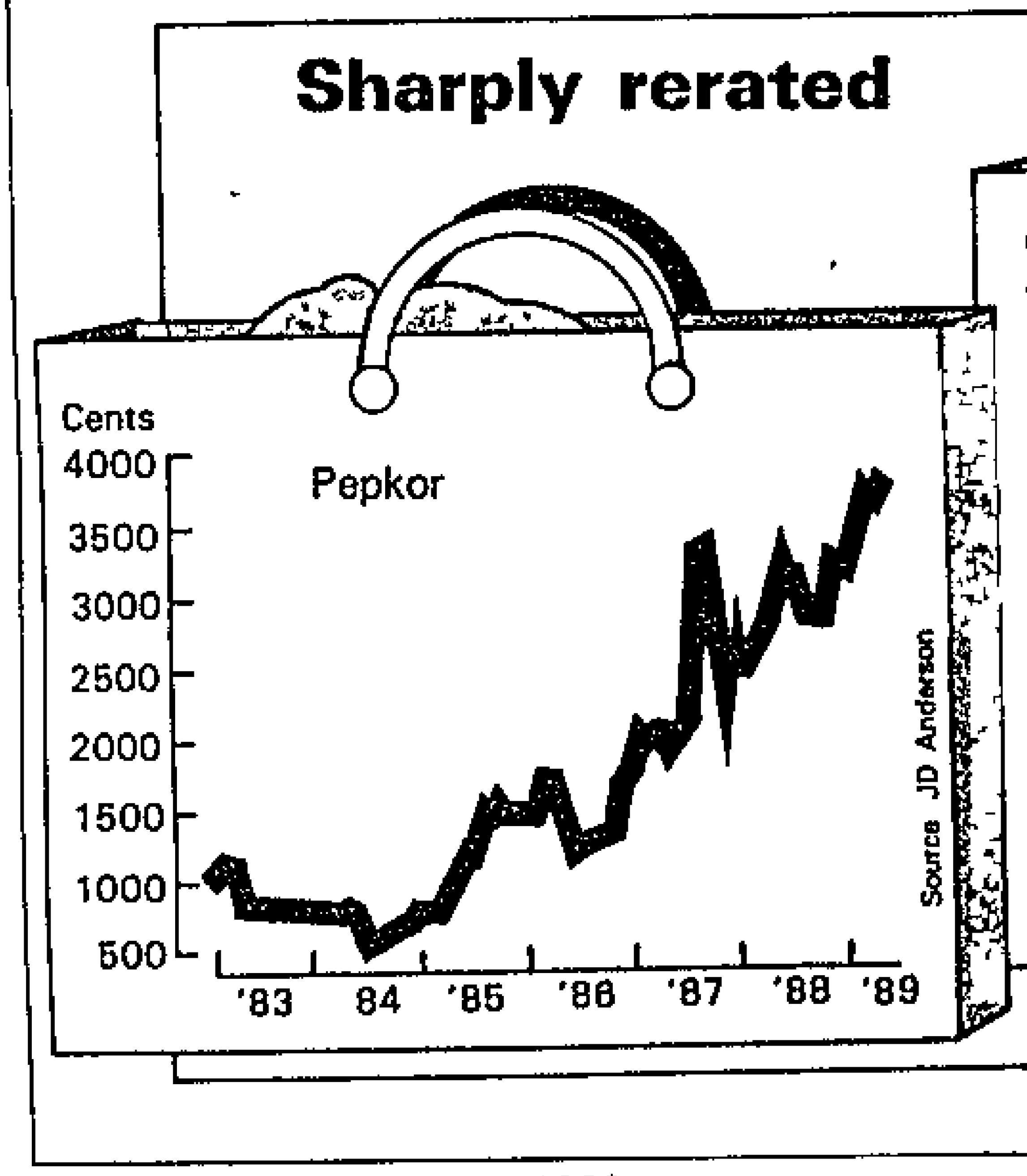
He joined in 1967, directly from university and stayed for seven years until after the listing Then for five years he practised as an advocate, before returning to Pep and becoming its largest shareholder, with Van Rooyen's retirement in 1982 It is difficult to see Wiese sitting still now that everything is running smoothly again and his eyes, like those of many SA businessmen, are turning to neighbouring states as well as overseas — specifically the UK

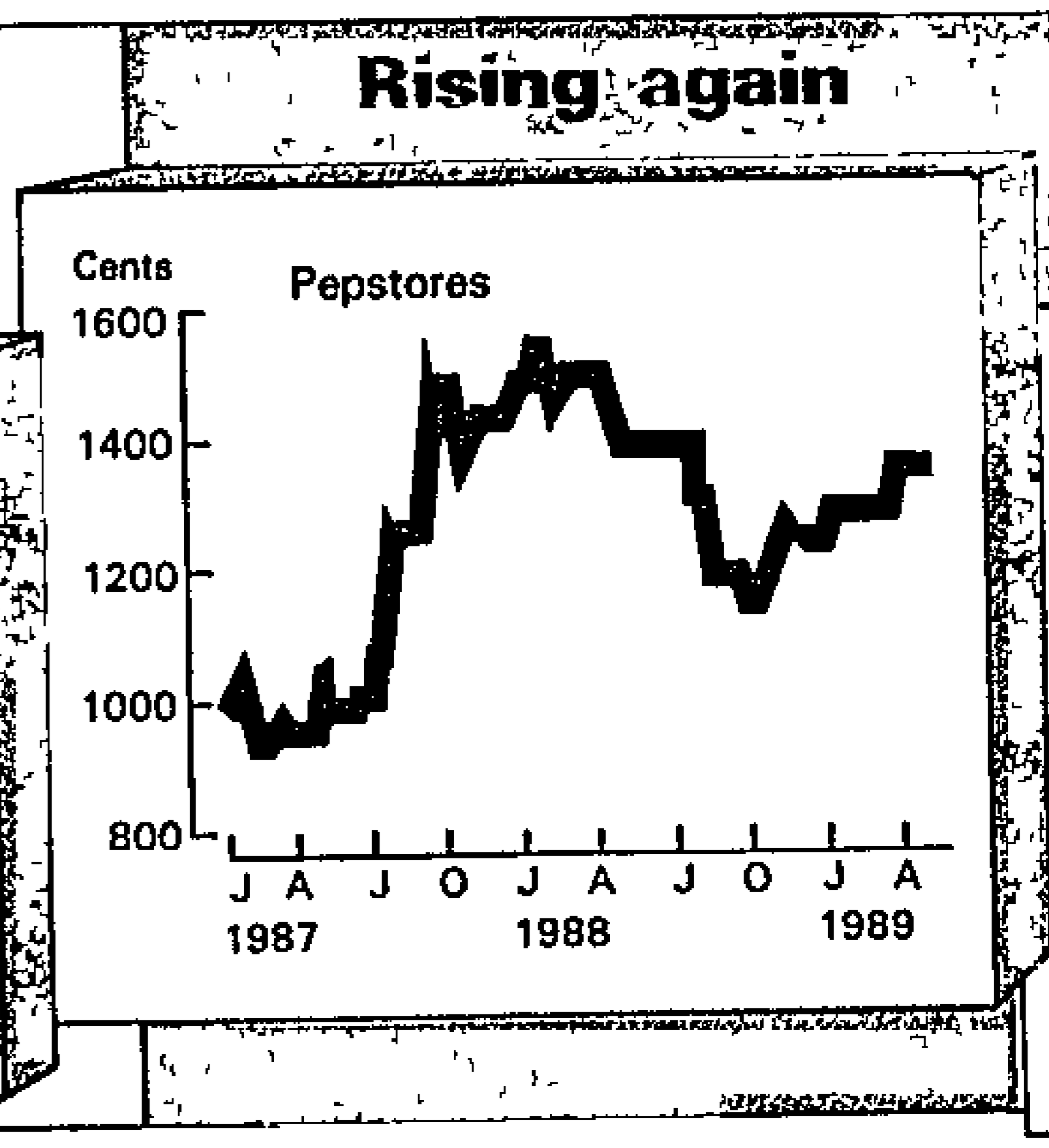
But won't Pepkor have similar problems there to those its competitors are experiencing in entering Pepkor territory in SA? Wiese believes not He points out that chains catering to low-income groups already exist in the UK. A few changes — to the layout, for example — may be needed, but he believes the most important consideration will be to have a Pep executive in Britain running the chain.

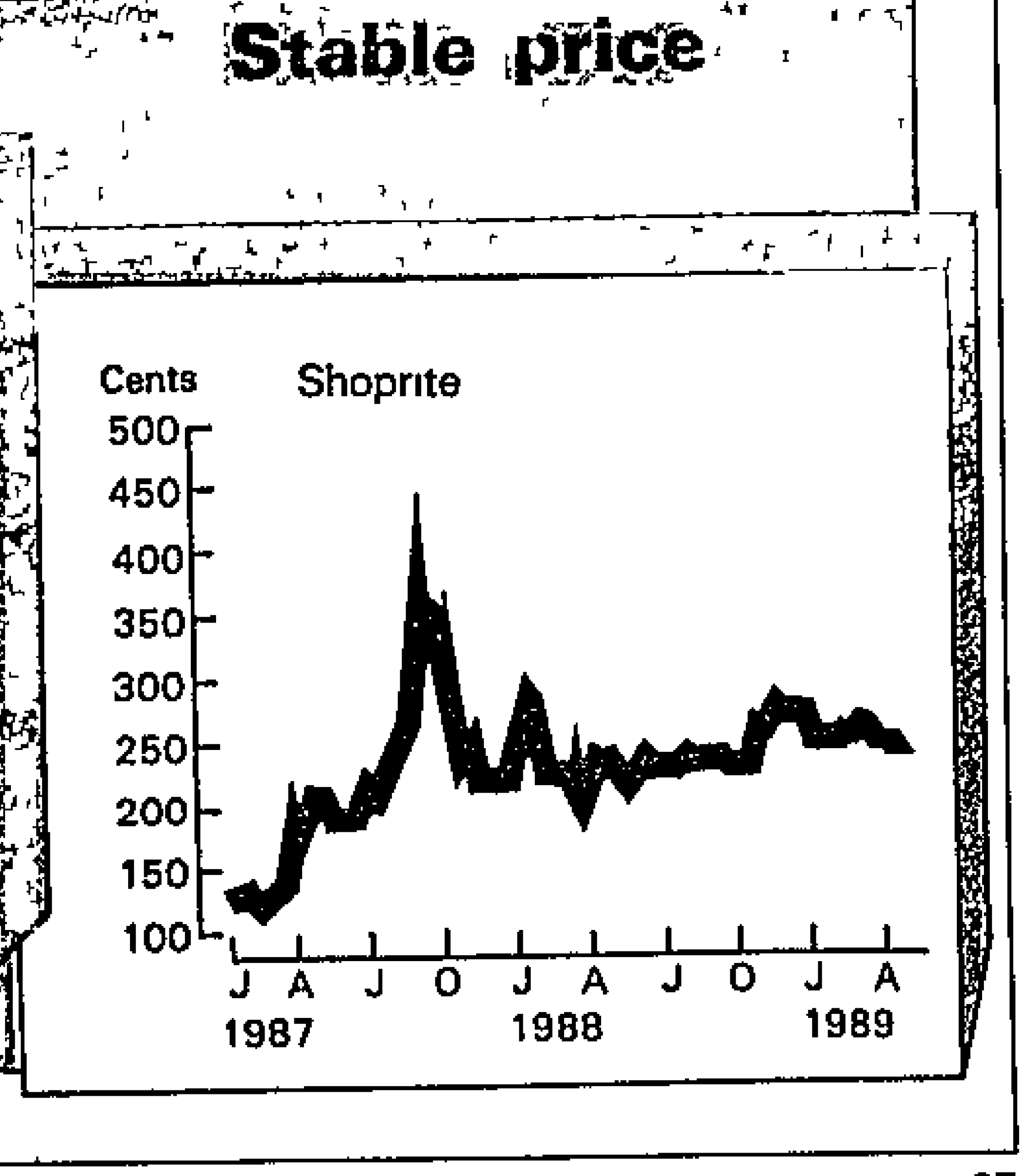
"We are not sure whether we shall buy an existing chain, but this is very expensive through the finrand," he says So, "we will probably establish a new chain" Apart from the hoped-for profits from the chain, there should be spin-off benefits for Pep from exports to a UK subsidiary. It may, however, have to face up to a new experience. that of stiff competition.

In SA, Pep's closest competitors are still concentrating on higher-income groups than its target markets. And management believes that in recessions consumers tend to buy down — while at other times the lower-income groups are always there.

But wherever it goes from here, Pepkor has come a long way in three years It has had its distribution side in good shape for more than two decades It has corrected its focus and its financial problems It also appears to be about as recession-proof as a consumer company can be *Pat Kenney*







TEXTILES (184) Fmail 19/5/89

Green or amber?

The Board of Trade & Industries' (BTI) report on clothing and textiles won't necessarily encourage increased capital expenditure in the textile industry. Though companies are gearing up to spend, the Textile Federation says the report is no more than an amber light.

President Ernest Wilson says much of SA's textile plant urgently needs refurbishment "At least R500m will have to be spent over the next five years on upgrading The cost of any expansion will be on top of that "

He says textile companies may spend only half that amount if there is continued uncertainty about the degree of protection the industry will enjoy after five years

The BTI report calls for import duties to decline by 50% over the next five to eight years "We would prefer a 10-year span We would also like more realistic formula duties on some yarns and fabrics," says Wilson

He adds that capital equipment will have to be imported and surcharges will almost certainly be payable, unless equipment is used specifically for exports "It will be a long haul to build a dedicated export facility, with keen competition in the international textile market," Wilson explains

Nevertheless, major groups plan major plant reinvestment. The Frame Group has launched a capital and reconstruction programme in which it expects to spend "tens of millions of rand" over the next few years It has appointed Mike Bouchier, former MD of Consolidated Cotton, as group planning and export co-ordinator

Romatex is spending R25m modernising its cotton apparel fabric and its household textiles factories and will make "significant" new investments to upgrade its worsted factories Hextex at Worcester and Veldspun at Uitenhage and expand into export orientated projects

Da Gama has committed R100m over the next five years

Anglovaal Industries textiles director David Royston says capital expenditure plans have been accelerated because there is a

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more confident climate, but he adds: "This climate could be very rapidly eroded if inflation destroys our international competitiveness."

Romatex economist Jon van Coller says growth should continue despite a tapering-off in overall economic outlook

"While there are conflicting views within the textile and clothing sector on the implied benefits in the BTI report, it has undoubtedly clarified many doubts and given those industries a path to follow," he says

But he warns the local market will enjoy sustained growth only if the price increases of local clothing and other textile-based products do not exceed the inflation rate. ■

PEPKOR (184) (83) (84) 19/5/89

Why the bottom line stays sound

■ Dominance of low-income markets will strengthen Pep in a recession

Most retailers have been making a lot of noise about 'moving into the black market and enjoying the benefit of at least some of its enormous, and growing, spending power. Some, however, have been entrenched in that market for years — and Pep is an outstanding example

But why, when Pep Stores has a history of continuous growth in earnings and profits, can other chains not repeat its success — and why, when its operations were this strong, did holding company Pepkor, at that time the only listed company in the group, fall from favour in the early Eighties?

Pepkor came to the market in 1972, the first major listing after the 1969 crash It was listed as Pep Stores and the name changed to Pepkor later Other group companies now listed are the pyramid, Pepgro, and two of the operating subsidiaries, Pep Stores and Shoprite Pepkor still gets just less than 90% of its income from retailing clothing and soft goods (Pep and Ackermans), with other interests comprising convenience stores chain Hyperette, a property company, and a printing concern

Though there has been some diversification, one reason for Pep's success must be its sharp focus. Founded by Renier van Rooyen in Upington in 1955, Pep was the first group to be established which specifically discounted clothing to low-income groups. The idea was to concentrate on high volumes and low margins and — while the business was profitable from the start — it took time to evolve the right formula. Chairman Christo Wiese says Van Rooyen developed the format over the first 10 years through trial and error and experimentation is continuing.

Ten years is substantially longer than any company would be prepared to invest in developing a chain now, yet, with the formula established by Pep, it might appear easy to create imitations Wiese suggests one reason why other groups have never succeeded in penetrating the same market as Pep — though several have tried, some of them more than once — is that Pep has become so strong and dominant that its position is difficult to challenge

Executives of two clothing retailers admit they do not understand Pep's market Their companies' attempts to enter it have convinced them they would do better concentrating their efforts elsewhere

Delicate touch

Ackermans, for example, was bought by the group from Edgars in 1984 and turned from a loss to a profit in one year. Just how delicate a touch is needed in this market can be seen from the fact that 95% of Ackermans' merchandise is the same as Pep's However, the name and the ambience differ — and some customers prefer to shop at Ackermans rather than Pep In one case, the change to an Ackermans store led to a 60% increase in sales.

Then there is the choice of merchandise — the CE of another clothing chain says his buyers cannot tackle this particular market successfully Wiese points out that there have been major changes in Pep itself in the past 10 years A decade ago the merchandise was less imaginative, but the combination of experience and more diversified sources of supply has meant goods have become far more fashionable and exciting in this market

Store layout has also changed at Pep Shop sizes were increased then reduced again and in-store display was also modified Yet another competitor says he would probably install a totally different layout and realises it's unlikely it would be acceptable to Pep customers, who appear to prefer piles of goods they can rummage through, rather than the more usual open and easily accessible displays

Though Pep Stores has done consistently well, Pepkor made its mistakes, as shown by its performance in the mid-Eighties Until 1983, Pepkor had a solid financial history, with a compound annual growth rate in profits of 25% after extraordinary items In 1983 and 1984, earnings dropped sharply, followed by losses in 1985 and 1986

Wiese explains that problems came with expansion into unrelated sectors of manufacturing During the first decade after the move into manufacturing, all went well and the group became the second largest clothing manufacturer in SA The first acquistion was Budget Footwear from Romatex in 1971, with Pep buying almost all of Budget's production, this was actually a defensive measure

For a number of years, then, the manufacturing philosophy was refined Says Wiese "We have strict disciplines about how much we take of a factory's output and even how much of one line We see our manufacturing operations as a cut, make and trim service for the buying department We also manu-

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facture only basic items with very long runs" If Pep reads the market wrong, it reduces supplies from outsiders and keeps its own factories going

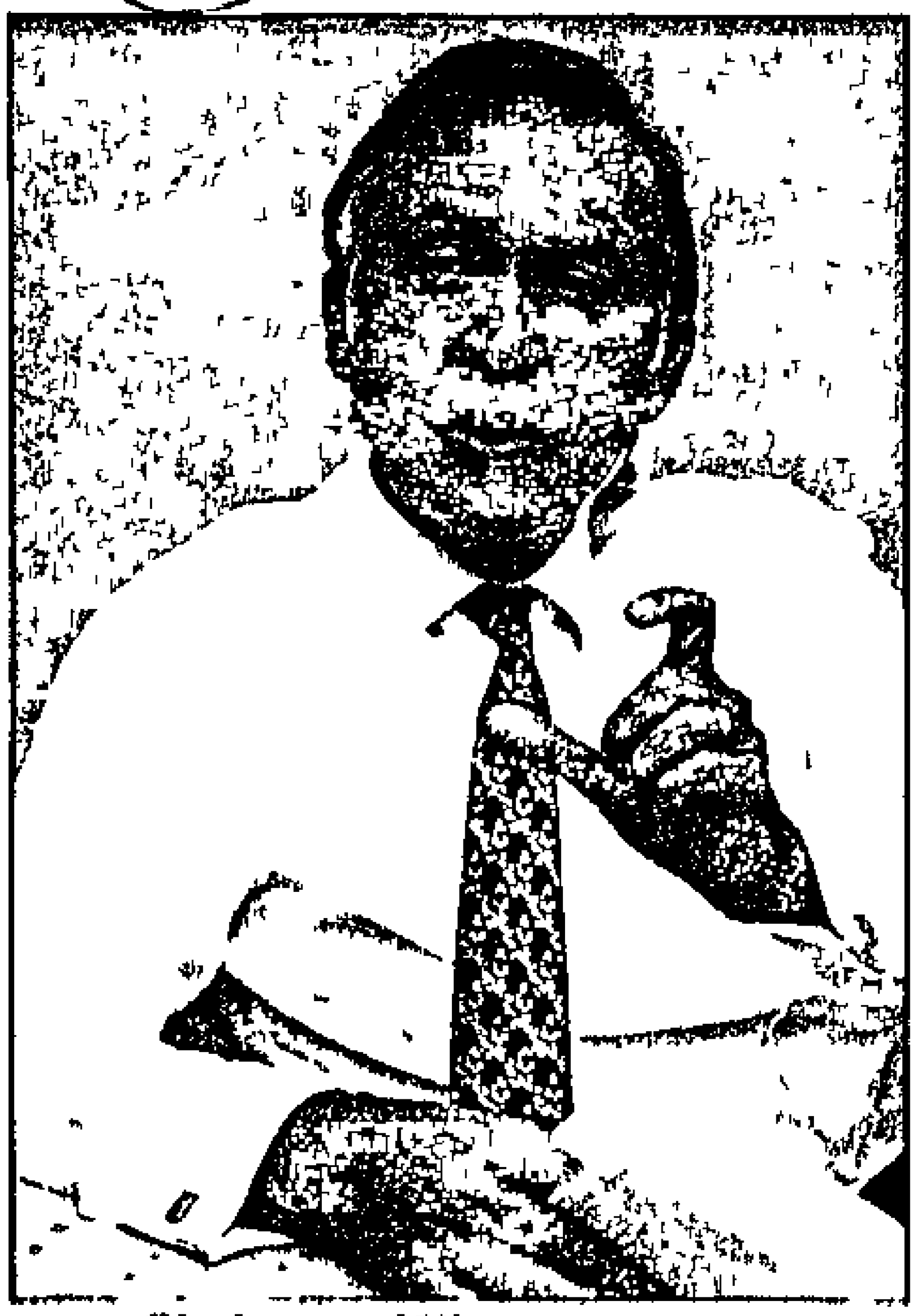
In 1981, management decided to diversify — and the IL Back (ILB) chain was up for sale, Rembrandt having failed to make a success of it At that time Pepkor's pre-tax profit was R20m and it seemed ILB's losses of R2m could be handled until the company was turned around However, says Wiese, "we ran into the same basic problems as Rembrandt and made the same mistake in thinking that we would get it right by making it bigger"

The factory covered 6,07 ha (15 acres), all under one roof, with constant pressure to keep busy Unlike Pep Stores, this was all very capital-intensive and borrowings leapt as interest rates hit record levels To contain those costs, Pep made the same mistake as scores of other SA companies it went overseas for finance, just before the rand collapsed. To make matters worse, the new sales outlet in the US, which helped take some of the ILB production, had to be closed in the wake of sanctions

To release funds, Pepkor placed its properties in a joint finance company Unfortunately, because of the way it was constructed, rising interest rates forced Pepkor to take losses on to its income statement — which had an opposite effect to that intended Finance charges shot from R5,9m in 1982 to R10,4m in 1983; to R23m in 1985 and R40m in 1986. The profit on foreign exchange transactions of R2,9m in 1983 quickly turned into losses of R6m, R40m and R52m in the following years. In 1986, they were more than the operating profit.

Other extraordinary items had a similar impact on net profit. A profit in 1985 became losses in the following two years, reaching R19m in 1987, as a number of ILB operations were closed and the rest sold off.

These sales alone could not stop the haemorrhaging. "Our saving grace was that the core businesses of Pep and Shoprite kept on track," says Wiese. "We had to list the two



Chairman Wiese ... core businesses stayed on track

top performing divisions (Pep Stores and Shoprite) so that the market could see the value in the group. This was done in 1986 and in 1987 we sold a percentage of Pepkor's holding to obtain the necessary spread."

That, as well as a rights issue, brought in new funds, with the result that debt fell from R129m in 1987 to R4,3m in 1988, while the problems in the joint finance company were resolved By the end of February 1989, Pepkor had R101m in cash.

Another factor in Pep's rehabilitation was its refocus on the original businesses. Monatic was sold, as were other businesses which were profitable but not part of the core.

Benefits were seen in the year to end-February 1988 Operating profit climbed from R56m to R72m, taxed profit went from R6,5m to R42,3m and after extraordinary items, the turnaround was from a loss of R12m to a profit of R69m In the 1989 year, taxed profits climbed another 50%

In a big group, losses of this size would probably have meant a change in top management With Pep, Wiese — who has control — remained at the helm He may have sailed into the storm, but he also sailed out of it — and, to many investors, Wiese *is* Pep

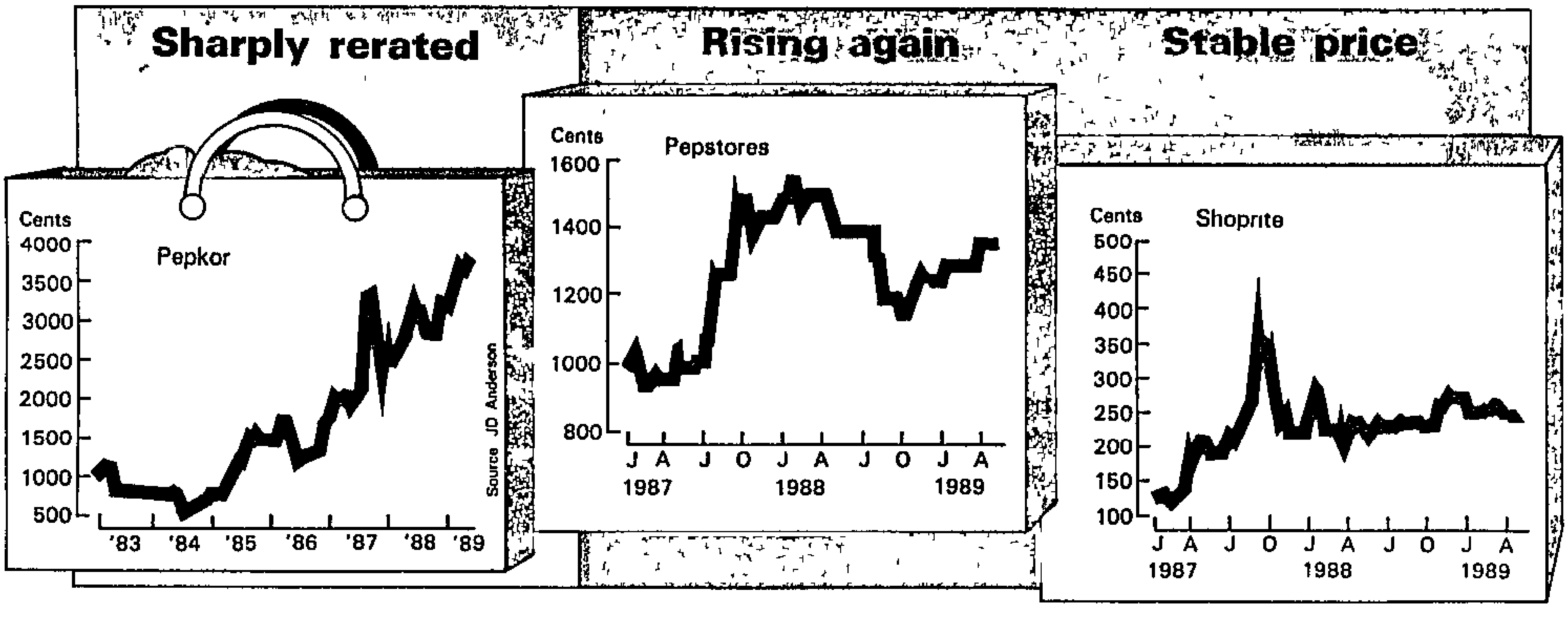
He joined in 1967, directly from university and stayed for seven years until after the listing Then for five years he practised as an advocate, before returning to Pep and becoming its largest shareholder, with Van Rooyen's retirement in 1982 It is difficult to see Wiese sitting still now that everything is running smoothly again and his eyes, like those of many SA businessmen, are turning to neighbouring states as well as overseas — specifically the UK

But won't Pepkor have similar problems there to those its competitors are experiencing in entering Pepkor territory in SA? Wiese believes not He points out that chains catering to low-income groups already exist in the UK A few changes — to the layout, for example — may be needed, but he believes the most important consideration will be to have a Pep executive in Britain running the chain

"We are not sure whether we shall buy an existing chain, but this is very expensive through the finrand," he says So, "we will probably establish a new chain" Apart from the hoped-for profits from the chain, there should be spin-off benefits for Pep from exports to a UK subsidiary It may, however, have to face up to a new experience that of stiff competition

In SA, Pep's closest competitors are still concentrating on higher-income groups than its target markets And management believes that in recessions consumers tend to buy down — while at other times the lower-income groups are always there

But wherever it goes from here, Pepkor has come a long way in three years It has had its distribution side in good shape for more than two decades It has corrected its focus and its financial problems It also appears to be about as recession-proof as a consumer company can be *Pat Kenney*



Infash beats forecasts and doubles profit

184

BD 23/5/89

CHARLOTTE MATHEWS

RESULTS from recently listed Independent Fashion Holdings (Infash) for the year to February have exceeded the November 1988 forecast and show a doubling of the previous year's profits.

Earnings of 10,7c a share were forecast and 11,4c was achieved, compared to the *pro forma* 5,6c for 1988

A dividend of 3,5c a share (as forecast) was declared against 1,5c for the previous year

Infash was formed in 1987 by the merger of Buirski and Valmont and subsequently acquired Lady J and six of the Dressking stores

It was listed on the DCM with 17 fashion retail outlets With effect from March 1989 Infash bought three stores from Baynes (Pty) Ltd

The 77% rise in turnover to R13,4m (R7,6m) partly reflects the recent acquisitions and partly stems from organic growth, say directors

"The acquisitions of the new stores late in the last financial year give a new scale to the group as is evidenced by the turnover and profits The true impact will be even more significant in the new year

"The company is well positioned to take full advantage of opportunities which may present themselves," they say

On March 23 the company issued a cautionary announcement and said yesterday negotiations were at an advanced stage.

Infash acquires Dressking for R600 000

CHARLOTTE MATHEWS

INDEPENDENT Fashion Holdings (Infash) has announced the acquisition of women's and children's clothing retailer and wholesaler Dressking for R600 000

The purchase raises the number of stores in the Infash group to 27

Directors say "The merging of the business will result in two major competitors in the ladies fashion market being grouped together within a single entity

"It will give substantial synergistic benefits which will have a favourable impact on the group's future earnings"

Infash released final results for the year to February on Wednesday, showing a doubling of earnings to 11,4c (5,6c) a share

Smart suits from dowdy premises

S[Times 28/5/89 (184)

MODISH its suits may be — but in most other ways clothing major Rex Trueform is old fashioned, if not downright quaint

The fashion house is based in dowdy premises in the bustling industrial area of Salt River, one of the few ugly areas of Cape Town

Executive chairman Stuart Shub, son of the founder, keeps a subterranean profile

In his absence abroad, financial director Allan Hodgkinson is nonplussed by an unsolicited visit by a newspaperman

Nobody from outside the Cape has ever looked at the company as far as he can remember

Technology

An elderly P J Dobowitz, who founded the company with Mr Shub, snr, in 1933, is still on the board, as is Mr Shub's elder brother C M Shub They are the old guard

Rex True has brought new blood on the board — six men in their thirties to fifties

Even they have had more than 20 years each with the company.

There is high technology in

By David Carte

the form of computer-aided garment design — but otherwise, it is a low-tech operation

Most of Rex True's garments are made by hand — about 3 500 pairs of hands on industrial sewing machines in factories in Salt River, Wynberg, Atlantis and Port Elizabeth

Emphasis

It is an outstanding labour force, says Mr Hodgkinson — loyal, dedicated and highly productive But it is getting expensive Last year wage and salary increases totalled 34% Labour is the second-biggest cost after raw materials

Rex Trueform grows organically, not by acquisition The emphasis is more on profits and retentions than size

"Big isn't necessarily beautiful," says Mr Hodgkinson

There was a bad year in 1950 when the dividend was passed But the 10-year record is good There were hiccups in 1984 when a big export customer left the company high and dry and in 1986 when earnings dropped to 140,6c a share — half their level of 1982

Times have been good recently Last year Rex True made R11,8-million (286,8c a share) after tax In the half-year to December, it made R8,1-million and R16-million is a possibility for the current year — not a bad taxed return (24%) on equity of R66,6-million

High interest rates may not hurt Rex True because it is virtually debt free, but together with other measures to cool the economy they could squeeze customers

Buoyant

But for now Mr Hodgkinson reports that demand is still buoyant and forward orders have seldom been better

Rex Trueform is one of a few companies listed on the JSE which does not disclose turnover That would give competitors an advantage, says Mr Hodgkinson, who takes pride in Rex True's identity as "a conservative Cape Town company" The company is so conservative that it did not celebrate its 50th anniversary

Rex True likes to have cash in the bank. Last balance sheet there was R14,7-million Cash was built up by means of high dividend cover (3,8) to redeem R12-million of pref shares next year.

The house's trade names include Rex Trueform, John Stephen, Cassidy, Miss Cassidy, Giorgio, Lanvin, Daks and Hang Ten

Exports are an important part of sales — but Rex True gives nothing away in the form of information But the lower rand will be partial compensation for negative SA economic trends

The AECI pension fund has outright control and institutions hold most of the rest of the shares tightly

If property values are adjusted to market value, Rex True has a net asset value of about R16 a share The market price of R13 is thus a discount of 19% to net assets

The share is 4,5 historical earnings If Rex True makes R16-million this year, earnings will be 387c and the forward PE something like 3,3

It looks a bargain, but it is not easy to find even 500 shares

After 33 years, strikes have changed at Hex Tex

1-7/6/89 Smith (144)

SPIRITS are continuing to run high among strikers at the Hex Tex factory in Worcester as the strike, one of the most significant ever in the Boland, entered its third week.

A shopsteward said the more than 900 strikers, members of the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa), were determined to continue the struggle

"We are still united and will not give up our battle," she said.

The workers are demanding an annual service bonus of 50 cents a week from the first year of service.

Regional secretary Ebrahim Patel said no meetings between the union and management had taken place since the strike began.

Patel said workers received a note saying the company was prepared to pay a bonus from the first year of service but was still holding out for 25 cents.

The strike is the first to take place at the factory, one of two major employers in Worcester, since 1956.

Chrissie Ross is one of several strikers who was working at the factory in 1956

"Then we earned one pound 76 a week After the strike we got an extra two shillings a week," she said

"But there is no comparison between that strike and now Then we had to sit outside while the union leaders discussed agreements with the bosses

"Now in Actwusa we have worker control

"We as workers say what should happen We have set up committees to run our strike programme and to discuss tactics."

Ross, like most of the other workers, earns R107 a week.

"After all these years of service I deserve a bonus We want to have that 50 cents!" she said

Workers said they were encouraged by the support they were receiving from the community in Worcester

Several organisations have given money and food to the strikers

A solidarity church service was held on Tuesday night.

On Saturday there will be a big walk from the factory to the AME church hall where workers will stage a play they have been practising during the strike

Newcomers take on clothing giants

Star 8/6/89

184

By Derek Tommey

The listing today of Speciality Stores has opened the way for two talented and dynamic 43-year-olds, Stuart Cohen and Laurie Chiappini, to make huge waves in the retail trade

They are planning to increase the number of stores in their group by more than 100 in the next four years

Edgars, Foschini and Truworths, look out! There is someone out there treading on your tails

The two are joint managing directors of Speciality Stores They have worked in partnership for many years and between them have almost 50 years of retailing experience

The excellence of this experience has been shown to advantage since they took operating control and a substantial financial stake in Speciality's forerunner, John Orr, three years ago

In their second year with the group they lifted turnover by 37 percent, earnings by 61 percent to 90c and the dividend by 57 percent to 35c They followed this up in the year to February with a repeat performance

Operating from a bigger base, they increased turnover by another 37 percent, earnings by 40 percent to 126c (more than doubling earnings in two years) and raised the dividend by 37 percent to 48c

Now, with R17 million in the kitty as a result of a rights issue (much of it subscribed by financial institutions which have faith in the two men), with gross assets of R83 million and gearing below 10 percent, they are well positioned to weather any downturn and to continue with their rapid expansion

Helping is the group's position in the market

Overall, the group is aiming to meet the needs of the lower- and middle-income whites and, more importantly, of middle- and upper-income blacks and Indians whose spending power is increasing

Mr Cohen said last night "We believe our group is benefiting from the structural shift in wealth that is taking place in South Africa"

Planned expansion includes opening at least another 12 Milady's stores this year, bringing their number to more than 140 Last year Milady's sales grew by 37 percent and profits by more than 44 percent.

They are planning to expand the Hub chain, which sells men's, women's and children's clothing and home textiles and housewares until it dominates the Natal area, after which it will start opening in the Transvaal

The big drive will be to open 50 Mr Price Stores and 50 Footgear Stores in the next four years

Mr Price stores operate for cash and will be selling men's, women's and children's clothing, though aimed mainly at the 14-to-35 age group, at prices 30 percent below normal retail levels

The concept had been highly successful, Mr Chiappini said last night

Footgear, which sells shoes for cash at low prices, was also a sound and profitable concept, he said

In addition to internal expansion, the group is planning to expand by acquisition

"We know precisely the sort of businesses that would complement our group and we will wait until the appropriate opportunity arises," said Mr Cohen

He said it was the group's objective to become the leading speciality store retailer in SA

The R17 million was raised by a rights issue of Speciality Stores shares at 340c each

Apart from raising new capital, the share issue gave management a chance to extend share ownership among staff, said Mr Cohen

About a third of them would now have shares or share options

"In spite of the reorganisation that has taken place, we have not lost a single manager This is because our share scheme gives them a greater stake in the group," said Mr Chiappini

Speciality Stores nil-paid letters were trading at 60c yesterday, suggesting that the shares will be trading at around R4 today

Both men are forecasting a dividend of 24c for the year to February 1990, which means that at R4 the shares will be offering a potential yield of six percent.

country, giving a major

Minorco to petition US Supreme Court

Star 21/6/84

Star Bureau

LONDON — Minorco is leaving nothing to chance in its attempts to end the US litigation which prevented it taking over Consolidated Gold Fields.

It has now petitioned the US Supreme Court to consider whether a US court should have jurisdiction over a private civil action brought by Consgold.

The Supreme Court will review the case in its next session, beginning in October.

The issue is separate from the anti-trust case brought by Consgold and its associate Newmont Mining which Minorco is contesting but for which no timetable has yet been fixed.

As a result of the injunction granted by the US court, Minorco's offer for Consgold lapsed, despite a 55 percent acceptance of the £3,5 billion bid by Consgold shareholders and the clearance of the deal by the UK Monopolies Commission, the EEC Commission, the US Department of Justice and other regulatory bodies.

According to UK takeover law, Minorco can only make a renewed bid for Consgold early next year.

The settlement of cases in the US courts is an essential prerequisite to a new offer.

In a wider sense it would also clear Anglo American should it wish to consider major expansion in the US.

Minorco said it decided to petition the Supreme Court because there were substantial issues of public interest in which the court might be concerned.

It has requested the court to address three questions.

The first is to consider whether the target of a hostile takeover bid, such as Consgold, has standing to challenge the bid under US anti-trust laws, given that the management of the target is generally not motivated by concern for competition

The second issue is whether a plaintiff must present evidence, rather than mere allegations of "injury of the type the anti-trust laws were intended to prevent" in order to have standing to enjoin an acquisition

Finally, the court will be asked to consider whether US courts must, for reasons of international courtesy, exercise restraint before enjoining an acquisition of one foreign company by another on US anti-trust grounds, where the anti-trust authorities in all relevant jurisdictions have cleared the acquisitions.

Corporation Limited

th Africa)

Cashworths has pile of cash

Star 21/6/84

184

By Lynne Peach

DCM-listed Cashworths could be taking on a whole new direction as far as the nature of its business is concerned.

Having sold its non-profitable operations and fixed properties, the group has a pile of cash looking for a new home.

Chairman Harry Spain confirms that Cashworths is on the lookout for new investments, probably not in the fashion industry.

It has been suggested that the group could move as far away from fashion as banking. Mr Spain responded that the banking area is one possibility.

Cashworths is already a shadow of its former self as far as its level of activity in the fashion game is concerned. All that remains is its cut-and-trim and tie-making businesses which Mr Spain says are trading profitably but the group would also consider selling these if the price was right.

An informed source says that the cash holdings of Cashworths represent 60c to 70c a share.

The net asset value is estimated to lie between 70c and 80c.

Rights Offers

Pay showdown looms

(184)

By CHIARA CARTER South 22-28/6/89.

THOUSANDS of clothing workers in factories throughout the Western Cape this week discussed proposals for pay hikes of up to 40 percent.

But employers say if the demands are too high workers will price themselves out of jobs

The proposed demands, drawn up by the regional executive committee of the Garment and Allied Workers' Union (Gawu) last week, include wage increases totalling almost R3-million

Last year, Gawu won the highest ever wage increases in the history of the industry for its 56 000 members in the Western Cape

However, Cape Clothing Manufacturers Association secretary, Mr CE McCarthy, said the economic situation this year made it difficult for employers to meet high demands.

He described the proposal that the minimum wage be raised to between R170 and R180 for machinists and by R40 and R50 for other workers, as a "hefty increase".

While the association could not respond until final demands were tabled, he doubted if employers would meet the demands.

"I would be surprised if employers see their way clear to paying anything near this amount," he said

McCarthy warned that the industry faced a "tough year" because of the rising cost of living and that high wages would mean factories might close down

He said clothing manufacturers were being squeezed between retailers who could not afford to pay high prices for clothes and increases in the cost of raw materials.

High wages were pushing manufacturers out of Cape Town to the homelands and neighbouring states where labour was cheap

Labour costs also made it difficult for manufacturers to compete with the Far East on the export market

The proposals include a maternity benefits package, paternity leave, the formation of a national industrial council which would set minimum wages throughout the industry, a 40-hour working week, a 15 percent shift allowance and an annual service bonus of R1 a week for each year

The executive committee has also proposed that workers demand May-day and Sharpeville Day as paid holidays.

Final demands and a Living Wage Campaign programme of action will be drawn up at a crucial shopstewards' meeting this Saturday

The demands, together with the high cost of living, will be discussed at a Gawu mass meeting at the Goodwood showgrounds next month.

SUNDAY TIMES, Business Times, June 25, 1989 /3

by JULIE WALKER

Trimtex dressed up and ready to go places

184

ONE bad metre of material can ruin 10 shirts, which is why Issy Goldberg of Trimtex Holdings insists on strict quality control.

His business could be considered the unglamorous side of fashion, but without it there could be no such thing as a decent shirt The fruits of the labours show in the latest set of results from the group which listed less than two years ago

Trimtex makes such unlikely things as shoulder pads and bra bones and make no bones about it, a bra would not do its job without bones, and Trimtex has one of only three plants in the world capable of making the required supports

MASKS

When it listed after an offer of 2,25-million shares at 75c, the group comprised three elements — DHJ, Linings Natal and Helsatex

DHJ makes three types of interlinings at the original Durban premises, which also house the other original businesses Linings Natal makes collars and cuffs, waistbands, tapes, shirt packaging aids, bones, mellofuse melton — a sort of material stiffener for jacket lapels — and face masks

Amazingly, there is no other face-mask maker in the country, all others are imported

Helsatex makes nearly 2 000 types of shoulder pads out of foam or layered needled material as well as sleeve head supports and waddings Mr Goldberg says shoulder pads are no longer fashionable — they are indispensible

"Fashions only last four years, but shoulder pads are here to stay."

Trimtex's objectives on listing were three it wanted to become a total supplier to the clothing industry; it wanted to diversify outside the industry while sticking to the business it knew, and thirdly, it aimed to become a vertically integrated point-bond, non-woven supplier

The way it has tackled the objectives and achieved them is what I attribute to real synergistic benefits — not the oft quoted, never achieved type so many companies boast of when they make acquisitions

Trimtex bought Tricot Fasteners — SA's only maker of hook-and-loop strip fastening, the sort that sticks together and tears apart easily and repeatedly Like a Hoover, this stuff has become synonymous with the trade name Velcro

ISSY GOLDBERG

Tricot has about 20% of the SA market — demand is huge, and it can sell all it can make. Long-term contracts have been written with buyers

Tricot has a third share in the elastics market, and makes webbing The acquisition opened new markets to Trimtex in footwear, aeronautical, automotive and luggage businesses.

The second acquisition was Procare in Pinetown It operates in health care, and makes certain consumer and industrial products

To hospitals it sells disposable apparel, swabs, face masks, caps and dressings

Four products are sold to major retail chains and wholesalers They are nappy liners and nappies, facial pads and cotton wool Other bonded products are also made for industrial applications.

New machinery — both imported and made in the Trimtex workshop — has been installed at Procare, which will start to contribute to the bottom line in the current financial year.

The businesses complement each other For example, elastic from Tricot goes onto the facemasks at Procare and Linings Natal, whose tapes are stitched onto Procare's swabs to prevent their being left behind during surgery

Trimtex's turnover for the year to March grew by 32% to R35-million, and the operating margin was maintained although the mix changed Discounts were given on export samples in order to establish a foreign customer base, while local margins grew slightly

Tax dropped below R1-million due to export incentive allowances and taxed profit reached nearly R3 million Many shareholders opted for the bonus offer of shares in lieu of dividend last year, and the number of shares in issue rose to 17,3-million

GEARING

Earnings a share were 30% up at 17,1c on a restated basis, and the dividend rose 20% to 6c The current share price of 90c is five times earnings and in line with the book net asset value

In spite of the high capital expenditure, Trimtex remains only 50% geared, which Mr Goldberg expects to be reduced this year

Institutions recently bought more than a third of the equity from Columbia, which is realising most of its investments I see no reason to doubt their judgment Mr Goldberg says he is not interested in selling any of the operations in spite of several bids Trimtex is certainly going places

Clothing prices set to follow textiles up

By TOM HOOD
Business Editor

26/6/89

CLOTHING prices are set to soar because textile costs at manufacturing level are 19 percent higher than a year ago.

Factors boosting textile costs were dearer raw materials, the devaluation of the rand and domestic wage setlements significantly above the inflation rate, said Romatex group chief economist Mr Jon van Coller today

Clothing prices rose last month at an annualised 23 percent after a 33 percent rise for April in terms of the consumer price index.

Mr van Coller said demand for textiles and clothing was being stimulated by the country's still-increasing money supply. Demand for cotton and wool was very strong internationally and synthetic fibre feedstocks remained scarce

● Footwear prices have risen slowly this year, but soared by 4,8 percent in April, equal to an annual rate of 58 percent.

Arontex hit by higher tax bill

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30/6/87

National clothing manufacturing group, Arontex has maintained its dividend at 3,2c for the year to February, despite a heavier tax and interest bill which knocked some of the shine off a 55 per cent rise in operating profit

The company's unaudited results follow a series of cautionary announcements which culminated this week in the R2 million acquisition of Peters Knitwear.

The operating profit, before interest and tax, increased to R2,084 million (R1,343 million), Profits after taxation, however, at R817,000 (R869 000), were marginally lower due to a 227 percent increase in taxation Similarly earnings per share were down from 9,6c to 8c. — Sapa

Clothing price rise shocker

SATURDAY JULY 1 1989

W/C Argus 1/7/89 184

By TOM HOOD
Business Editor

CLOTHING price rises of 25 percent by early next year are forecast — double the increases of the past few years

"Don't blame the retailers, the clothing factories or the textile industry," says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association

"When consumers react with outrage next year, they must know where the blame lies and should march on Pretoria

"It lies squarely on the authorities who are misjudging the fall in the economy and are short-sighted in imposing heavier import duties on fabrics we import

"In the past clothing increases have always been well below the consumer price index inflation They are now out of our hands and beyond our control"

Prices could go even higher if new wage negotiations result in significantly higher labour costs

A deputation from the National Clothing Federation saw deputy minister Dr Theo Alant at the Board of Trade and Industries this week to seek relief from the industry's critical situation

"We were well received and given a considered hearing We are awaiting the outcome," said Mr Jocum, who added that details of the meeting were confidential.

Reviewing business conditions in the the Cape clothing industry, he said employment had risen to 56 700 from 54 800 a year ago as factories worked at full steam to get this summer's merchandise out to retailers as quickly as possible.

However, employment could start falling again in the next few months as sales started to tail off

"A lot depends on how hard the industry is hit by the 10 percent import surcharge on textiles and 15 percent import surcharge on capital equipment but we believe a 25 percent increase in clothing prices is on the cards for early 1990, bringing a subsequent drop in unit sales for the industry, said Mr Jocum

"By erroneously increasing import duties, the authorities are accelerating the downturn If unit sales drop by 5 or 10 percent, the employment figure would fall in line"

Annual wage negotiations were due to start soon and Mr Jocum hoped the unions would see the writing on the wall — that higher costs could affect future employment

"Over last year we had a 45 percent depreciation of the

(See Page 5)

Factory won't pay

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6-12/7/89. South

AN ARBITRATION hearing has been held in the dispute between the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) and an Atlantis clothing company over its refusal to implement wage increases agreed upon between the Cotton Industrial Council and Actwusa last year.

Desiree Quilted, which is part of the Seardel Group of companies, resigned from the employer association and has argued that since it is not part of the council, it is not covered by the agreement.

Meanwhile, workers at another Actwusa-organised company this week stopped work to protest against the company giving a worker a breathalyser test.

Workers at Finitex in Parow twice downed tools to protest against the test, an Actwusa spokesperson said.

Autonomy, motivation help build strong team

31 Duy 6/7/89

THE Longmile clothing division comprises four separate companies, three of which compete with each other in certain markets

The three are Raoul, Caviar and Wolpe Fashions, which all cater for high-class women's fashion in the upper end of the market while the fourth, Park Avenue, specialises in lingerie and sleepwear

All four companies have their head offices and factories in Cape Town, but trade nationally

The clothing division has been a strong contributor to the Longmile group's turnover and profits, particularly in recent years

This can be ascribed to the purchase of sound businesses with clearly focused market sectors and "sticking to them", as division chief Dave Burger says

Priority (184)

"Clothing is and will remain a particulary 'people business' The group's approach has been to select and develop the best management and operating talent, encourage a good deal of autonomy and concomitant motivation to build up a winning team"

Labour relations have been a priority and although wages have risen sharply, they came off a low base and fostering teamwork has improved productivity The Longmile companies are all heavily import based

"We would love to source our fabrics locally but the fabrics we need are seldom available here," he says

He agrees the withdrawal of import rebates will fuel cost increases, as will higher interest rates and the decline of the rand

But Burger is confident group companies will benefit from the export and import rations proposed in the Board of Trade and Industries report

On the home front, he agrees that an economic slowdown is on the cards, which does not worry him

B/Day 6/7/89

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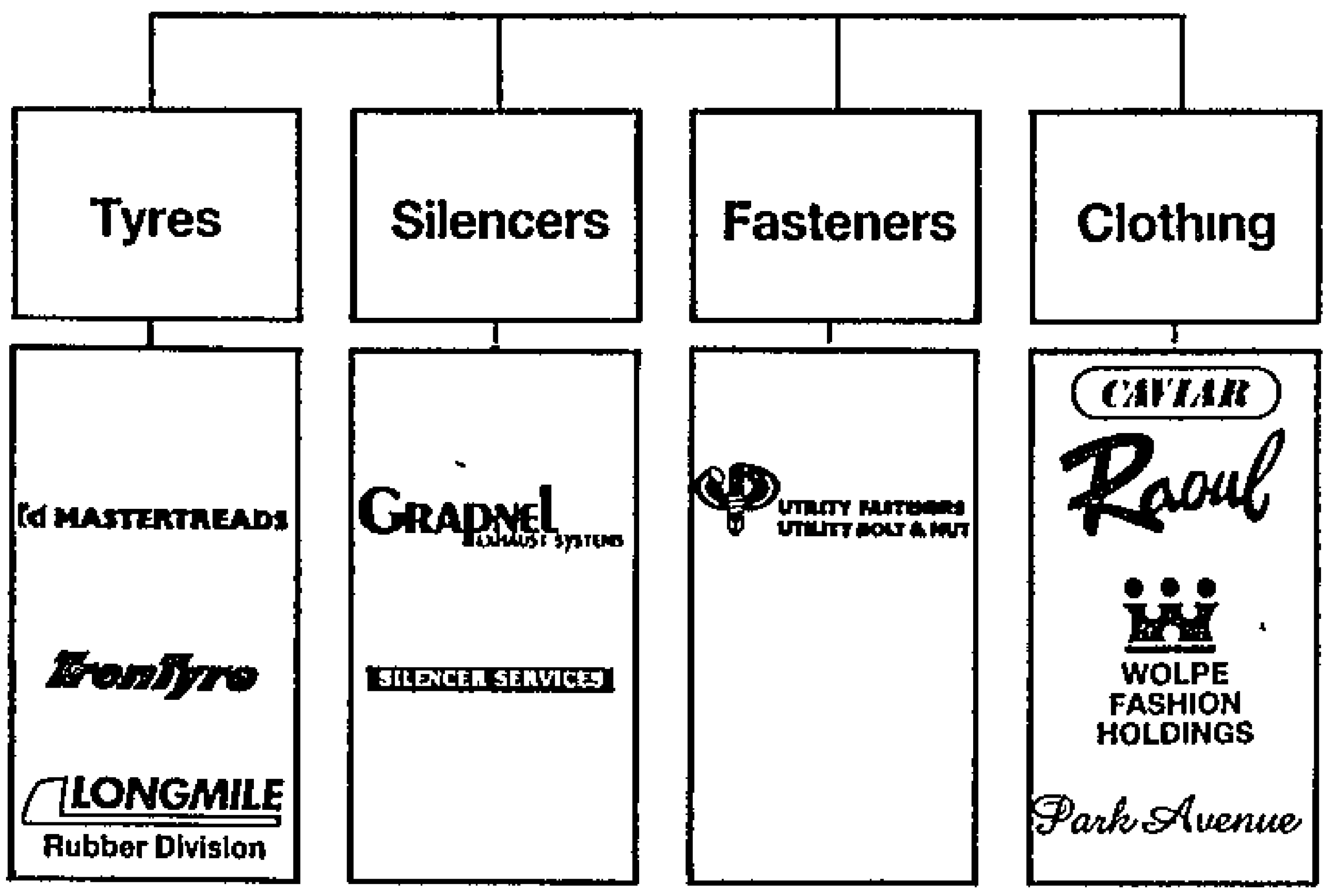
Business Day

SURVEY

A JSE star performer in terms of profits and close to being among SA's top 100 companies, the Longmile group is relatively unknown, even in the western Cape where its head office and many of its major operations are based **MANDY WOODS** *reports on this force to be reckoned with*

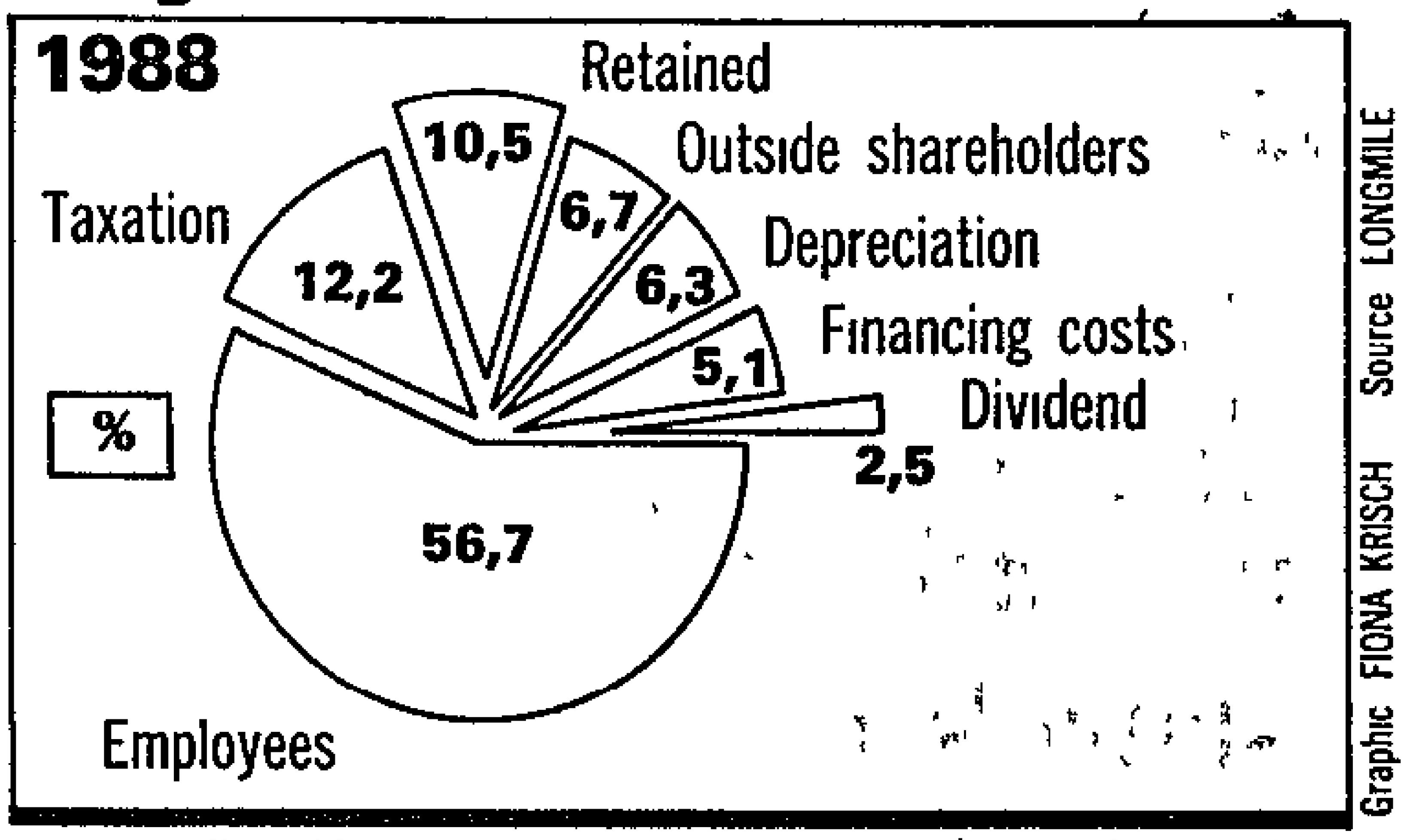


Low profile, but track record is impressive

DESPITE an impressive financial track record, Longmile has a relatively low profile

Deputy chairman Nick van den Bergh says one reason for this is that the group's trading operations do not bear the Longmile name, although they are household names in their respective sectors.

Longmile's value added statement



Compatibility

Another factor is that Longmile is a conglomerate, combining a number of activities that might seem to lack compatibility

The group therefore appears to be somewhat unfocused

Tyres and silencers have obvious common ground, but women's clothing and industrial fasteners are apparently less linked

Focused or not, it has proved to be a winning formula, says Van den Bergh

"We concentrate on acquiring well-established businesses trading in key consumer markets

"We bring to this a common threat of strong financial control and focused policy making"

An area where the group's various activities do enjoy common ground is their relative immunity to cyclical economic swings and to sanctions, he says

"Motor vehicles are vital to a modern industrialised society and tyres and silencers are vital to motor vehicles

"Obviously tyre and silencer sales are affected by new vehicle sales trends but our big involvement in the replacement markets for both smoothes the path"

Van den Bergh notes (tongue-in-cheek) that when women are depressed, for instance by tough economic circumstances, "they go out and buy a new dress"

Even fasteners, which are influenced by cycles in the building industry, are reasonably cushioned by the demand from other sectors, such as the DIY market

On the sanctions front, Longmile companies neither import nor export to any great extent, although they are successfully building up their respective export components, Van den Bergh says

Alternative

"While some of our clothing companies do import a significant part of their material requirements, they could firstly source from so many alternative suppliers that the effect is not likely to be serious

"And, in the event of a major cut in supplies, nearly all could switch to totally locally sourced products"

Capex aids penetration of local markets

UTILITY Fasteners, in the business of industrial fasteners, was purchased by the Longmile group in 1982 creating a division which has become a significant contributor to the group's performance

The fastener division comprises two companies and sub-divisions Utility Fasteners, which manufactures bolts, nuts and screws, and Utility Bolt & Nut, which distributes and markets them

MD Barrie Cox says Utility ranks about third in size in the fastener industry in southern Africa, but is particulary strong in the servicing and supplying of its customers

The company specialises in standard ranges of screws, bolts and nuts in brass, mild, stainles and high-tensile steel, from M3 to M20 diameter

Direct

"Our major customers are the bolt and nut merchants and we are careful not to compete with them," Cox says

Utility also sells directly to the large-end users in the manufacturing fields and has combined retail centres in Durban, Cape Town and Johannesburg

A sustained capital expenditure programme has helped the division make inroads into the local market, he says

Utility has been exporting for four years, mainly to Europe, taking up excess capacity rather than as a focused drive

"It's a competitive industry, but once you're over the backyard machine stage, it becomes very capital-intensive and this not only constitutes a high threshold to entry, but benefits of size come into play," Cox says

Virtually all equipment imported was a single bolt-making machine costing about R2m

Gawu all set for wage talks

GARMENT workers last week submitted final proposals to Cape clothing manufacturers for annual industrial council wage negotiations due to begin later this month

The Garment and Allied Workers' Union (Gawu), which represents more than 54 000 workers in the Western Cape, is demanding that machinists' wages be hiked to R190 a week and that other workers' wages go up by R60

The union, in its motivation to employers, said that garment workers' wages continue to be significantly below the poverty datum line

Gawu also claimed that the real value of machinists' wages has declined and that wages have not matched the rise in employers' profits and the greater amount of goods produced.

South 6-12/7/89

The union also proposed an annual service bonus of R1 for every year of service, a 40-hour working week for all workers, an extra five days' annual leave and a 15 percent shift allowance.

In a first for the garment industry, Gawu has joined a growing number of trade unions which have demanded paternity leave for their members

In addition to demanding maternity benefits for workers who have more than one year's service, the union is proposing that employers grant 10 days' paid paternity leave.

Another first is a proposal for a R5 weekly travelling allowance to cover escalating public transport costs

The union will meet with representatives of the Cape Clothing Manufacturers' Association later this week to work out the procedure for the negotiations.

Strikers win at Hex Tex

MORE than 1 000 Boland textile workers returned to their jobs this week after a marathon 47-day strike which saw them win their demand for an annual service bonus of 50 cents a week for each year of service.

The workers, members of the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa), downed tools at the Hex Tex factory in Worcester in mid-May.

The strike, the first in 33 years in the company, was the longest ever in the Western Cape textile industry, in the Romatex group of which Hex Tex is part, and in Actwusa.

It was also one of a handful of protracted strikes to have taken place without dismissals or lockouts.

Throughout the strike the workers retained access to company premises, canteen facilities and picketing rights.

Watershed

Actwusa regional secretary Ebrahim Patel described the agreement reached with the company as "a victory for workers"

He said the strike was a watershed in the history of workers in the Boland.

Its success was due largely to the determination and discipline displayed by workers and the strong support strikers received from the Worcester community, from people elsewhere in the country and from abroad

In terms of the final wage package negotiated with the company, workers will get a R25 weekly wage increase and an annual weekly service bonus of 50 cents for workers with more than four years' service, and 25 cents for those with less service.

Workers also get a three-months' paid maternity leave — the first such maternity leave agreement in the Boland — and June 16 and May 1 as paid holidays

Skirtskip makes R14,6m buy

BDay 13/7/89

CHARLOTTE MATHEWS

SKIRTSKIP has acquired an engineering and fabric company called Subnova for R14,6m and will apply to be transferred from the clothing sector of the JSE to the industrial holding sector under the name Nova

Skirtskip listed in May 1987 as a clothing manufacturer and wholesaler Disruptive production problems were experienced at its Lebowa factory and the company halved its attributable profit for the year to February 1989 compared with the previous year

With effect from March, MD Barry Berold bought the business as a going concern and Duros Merchant Bank, on behalf of its nominee Lemon Lane, bought Berold's 70% controlling shareholding at a price of 21c a share A similar offer is being made to ordinary shareholders

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Subject to shareholder approval, Skirtskip will buy Subnova from Lemon Lane The offer depends on Subnova achieving a minimum consolidated profit before interest and taxation of R2,3m for the year to March 1990 If this profit is not achieved, the purchase price will be reduced

Skirtskip/Subnova will be renamed Nova Constantia The group forecasts earnings of 4,4c a share for the year to March 1990 and a dividend of 1,7c, covered 2½ times

Subnova has three subsidiaries — Manmark Fabrics, Table Bay Engineering and Teebeedee Sports The group also has a holding in Invicta Bearing Company

(184) S Times 23/7/89

Once more into the breach for Romens

By Ian Smith

SPECIALITY is the name of the new game in retailing

The fine-focus concept from the US has taken the small and medium retail sector by storm, traders rushing to enter niche markets in everything from funny cards to designer luggage

But Cape Town-based Romens Holdings, listed on the JSE Development Capital Market in September 1987, has taken the speciality concept into one of the oldest retail areas — men's outfitting — and turned it to good account

Franchised

After an ill-advised venture into the development of a multi-store chain long before the listing and in which management lost control of some of the outlets, Romens cut right back to two shops, regrouped and is now poised for a new push for national coverage

This time, however, founding chairman Danny Kahn says he has got it right The new shops will be franchised operations run by the owner

Mr Kahn says "The man on the spot will have a direct stake — the best incentive to make it work"

Romens, with five owned stores and six franchises, has found its niche between the big chains and the high mark-up menswear boutiques

"We sell top-quality branded menswear at reasonable prices All our stores carry full ranges in style and size and we give the old-fashioned service that customers used to expect from their outfitters"

Skilled

Every shop has at least one skilled tailor working in-house to make alterations while the customer waits "We charge for this service, but it is a nominal amount compared with those competitors who offer the service"

Outsize and odd-shaped customers are welcome In extreme cases arrangements are made for a customer to go to a factory where he will be measured and fitted The measurements are kept for repeat orders

Largest

Romens is still proud of the "58-inch, portly, long" customer who was quickly satisfied

The group is going national from its base of 11 shops in the Cape Province and Windhoek The first shop north of the Orange River has opened in Bloemfontein and the first in the Transvaal opens in Vereeniging in mid-August

Negotiations have started for new franchise operations in Johannesburg, Pretoria, the rest of the Reef and Durban

The chain's turnover of R20-million has made it SA's largest retailer of men's suits, says Mr Kahn. It moved 40 000 suits and nearly 100 000 shirts last year.

Romens has its roots in a single shop bought by Mr Kahn 27 years ago It had a monthly turnover of R8 000, and Mr Kahn borrowed R10 000 to buy it

Improved

"My aim has always been to give the ordinary man a square deal, and this is still our philosophy," says Mr Kahn He kept mark-ups low and built volume business, lifting turnover to R240 000 in the first year

An expansion drive led to the opening of 10 more shops, and Mr Kahn is the first to admit that management lost control of some of the more remote branches Shops were closed, until in the mid-1970s there were only two shops and the group started to turn around

By 1987 turnover was increasing by about 35% a year, and taxed profit from two shops in Cape Town and Parow was up to R450 000

Shortly before the listing Romens had a turnover of R4,5-million and taxed profit of R470 000

At the end of June 1988, the first year of listing, turnover was slightly under R10-million and attributable income was R810 000

Results for the year just ended will show continued improvement, says Mr Kahn

Management has been strengthened by the appointment of Sid Hurwitz as executive director and general manager In 25 years with SA Druggists he was involved in the formation of Plus and started the Link franchising operation

He says of the franchising "We look for the right man with the right site In return we give him a one-stop wholesaling service, with quality products delivered already price-marked when he wants them

Foreign

"He does not have the hassle of buying six months forward, which is normal in this business, and the consequent strain on cash flow

"We set a maximum price, but the franchisee can reduce this if he thinks it is necessary"

Romens buys top-quality cloth from SA and abroad and ensures good prices from clothing manufacturers by helping them fill in the troughs of their business cycle Cloth buying can be done up to two years ahead, but styling orders are left to the last minute Orders are not cancelled unless the workmanship is inferior

DANNY KAHN

Franchisees are backed by heavy advertising and have the support of stock control, merchandising, management and financial advice

Managing director David Marks says "We monitor stocks weekly to ensure that levels are in the right proportion and there is no capital tied up in unnecessary inventory

"If the wrong product has been bought we get rid of it ruthlessly — a dog is a dog"

Mr Kahn says Romens outlets are not seriously affected by economic downturns "In difficult times people tend to look even harder for the best value At the same time big groups reduce their advertising and run down stocks

"Their customers who cannot get the style or size they want come to us"

Frame claim

SUNDAY TIMES, Business Times, July 23, 1989

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Clothing industry challenges

LETTER TO THE EDITOR

THE report headlined Frame beavers away to lift returns (Business Times, June 11) leads me to suspect that you have been "used" by the Frame Group to misinform readers on the vexed question of "protection"

Consider these three quotes as examples of incorrect information

● *Although other countries protect their industries and dump abroad, say the men from Frame, the SA authorities have steadily reduced protection for textile producers to roughly 9% It is moving to virtually zero*

My organisation, the National Clothing Federation of SA (NCF), comments The South African clothing industry is dumbfounded by this statement The April 1989 Board of Trade and Industry (BTI) report imposes a minimum duty of 20% on all fabric imports

However, because of the inflationary effect of the new formula duties, the actual protection levels range from 20% to as high as 80% As a matter of fact, the president of the Textile Federation expressed his satisfaction with the "increased protection" afforded to his industry when he said of the April 1989 BTI report "Now we have reasonable protection again, we are ready to re-invest" (Financial Mail 21/4/89)

[redacted]

The statement that other countries protect their industries incorrectly implies that SA does not Here again, the truth is that the textile industry in SA, after decades of existence, remains one of the best protected textile industries in the world — 20% to 80% protection

To merely say that other countries dump abroad, reflects sadly on the attitude of management in SA textiles and suggests a lack of outward orientation (endorsed by National Productivity Institute findings) and an inability to become competitive and efficient

Dumping is a misused word It often means any import is cheaper than similar locally produced products Why cannot the local textile industry become competitive?

It is time that the passive and apathetic SA consumer woke up to the fact that he or she has to pay the protection bill.

● *the only protection left is a cheap rand*

NCF comment In addition to the high protection afforded by the new formula, duties contained in the April 1989 BTI report, surely the men from Frame are aware of the existence of a whole range of instruments to combat so-called unfair competition, such as anti-dumping duties, interim duties, provisional charges, countervailing duties, etc

In addition, all fabric imports are subjected to rigid, quantitative import control As if this were not enough, local textiles also enjoy additional protection by way of the 10% import surcharge, and plus-minus 10% transport costs to bring raw materials to SA, i e a minimum of 40% total protection on fob prices We thinks the lady doth protest too much

● *Mr King understandably advocates greater protection for such an important labour-intensive industry*

NCF comment The highly concentrated textile industry is already characterised by a lack of effective competition (as per the findings of various official investigations)

Greater protection will merely aggravate the situation in that it will push up the price of clothing even further, thus distorting the allocation of SA's limited resources resulting in increased unemployment, even lower economic growth and an increased inability to compete internationally

Why does Mr King want extra protection? Surely he is aware of the excellent financial results obtained by the textile industry in the past two years He should be aware that more than 30% of all confirmed textile orders are still being delivered late to the clothing industry He should also know that textile prices are increasing at more than 20% a year

[redacted]

To call the textile industry labour intensive (possibly because it employs 100 000 people) is absurd It also contradicts official reports (in which the industry is described as capital intensive) and smacks of economic illiteracy

Your article says Frame has 20 000 employees and assets of R1-billion, which means it employs R50 000 of assets per job That is capital intensive. Assets per job in the clothing industry runs to only R3 500

In conclusion, the clothing industry wishes to warn that SA is facing difficult times, and the single most important need at this stage in our history is for economic growth SA needs economic reform more than political reform

Therefore, parochial pressure-lobby groups, motivated by self-interest, should not be allowed to jeopardise the national interest. They should not be afforded platforms from which to advocate ideologies which can only undermine the economic welfare of a free-market economy — H W VAN ZYL, executive director, National Clothing Federation of SA

Traclo expands with Cape factory

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CHARLOTTE MATHEWS

TRANSVAAL Clothing Industries (Traclo) has bought Starter Manufacturing, part of the recently reconstituted Cashworths, for R750 000 cash, Traclo CE Ronnie Fivelman announced yesterday

Traclo makes women's clothing, haberdashery, and textiles

Fivelman said in the group's 1988 annual report the Transvaal factory had reached an optimum level and the group was considering opening a factory in Cape Town to serve the expanding market

Cashworths recently sold its 29 retail stores to the Focus group and Starters has an agreement to continue supplying the Cashworths/Focus chain

"It would have cost us a good deal more and taken much longer to create our own factory in Cape Town, quite apart from the significant bonus of starting with an up and running business," said Fivelman

This will increase Traclo's exposure to the black and children's clothing markets and enable Traclo to supply more services to its Cape-based customers.

Fivelman said the synergies between the two companies would have significant benefits in the medium term, although the earnings and net asset value of Traclo shares would not be immediately affected

Traclo shares were trading at 40c yesterday after reaching 55c in February Analysts are predicting that results for the 14 months to June will be restrained by the costs of launching an export programme and by the expansion into the Cape

Fish workers want double

THE Food and Allied Workers' Union (Fawu) kicked off annual wage negotiations in the fishing industry with a demand that employers up wages by more than 100 percent.

The negotiations with the Inshore Fishing Industry Association began this week.

They affect about 3 000 workers at 15 factories in the Western Cape.

Fawu is asking for a minimum wage of R250 a week for lowest-paid workers, an across the board increase for all workers and an annual bonus of four week's pay.

Workers at factories belonging to the IFIA currently earn a minimum wage of R121,44 a week.

Textile workers in militant mood

A NATIONWIDE strike is looming in the textile industry following a breakdown in annual wage talks.

Negotiations between the National Industrial Council for the Textile Manufacturing Industry and the Amalgamated Clothing and Textile Workers' Union of South Africa (Actwusa) deadlocked over the union's minimum wage demands.

Actwusa wants a minimum wage increase of R26, half of which must be implemented from January next year.

Another point of contention is the union's demand for a paid holiday on June 16.

Three dispute meetings of the industrial council and mediation failed to resolve the dispute, which affects about 7 000 workers throughout the country.

The employers' final offer is to increase wages by R11,50 immediately, with a further R10 increase from January next year.

This has been rejected by Actwusa, which this week accused the council of paying among the lowest wages of any industrial council.

Actwusa's regional secretary in Natal, John Eagles, warned that workers were in a militant mood.

South 27/7-2/8/89

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PEP STORES 184 28/7/89

More focus

Pep Stores' profitability continues to rise in convincing fashion A pinpoint focus in the marketplace is a management objective and, to this end, the main operating division has been restructured into two autonomous units — Pep Stores and Ackermans Retail

The restructuring enabled management in each area to tighten cost controls and improve productivity This helped towards the increased pre-interest margin of 20% Turnover rose by 24%, pre-interest profit by 51% and EPS by 25%

A total 741 outlets operate all over the country and in neighbouring states Last year, 90 branches were opened by the group, 56 by Pep Stores, 22 by Ackermans and 12 by associated companies (4 Pep Stores branches closed) Trading area rose 9,9%

A negative ratio was the stock turn, which dropped from 3,14 to 3,03 times. MD Basil Weyers says this came about because of anticipating the substantial increases in import duties by bringing forward large volumes of imports The group says it faces a continual struggle against protection given to local textile manufacturers.

28/7/89

Activities: *Retailing of clothing, footwear and household soft goods as well as manufacturing of clothing and household softs*

Control. *88,9% held by Pepkor*

Chairman: *C H Wiese, managing director. B Weyers*

Capital structure: *45,64m ords of NPV. Market capitalisation R559,1m*

Share market. *Price 1 225c Yields 4,7% on dividend, 13,1% on earnings, PE ratio, 7,6; cover, 2,8 12-month high, 1 350c, low, 1 125c Trading volume last quarter, 8 491 shares*

Financial: *Year to February 28*

	'86	'87	'88	'89
Debt				
Short-term (Rm)	70,79	16 64	—	—
Long-term (Rm)	0 26	0,49	—	7,0
Debt equity ratio	0,56	n/a	n/a	n/a
Shareholders interest	0 47	0,52	0,52	0,49
Int & Leasing cover	4,5	9,4	N/A	N/A
Debt cover	0,51	2,80	N/A	13,5

Performance

	'86	'87	'88	'89
Return on cap (%)	19 4	21,5	20,2	23,5
Turnover (Rm)	405,8	507,6	648,5	804 8
Pre-int profit (Rm)	46 8	52,6	64,0	96,4
Pre-int margin (%)	11,5	10,4	10,0	12,0
Taxed profit (Rm)	30 9	40,8	58,9	73,3
Earnings (c)	67,6	89,4	129	161
Dividends (c)	—	40	48	58
Net worth (c)	208	257	338	441

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Pep Stores' Wiese ... rapid physical expansion

Pep claims to be the largest SA clothing manufacturer in terms of units produced Local output of materials and hence supply is inadequate for the group's needs and import permits are obtained with "extreme difficulty " Even so, the manufacturing division now accounts for 22% of pre-tax prfofit.

The balance sheet shows bank balances and cash of R62,8m — well in excess of debt. After investing these funds there was net interest income of R4,7m. Return on shareholders funds was a satisfactory 36%

There is no long-term debt other than R7m, which was recently raised at favourable rates to finance the equipment in the new high-rise warehouse in Elsies River in the Cape The group is in a favourable position should it want to use more debt for expansion.

For the past five years after tax profits have grown at a compound growth rate of 35% With management as focused and attuned as it is to the requirements of Pep's growing customer base, there is nothing visible to suggest that the trading results will not continue to improve at a similar rate The caveat is the tax rate — finance director

184 28/7/89.

Hennie Roelofse says it's bound to rise, but he offers no estimate of the future level. But he does contend profit growth will stay within the levels of the past five years

Gerry Hirshon

No judgment yet on union

CAPE TIMES 5/8/87

Supreme Court Reporter

JUDGMENT was yesterday reserved in a Supreme Court application by the Food and Allied Workers' Union (Fawu) to have a decision by the Minister of Manpower not to approve the establishment of a Conciliation Board, after a dispute with Spekenam, reviewed.

A dispute arose on August 5 and 6, 1987 when 451 Fawu workers were dismissed.

Mr Justice H C Nel and Mr Justice Foxcroft presided. Mr I Farlam SC, assisted by Mr J Krige, instructed by Mr Bululani Ngcuka of Ngcuka and Matana appeared for Fawu. Mr J van Graan, instructed by Fairbridge Arderne and Lawton, appeared for Spekenam.

BUSINESS

COMPANIES

ARGUS 9/8/89 (184)

Lenco sells off Monatic, Rich Rags for R23-m

By TOM HOOD, Business Editor

TWO leading Cape clothing companies, House of Monatic and Rich Rags, have been sold by Lenco Holdings to subsidiary Budget Footwear for R23-million and are to be relisted on the Johannesburg Stock Exchange

Budget, a cash shell, with surplus cash resources of R24-million, had its listing suspended on January 13 pending the acquisition of assets Its name will be changed to House of Monatic, the companies said today in announcing the deal, and the JSE will be asked to reinstate the listing

Budget's minority shareholders are being offered 76c a share in cash, which is the company's estimate of the cash value at September 30

Lenco's directors say the aim of the acquisition is to expand the group's clothing business They see growth opportunities in both the local and overseas markets and say these opportunities can best be exploited through a clearly focused listed company

Six new directors have been appointed — Messrs E A Walbeckk, M J Maurer, J F Nel, H Kolles, W D Babb and B W Buckingham

House of Monatic, based in Salt River, makes men's fashion clothing under the labels of Carducci, Monatic, Viyella, Yves St Laurent, Embassy and Consulate High-quality women's garments under the Lady Carducci label are designed by the company and made externally

Both Monatic and Rich Rags were taken over by Rembrandt when the listed I L Back group went insolvent several years ago They were later taken over by Pepkor, chalked up heavy losses, and were sold to Lenco

"Monatic has, after incurring severe losses in the 1986-87 year due to rationalisation and scaling down of operations, shown a remarkable turnaround under Lenco management," say the directors

"This trend is expected to continue with the start of an export programme In addition, expansion of local production facilities are planned for the coming year in response to growing demand

"These factors are expected to contribute substantially to growth in earnings a share over the next three years"

The effect of the deal on Lenco's tangible net asset value and earnings a share is "insignificant", says today's anouncement

If the deal had been in force for the entire financial year, Budget's earnings would have risen from 5,1c to 13,6c a share while net tangible asset value would have dropped from 73,1c to 62,4c a share

[redacted]

184 Fmail 11/8/89.

EDWORKS/HOMEMAKERS 184

More diversity

The acquisition of Edworks takes Homemakers another quantum step towards its objective, set in mid-1998, of being a diversified consumer products group Homemakers CE Hilton Nowitz believes Edworks could break even by end-1989, thereafter a 10% margin on turnover can be made and the purchase price recouped in less than five years

Edworks, apparently, ran into deepening losses of about R3m-R5m a year over the past three years It has an assessed loss Feuding between the Dodo brothers and top management weakness evidently paralysed the business.

FSI's R39,6m cash bid for Edworks' assets won the day against other major bidders, SA Breweries (Conshu and Amrel) and Amshoe Amshoe, controlled by Lenco, is Edworks' largest supplier of shoes FSI bought all the voting shares in Edworks for an undisclosed sum shortly before it was put in provisional liquidation on July 12 Beares is believed to have unsuccessfully bid R3,5m for the shares Nowitz says the combined price for Edworks was less than a realistic value of its physical assets, besides, strong brand names were acquired Edworks has been in existence for over 50 years.

In mid-July, Ivan Posniak, an FSI group operations director, with the consent of the liquidators, took "shadow" operational control at Edworks with a senior FSI team He says he gained a thorough idea of Edworks' value and workings He becomes executive chairman of Edworks.

Posniak says operational management is largely sound, though he will tighten up. Conventional wisdom is that the industry needs managers with specialised experience

CE Roy Eckstein says Amshoe would have been too stretched to bid higher, but reckons FSI can turn Edworks around He welcomes another entrant to the business

Conshu CE Robert Feinblum says the SAB consortium would not bid higher, partly because there had been no stocktaking The sale was also as on the date of provisional liquidation, a company can lose large amounts thereafter, particularly through staff demotivation, he says Conshu/Amrel would have rationalised Edworks' production and retail so the assets were not worth as much to them as to FSI. Feinblum says he does not fear competition from FSI

Edworks has 280 shops selling to the middle and mass markets, three factories (in PE, Queenstown and Botswana) and wholesaling operations in SA and Britain It makes about 20% of its retail sales

With Edworks, Homemakers will have over 500 distribution points and its manufacturing content will be increased Market sources say Homemakers may need to inject about R10m-R15m working capital Homemakers' gearing was 22% at December year-end It will not be raised much by the acquisition and Nowitz says it will be below the self-imposed ceiling of 60% at year-end Edworks is turning over about R170m a year, about 18% of Homemakers' annualised turnover of R950m.

The acquisition was opportunistic rather than planned, but FSI says Edworks fits its basic investment criteria. It adds a sixth division — after furniture, direct sales, textiles, home improvements and consumer electronics

The expansion is all very well, but investors may be unimpressed with the extent of the widening diversity. Apart from the orientation towards consumer markets, the group identity becomes steadily more blurred Still, the move further away from furniture, which contributed 52% of attributable profit last year, should benefit the counter

Teigue Payne

AMREL (184) F Mail

Defensive steps

11/8/89.

Activities: *Retailing furniture, footwear and clothing*
Control: *SA Breweries has majority control*
Chairman. *J M Kahn, managing director S J Berger*
Capital structure *9,21m ords of 25c each. Market capitalisation R74m*
Share market. *Price 800c. Yields 10,1% on dividend, 30,1% on earnings, PE ratio, 3,3, cover, 3,0 12-month high, 1 000c, low, 750c Trading volume last quarter, 74 784 shares*
Financial: *Year to March 31*

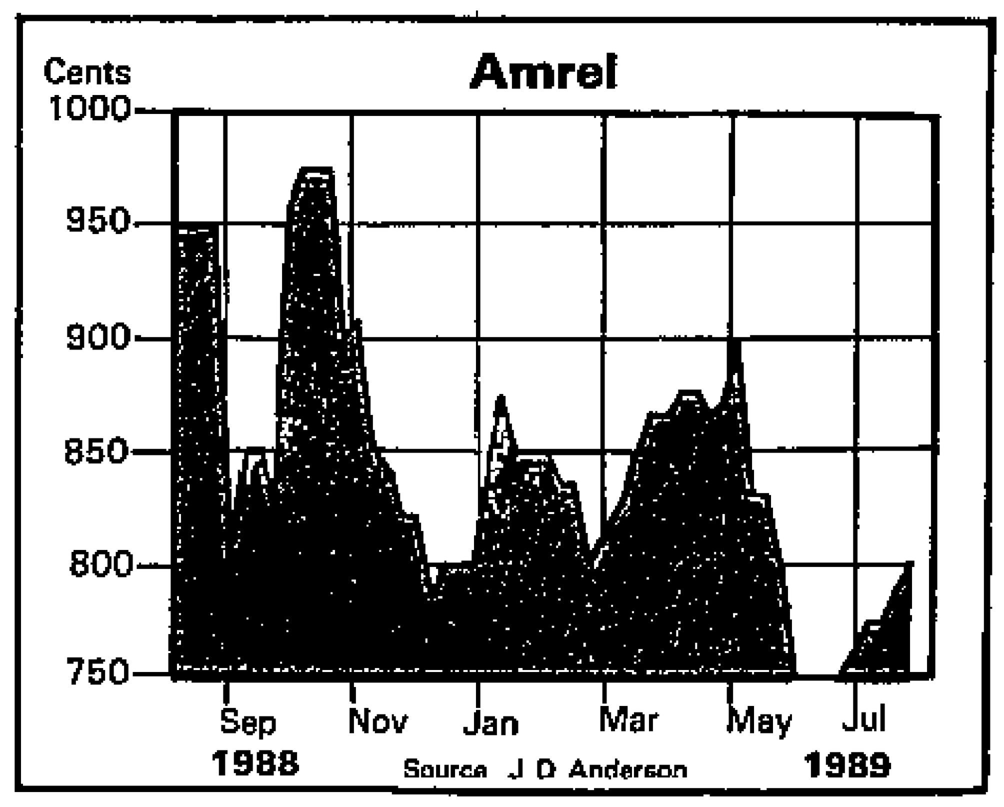
	'86	'87	'88	'89
Debt.				
Short-term (Rm)	2,0	7,6	5,8	7,2
Long-term (Rm)	124,4	155,3	132,5	120,8
Debt equity ratio	1,39	1,67	1,25	1,04
Shareholders' interest	0,29	0,21	0,29	0,31
Int & leasing cover	1,0	1,42	3,3	3,3
Debt cover	0,05	0,21	0,28	0,29
Performance	'86	'87	'88	'89
Return on cap (%)	—	11,5	13,8	13,4
Turnover (Rm)	518	627	694	760
Pre-int profit (Rm)	19,0	43,3	52,8	53,6
Pre-int margin (%)	3,7	6,9	7,6	7,1
Taxed profit (Rm)	(1,7)	12,8	18,9	20,2
Earnings (c)	(11)	154	231,1	240,7
Dividends (c)	—	51	77	81
Net worth (c)	1 006	1 072	1 189	1 326

Taking a line on Amrel is deceptively simple Furniture retailing will remain in decline as government's austerity measures bite and the smaller footwear and apparel interests are unlikely to generate compensatory profit increases The net result will be lower earnings this year with no certainty when a recovery will develop

That's the deceptively simple scenario But, looking further down the road, Amrel's ability to structure its balance sheet could be crucial to the group's performance once the recession ends. Management began laying the foundations last year by implementing more stringent credit controls, writing down surplus stocks, closing marginal stores and locking into long-term loans at rates likely to be lower than on short-term debt

By the financial year's end furniture stocks were down to appropriate levels and

(184)



the debt equity ratio had been cut to 1,04:1 from the previous year's 1,25:1. This was not without its cost Amrel's own furniture sales rose by only 7% in cash terms last year against an estimated 15% for the sector as a whole Market share declined as traders selling for cash gained sales at the expense of dealers selling on credit

The market share slippage was accompanied by continued losses in the Tip Top and Triangle chains They are being merged in an effort to improve management controls and cut overheads, but management is noncommittal about when profits will be restored In contrast, the footwear division lifted its sales and profits and is budgeting for a further earnings increase this year The same goes for the comparatively small services division, which runs a diverse group of operations ranging from television repairs to printing

MD Stan Berger and chairman Meyer Kahn are quite candid about this year's poor prospects The furniture division's poorer performance will drag the group's overall earnings down even if the government does not introduce further fiscal measures to slow the economy On a historical basis the share looks cheap, rated on an earnings multiple of 3,3 and a dividend yield of 10,1% It may not be too expensive even if earnings are chopped by 20% this year

Jim Jones

Seardel posts record earnings

CAPE TIMES 11/8/89

184 / 89

By AUDREY D'ANGELO
Financial Editor

THE giant Seardel group achieved record sales and earnings for the year to June 30, executive chairman Aaron Searll said last night.

Turnover rose by 31% to R741m which, he pointed out, meant "sales of R2m a day including Saturdays, Sundays and Jewish holidays"

Searll said that higher finance charges due to increased trading activity, and a higher tax rate, had limited the rise in attributable profits to 20% in spite of increased sales

Earnings rose to 126c a share, just ahead of the inflation rate A final dividend of 13c following an interim of 8c brought the total to 21c, which is 20% ahead of last year

Dividend cover has been maintained at six times earnings, which Searll said the board considered prudent in times of uncertainty and high interest rates

Shareholders funds have increased by 16% to R108m

Searll said the paying of a 21c dividend meant that convertible preference shares would automatically now be converted into ordinary shares

The results included the Bonwit division, bought from Woolworths, for the first time in a full year

Looking ahead, Searll said he anticipated that economic activity would slow down in 1990 Interest rates appeared to have peaked and were likely to come down in the current financial year

But he was "really concerned about inflation and its effect on the cost of fabrics, raw materials, wages and distribution costs"

This, plus the effect of less disposable income for consumers, might result in lower unit sales in the coming year

"Retailers are already beginning to feel the effect although it is difficult to quantify at this stage"

However, demand for group products was still strong, helped by the growth of the informal sector The group supplied the mail order firms which sold mainly to black consumers, as well as all the major retail chains.

Searll said exports, which had been doing well for the past four years, were still strong. He did not anticipate difficulty after the creation of a united European market in 1992

Abe Dubin, chairman of SA Clothing Industries, the main exporter in the group, said most of its sales were still in SA But there had been a steady growth in exports They had increased by 40% and he was budgeting for a further increase of 30% this year

"We are waiting for clarification about the new export incentives before we decide in which direction to go"

Gawu in dispute with employers

GAZ: 7/1/85 1/8/81

(184)

THE 54 000-member Garment and Allied Workers' Union (Gawu) this week declared a dispute with Western Cape clothing industry employers, charging that they were slow in responding to annual wage demands.

Denying this yesterday, director of the Cape Chamber of Industries Mr Colin McCarthy said employers had responded to "numbers of letters" from the union, but was under no obligation to reply within 30 days as alleged by Gawu.

● Rex Trueform director Mr Albert Keet yesterday confirmed that some 1 240 factory workers on Monday and Tuesday staged a stoppage in support of ballot facilities to register protest at the Labour Relations Amendment Act.

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FOCUS 184

More stores

In its second year as a listed company, Focus saw further improvement in its performance. It did this on the back of an expansion programme coupled with organic growth, which increased the focus on specialised markets.

Turnover including sales from owned stores plus franchise fees rose by 94% and taxed profits by 54%. Of total sales, owned stores contributed 64% and franchised outlets 30%, with the rest from the distribution division. Cash sales were 66% of the total and the balance from short-term credit.

The expansion included an increase in the Mattress World and Forty Winks bedding divisions to 13 (7) owned and 21 (15) franchised outlets. The men's clothing division, trading as Bachelors and Grant Mackenzies, grew to 13 (6) outlets.

Financial director Gavin Harris says the plan for this year is to expand the men's clothing division, including the Aca Joe stores. The licensing rights to the Aca Joe concept and product range was bought last year. Since publication of the annual report a further eight Mattress World, four Cashworths, two Bachelors and four Aca Joe stores have been planned and are due to open before the financial year-end.

Activities: *Operates own and franchised speciality stores in executive men's clothing and bedding, and conducts wholesale distribution. Store names include Cashworths, Spracklens, Bachelors, Grant Mackenzies, Forty Winks and Mattress World.*

Control: *The directors control 71,7% of the equity.*

Chairman: *I Sacks, joint managing directors, M J Cohen and G D Katz*

Capital structure: *18,9m ords of 1c. Market capitalisation: R11,3m.*

Share market: *Price: 60c. Yields, 5,4% on dividend, 14,2% on earnings, PE ratio, 7,1; cover, 2,6. 12-month high, 67c, low, 35c. Trading volume last quarter, 748 650 shares.*

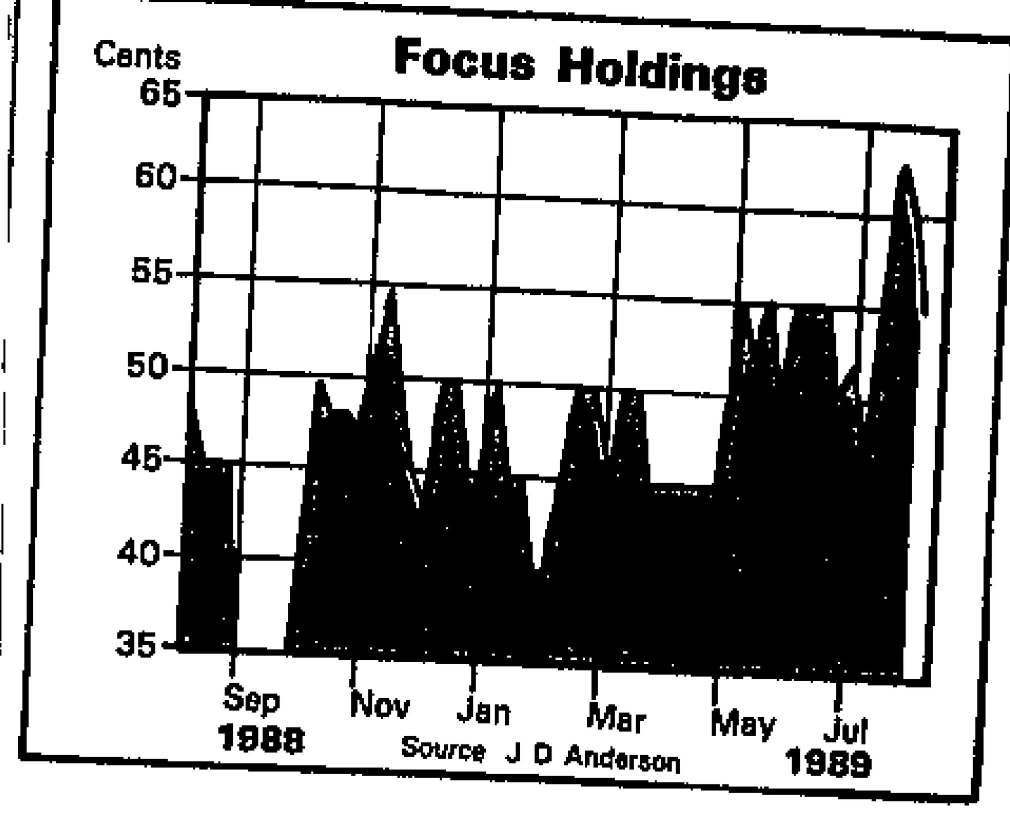
Financial: *Year to February 28*

	•'86	•'87	'88	'89
Debt.				
Short-term (Rm)	—	—	—	1,02
Long-term (Rm)	—	—	—	—
Debt equity ratio	—	—	n/a	0,4
Shareholders' interest	—	—	0,33	0,28
Int & leasing cover	2,4	6,9	8,6	8,9
Debt cover	—	—	n/a	1,71

Performance:

	•'86	•'87	'88	'89
Return on cap (%)	—	—	18,3	18,9
Turnover (Rm)	5,4	7,7	11,0	21,3
Pre-int profit (Rm)	0,17	0,70	1,4	2,2
Pre-int margin (%)	3,2	9,1	12,4	10,3
Taxed profit (Rm)	0,1	0,4	1,0	1,6
Earnings (c)	—	—	6,3	8,5
Dividends (c)	—	—	1,75	3,25
Net worth (c)	—	—	14,9	17,3

• Pro-forma figures.



Last year, the expansion was financed through internal resources and short-term borrowings of R1m. This was the first time the group has needed to borrow, and it pushed gearing to 0,40 and the interest bill to R97 000 (R37 000). Gearing is expected to rise to 0,45 this year as a long-term loan of R1,5m was needed to help fund the purchase of Cashworths, comprising 29 specialist women's retail stores.

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CLOTHING AND TEXTILES

Into the fray again

The structural adjustment programme for the clothing and textile industries, announced in April, is already set for revision — and the two sectors are again squaring up to protect their interests.

The Board of Trade & Industry (BTI) report set a 20% duty on cloth imports and supplemented this with a number of formula duties which are designed to put a substantial duty on textiles that are dumped below cost

Formula duties

But, thanks to representations by the Textile Federation (TexFed), there are likely to be a number of changes in the formula duties, especially those applicable to yarns.

Clothing . . . looking for bargains?

Says Consolidated Cotton MD Sidney Frame "The duties didn't take cognisance of the value of different types, counts and qualities of yarn"

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BTI chairman Lawrence McCrystal says motivated application can be made for the revision of specific formula duties and these will be investigated like any other application

The clothing industry, however, is determined to oppose any more changes to the formula duties, which, it says, could jeopardise the competitiveness of SA clothing exports. Says National Clothing Federation executive director Hennie van Zyl. "There should be no more excuses for increased protection If there are duty adjustments now, how can we be sure there won't be more in future, if the vested interests prevail"

But TexFed executive director Stanley Shlagman says if there are changes to the

P.T.O.

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report, they will be corrections of certain omissions.

McCrystal says the formula duties will gradually become ineffective as inflation reduces their value "The scheme gives notice to everyone that they will have to become internationally more competitive to survive "

Much also depends on the type of export incentives which will be offered to the clothing industry in place of the old A, B and C category incentives The NCF has proposed a cash incentive equivalent to 15% of export value when imported cloth is used and 30% if local cloth is used Van Zyl says out of 1 300 manufacturers that he canvassed, 350 returned their questionnaires and indicated they were prepared to enter the export market

As many of these companies are very small — often with under 50 employees — they will need export assistance Van Zyl says an export house should be created and a start has been made through the twice-yearly Clothing Exhibition at the World Trade Centre (WTC)

The exhibition has put WTC chairman

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and caravan entrepreneur Neels Swart into the unusual position of "godfather" to the clothing industry Swart says the export picture in the clothing industry in recent years has been dismal The rand value of clothing exports has fallen from R104m in 1985 to R84m last year, while imports have increased from R116m to R202m over the same period

"There's no excuse when Mauritius' clothing exports at US$600m have surpassed their tourism income and when East European countries are carving out their share of the West European market prior to 1992 "

In June, Swart took a delegation from SA and the neighbouring states to Switzerland, Austria, France, Germany and the US He says buyers were impressed by the quality of the merchandise, particularly in casual and leisure wear rather than the mass merchandise

But "the clothing industry has been an unreliable supplier in the past When the domestic market improves, they immediately cut back on exports And fabric suppliers also need to improve their reliability," notes Swart. ■

ABC CIRCULATION FIGURES

	Average sales per Jan/Jun 89	Average % change Jul/Dec 88	Average % change Jan/Jun 88
DAILIES			
The Argus	103 687	3,1	1,8
Beeld	103 887	6,1	5,4
Die Burger	79 113	1,8	1,7
Business Day	31 127	6,3	3,4
Cape Times	59 758	7,6	6,1
The Citizen	125 430	6,1	6,4
Daily Dispatch	33 175	0,7	−2,2
The Daily News	97 551	0,6	0,6
EP Herald	27 997	7,0	6,3
Evening Post	20 757	5,2	11,8
The Natal Mercury	61 019	1,2	−3,1
The Natal Witness	26 793	2,1	2,1
Oosterlig	8 927	0,8	0,6
Pretoria News	26 880	7,2	−2,2
Sowetan	172 256	9,0	9,5
Die Transvaler	49 580	−4,5	—
Die Volksblad	26 753	−1,8	−0,5
WEEKLIES			
City Press*	144 416	−12,7	−13,0
Rapport	382 422	2,0	−2,2
The Sunday Star	97 118	−1,1	−4,6
Sunday Times	518 354	2,4	−3,4
Sunday Tribune	123 303	−0,4	−0,8
The Weekly Mail	26 017	7,3	33,0
PERIODICALS — WEEKLY			
Farmers Weekly	26 813	1,4	0,9
Finance Week	15 421	7,0	15,0
Financial Mail	32 508	5,0	3,0
Finansies & Tegniek	17 112	0,2	3,5
Huisgenoot	515 901	1,5	−0,5
Invo	34 217	−8,3	−25,5
Keur	138 673	3,8	4,4
Landbouweekblad	66 226	1,6	1,8
Personality	115 230	3,7	−3,9
PERIODICALS — FORTNIGHTLY			
Fair Lady	180 320	2,5	−4,3
People	81 399	−0,3	0,9
Rooi Rose	170 636	4,1	1,7
Sarie Marais	204 610	8,0	13,8
Scope	118 406	5,0	−1,4
PERIODICALS — MONTHLY			
Bona	316 814	−7,6	3,1
Cosmopolitan	118 431	−4,3	−2,7
Drum	145 224	2,5	1,1
Femina	112 864	7,0	−5,6
Insig	11 401	7,0	5,9
Living & Loving	115 284	9,6	9,3
Thandi	44 688	18,1	33,3
Tribute	20 117	5,7	−5,4
True Love and Family	89 063	5,1	−4,8
Woman's Value	196 356	−0,9	−1,2
Your Family	259 800	1,1	4,8

• Published on Sundays only from May and June 1989.

JHB TENDERS

Witwatersrand businessmen could be on to a good thing by subscribing to the Johannesburg City Council's new tender mailing list.

The council annually spends about R250m on goods, materials, services and works contracts, and would like to increase business interest in these potentially lucrative contracts. Contracts could range from supplying ballpoint pens to passenger buses, says council buying and stores official John Bowman.

Works contracts could range from laying of water pipes to refuse removal, hiring of mechanical plant, transport and office cleaning

Copies of all tenders are sent to business subscribers on a regular basis, allowing them a better opportunity of getting a piece of the action. non-subscribers have to rely on ads in local newspapers, or on the council's notice boards, and run the risk of missing some contracts

"We put out an average of about 15 tenders, which can vary from R40 000 to R1m apiece, every week and would like more businessmen to submit their offers as we are convinced that many are not even aware of these opportunities," says Deputy City Treasurer, buying and stores, Don Diffenthal.

Diffenthal says apart from the buying and stores tenders, the council's engineering department last year also accepted 76 tenders for building, civil, electrical and mechanical work, amounting to R146m.

So the total combined tender business available is about R400m a year.

Focus further in fashion

FOCUS Holdings has extended its move into fashion retailing with the R3,36-million acquisition of Smiley Blue and Goophees from Amrel S/Times 24/9/89

The two comprise 22 stores aiming at the middle- to upper-income shopper The move comes several months after the profitable retail side of Cashworths was bought Until then, Focus's specialist retailing had two arms — men's clothing and mattresses. (184)

Focus's group profile includes 37 Mattress World of which 24 are franchised, 18 menswear stores such as Bachelors, Grant McKenzie and Aca Joe, 53 Cashworths, 19 Smiley Blue and three Goophees for a total of 110

All the shops operate for cash or credit up to six months

The latest acquisitions were sold by Amrel because of their small size. Focus chairman Irwin Sachs says they are right for his company

Focus has strengthened its middle and top management with high-profile appointments in each of the three divisions.

Mr Sachs says steps are being taken to pyramid control of Focus to allow more flexibility when acquisition opportunities arise. The group's market capitalisation is only R11,6-million at 57c a share, but will rise because 5-million shares will be issued at 55c for the latest purchase.

The shares will be placed with financial institutions, the balance to be paid in cash

DIAGONAL STREET by

Musical chairs — Cashworths and cash shells

S/Times 24/9/89

184

WHEN a listed company sells its operating subsidiaries to a listed cash shell, and in doing so becomes a cash shell itself, the rationale needs to be examined

So it is with Cashworths, which this week bought the operations of Management Services Corporation (Manserv) for more money than it possessed.

CONSORTIUM

Cashworths used to be a fashion house. In the year to April 1988 its earnings fell a little short of its prospectus forecast, but nothing too serious. The directors were confident about the group's outlook.

In November, Cashworths issued a warning, a refresher in December, and at the end of January this year a change of control was announced

The MAP consortium — represented largely by members of Columbia Corporate Finance (Colfin) — bought 57% of Cashworths for R3,2-million, or 37,8c a share cash

The deal coincided with results from Cashworths for the six months to October — a loss of 3c a share was reported It was attributed to the manufacturing operations, although the retail outlets were doing well.

Another warning came in February, and the next month Cashworths sold its retail outlets to Focus Holdings for R4-million It also sold other operations.

Cashworths minority shareholders were offered 39,7c in a standby offer

Last week the final operations were sold and Cashworths became a cash-only shell worth R10,2-million

The JSE requires cash shells to acquire viable assets within six months or be delisted

So Cashworths bought the operating arms of Manserv, which has no less a tortuous history

PROUDLY

Originally Don Gray, later renamed Colfin Ltd, Manserv was formed in June 1989 through the amalgamation of Colfin, Don Gray, Punch Line Columbia Training and minority interests in Concorde Travel and unlisted Wingate

Minorities in Don Gray are being offered 64,5c a share because control of it has gone to MAP

Manserv issued a warning in July, and proudly announced it had merged with Merhold's corporate finance consultancy The merged company would have been known as Colfin, so Manserv could not take that name.

It was to have been equally owned by Manserv and Merhold

That deal is also off It looks as though Cashworths will be renamed Colfin, and Manserv will be renamed MAP Holdings.

Cashworths will hold Manserv's operating subsidiaries after shelling out R12,2-million to MAP MAP will own R15,4-million cash

The MAP consortium will own 56,7% of Cashworths-Colfin, and 59,5% of Manserv-MAP Holdings.

LIGHT

When early chemists performed pioneering work they used atomic symbols to record their findings in an attempt to keep out the layman Today's corporate financial pioneers use complicated means to achieve a similar end

Jeff Wiggill, a member of the MAP consortium and director of Manserv and Cashworths, casts some light on the moves

He says "MAP controls two companies, Cashworths and Manserv The MAP members want to be active in two areas

"One is financial services, including corporate finance, training and short-term trading of investments The other is longer-term investment holdings, where we will put away strategic stakes in companies as investments

"Cashworths will house the first area of activity, and Manserv the second"

Mr Wiggill says it is better not to keep the two types of businesses in one listing because each will attract different tax rates

GOODWILL

Manserv can be geared up because it is starting with R15-million. It will be akin to an investment trust whereas Cashworths will be more of a trader

The deal complies with the requirements of the Companies Act and JSE regulations, but whatever the arguments put forward for the its rationale, it remains confusing

The announcement states that the MAP consortium will obtain an independent fair and reasonable statement. It could make interesting reading When control of Manserv was acquired by MAP at 64,5c a share, a considerable amount for goodwill was paid over and above the tangible net asset value.

Mr Wiggill says the goodwill paid for service companies which rely on people is not the major criterion The valuation has been based on earnings considerations They have been sold for a price five times historic earnings, which could prove to be less than four times forward earnings.

Indeed, in Monday's announcement that Manserv's operations are to be sold to Cashworths, the word tangible is excluded from the statement of Cashworths' NAV, but is included in Manserv's

This could explain why Cashworths shares at 38c trade at only 56% of the net asset value of 68c, and why Manserv at 75c is only 70% of its cash NAV of 107c.

Cashworths' executive will constitute Mr Wiggill, Harry Spain, Phillip Tunstall and Arthur Klitofsky, whereas Manserv's will be two members of the Paruk family, who have close ties with Merhold. Mr Wiggill says there are members common to both boards, and outsiders will be appointed

Cashworths' pro forma earnings would have been 14,3c a share in the year to April 1989, calculated at a sustainable tax rate. This puts it on a historic PE of only 2,7

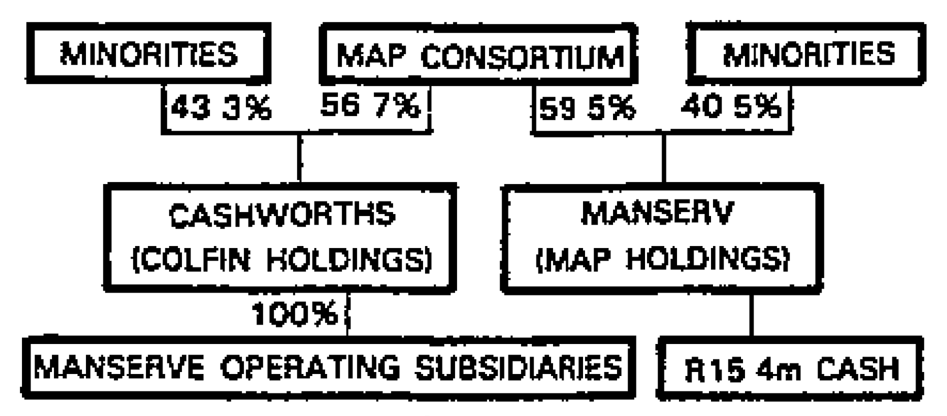
It could be that investors are cautious to buy when they do not know what will happen next, or retrospectively Mr Wiggill says his team should be given a chance to show what it can do

"We'll get Cashworths right, and achieve the earnings."

No doubt business will boom as more companies which get into financial difficulties become available for mergers and takeovers.

Cashworths is one to watch, but I would tread carefully.

PLOTTING OUT



Profits rise 28%, but dividend stays same

184

BDay 25/9/89

CHARLOTTE MATHEWS

DIRECTORS of BURLINGTON Burlington have decided to maintain the same 2,5c interim dividend as last year, in spite of showing a 28% rise in attributable profits

However, they will adjust the final dividend to reflect profits at the end of the year, says director Anthony Kawitzky.

The dividend of 2,5c was declared for the six months to June on earnings of 43,1c a share This compared with the dividend of 2,5c a share paid on earnings of 33,5c for the first six months of 1988 It gave the company a dividend cover of 17 times for this period

Burlington, which manufactures knitwear for men, women and girls, announced a 30% increase in turnover which translated into attributable profits of R262 000 (R204 000).

The interest bill rose by 28% to R330 000 (R257 000) — close to half of operating income before interest and depreciation According to Kawitzky, this stemmed not only from the higher interest rates but from the purchase of new knitting machines at the end of 1988. The addition of new machinery also accounts for the higher depreciation of R51 000 (R39 000)

Tax of R20 000 was paid, representing 7% of profits before tax, compared with no tax for the previous interim period The company has export allowances and assessed losses

At the end of June the company sold the use of a UK trade mark for R800 000 The credit for this will appear in results for the year to December, according to Kawitzky, who added that the figure had not yet been finalised

The directors said the prospects for the year as a whole appeared to be good and bookings for the remainder of the year were higher than in 1988 They believed this trend would continue into 1990

Amrel details problems of clothing chain

CHARLOTTE MATHEWS 184

AMREL'S main problems with its Smiley Blue/Goophees chain were the type of market it appealed to and the style and exclusivity of its merchandise, Amrel financial director Mark Bower said yesterday

On Monday, Focus Holdings announced its purchase of the Smiley Blue chain for R3,36m payable in cash and an issue of 5-million new Focus shares According to the announcement, the companies comprising the chain have an assessed loss of around R5m

In Amrel's 1989 annual report CE Stan Berger said rationalisations had been made in the Smiley Blue, Rock Bottom and Goophees clothing stores

"Savings were effected by transferring management responsibility for Smiley Blue to Scotts, but trading in Smiley Blue remained problematical and the chain reported a further loss in the current year," he admitted

The Rock Bottom outlets and some of the Goophees and Smiley Blue stores were being shut down, he added

BDay 27/9/89

Specialist

Bower confirmed the stores were losing money and Focus made an attractive offer to buy the chain at an appropriate time

"It is the type of business that needs a single person mainly devoted to it It was not feasible for a big corporation like Amrel because it does not have a large enough turnover and it requires a specialist buyer for 31 stores whereas we need the type of business that you can run for 200 or 300 stores together

"We found the effort that went into the 20-odd Smiley Blue stores was out of proportion to their return

"The chain definitely has potential although the market is difficult because it is fairly exclusive," he said

He felt the Smiley Blue operation was more suited to speciality retailers such as Focus

This was reinforced by the announcement from Focus directors that the acquisition was in line with Focus's objectives of expanding into niche markets in speciality retailing

"By installing Focus operating and management systems into the stores, the synergistic benefits of the acquisition and the resultant operating efficiencies and growth prospects are expected to impact favourably on earnings," they said

Clothing retail formed around half of Amrel's Scotts chain and the group also holds a 26% interest in Boymans

Bower said Amrel planned to expand its clothing interests through Scotts and Boymans but was unlikely to make acquisitions in the near future

Buoyant Rex True confident on export growth

CAPT TIMES 27/9/89

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN clothing manufacturer Rex Trueform has increased its export earnings by 33% in the past year. And executive chairman Stewart Shub says he expects exporting to Europe to become easier when it becomes a common market after 1992.

"I suspect the European common market will be to our advantage," he said yesterday,"because there will be free circulation of goods within Europe At present our sales are strong in some countries but weaker in others, where it is harder to get them across the border "

Shub said he anticipated no difficulty in getting his products into Europe after 1992, in spite of expectations that its policies would be strongly protectionist "A fairly high duty is already charged on our exports going into Europe, but we have a competitive advantage

"In the broader picture one would like to believe that positive political developments will result in our being received back into the international fold before 1992, with sanctions forgotten

"If developments go the other way, of course, the opposite would happen — but that is too ghastly to consider "

Shub said he also hoped for a stronger rand by 1992, in spite of the fact that SA exporters now benefit from the rate of exchange "A weak rand gives us only a short advantage which is offset by rising inflation, which means we have escalating costs

"Exporters with a strong currency find it far easier to contain their costs and plan ahead, which is why Japanese firms, for instance, do better than South Americans "

Although there are signs that the economy is entering a downswing, Shub said he anticipated a soft landing "I don't think we shall have a severe recession, as we did in 1986 And since our clothing is targeted at the middle and upper income market our domestic sales may not be affected much

"We are not expecting to have to lay off any workers We would consider it a very serious move to have to retrench people and we are not considering it at this stage "

In the company's annual report, released yesterday, Shub says "Export of manufactured goods continues to be an important corporate and national priority

"Accordingly, continued effort has been devoted to expanding export markets and I am pleased to report an increase of 33% in export earnings over the previous year

"The Board of Trade and Industry has recently embarked on a structural adjustment programme for the clothing and textile industries.

"This programme addresses the importance of exports to the development of these industries, and we believe, especially the clothing industry, which is very labour intensive "

"Certain aspects of this programme have already been implemented It is clear that the exporter of high value-added clothing manufactured in SA will especially benefit from this new programme "

Clothing workers reject pay offer

CAPE clothing workers have vowed to continue their tough stance over wage negotiations.

The decision was taken by about 3 500 militant Garment and Allied Workers' Union (Gawu) members who packed the student centre at the University of the Western Cape for a spirited living wage rally last Sunday.

At the meeting the workers endorsed a decision by the Gawu negotiating team to reject the wage proposals made by employers at the first round of negotiations last Friday.

They also rejected employers' demands for the union to give an undertaking that there will be peace in the industry while negotiations are taking place.

This follows large scale demonstrations and work stoppages involving about 10 000 workers at 50 factories in the Western Cape earlier this month

The meeting was addressed by workers who are part of the Gawu negotiating team

Several speakers called on the union's members to take protest action such as wearing T-shirts and singing protest songs at work

"We vow to continue our militancy We will take united protest action. A strike is our last resort," said Awatief Jacobs, a shopsteward at the Rudco factory

"Employers won't get industrial peace until there is justice in the industry," she said

At Friday's negotiations, employers upped their wage increase offer from R15 to R17,50 for machinists and from nine percent to 11 percent for all other workers

Employers want to implement the increases when factories reopen next year. Traditionally, increases come into effect when the industry shuts down in December.

Employers also offered to allow workers to swop May 1 for an official public holiday

Gawu rejected this

The union's demands include a weekly wage increase of between R50 and R60, a 40-hour week, and May-day and Sharpeville Day as paid holidays.

UNITED: Gawu members at a rally at UWC last weekend

Gawu has also rejected employers' demands for the closed shop agreement to be abolished and for across-the-board increases to end

● Everything is on track for the union's merger with Cosatu affiliate, the Amalgamated Clothing and Textile Workers' Union of South Africa, on September 16 and 17.

According to Gawu's regional secretary, Lionel October, about 600 delegates will attend the inaugural congress of the new union, which will be called the South African Clothing and Textile Workers' Union (Sactwu)

Rex Trueform earnings soar

GMS. TOTS 31/8/89 (184)

Financial Editor

CAPE Town-based clothing company Rex Trueform lifted turnover by 20% in the year to June 30, following a rise of 18% the previous year.

Earnings soared to 416,3c (286,8c) a share. The dividend rose to 90c (75c) with increased cover of 4,6 (3,8) times earnings.

Chairman Stewart Shub says that trading conditions were favourable throughout the year. Earnings were helped by improved efficiency and tight control over costs.

He describes the order book as "satisfactory." But, he points out, "the managed slowdown in the economy" is expected to dampen consumer demand in the current financial year.

The group can also expect a higher tax rate, because earlier tax losses have been utilised fully.

● Holding company African & Overseas Enterprises lifted turnover by 21% and earnings to 381,6c (261,8c) a share. The dividend is 80c (60c), covered 4,8 times

WOOLTRU Finance 1/9/89 184

Divisions meshing

The traditional high rating accorded Wooltru has again been vindicated by results for the year to end-June

Though the sales increase at 26% is admirable, even more notable was the 47% increase in pre-tax income, due to improved margins Colin Hall, previously deputy chairman and whose appointment as CE was announced with the results, is particularly pleased that the turnover rise was achieved on an increase in floor space of only 2% He attributes the higher margins to a change in the product mix, "harder" buying and fewer markdowns

"The improvement was not due to a change in our pricing policies" he says, "but rather because reduced prices were not necessary, indicating that we were correct in our fashion choices."

The product mix change was due to lower sales of thinner margin lines, such as wholesale food and increased sales of higher margin items

It took some time for Makro, acquired in 1987, to mesh with Wooltru Hall says the division performed "spectacularly" in the latest year Chairman David Susman considers the company "strategically important to the group since it affords an opportunity for trading in the Third-World marketplace "

Wooltru now holds three — perhaps four — distinct divisions Apart from Woolworths and Makro, there is the speciality retail group, comprising Truworths, Topics, Esprit and other speciality chains Each focuses on a specific target market and with increasing success, according to Hall

The fourth division comprises the unencumbered R280m property portfolio consisting of freehold land and buildings These include Wooltru House which alone generates annual tax efficiencies of about R2m In addition, there are the trading sites, most of which are well situated

It has long been suggested that the property portfolio might be separated into a property trust after the fashion of Barprop Hall says there is no point in doing this unless there is an investment for the funds raised, though the fact that the option exists, is comforting The group's property expertise may be used, he suggests, in developing shopping centres and earning a developer's fee

Certainly there is no need to raise funds to repay loans Net borrowings fell from R69,6m to R33,6m, cutting gearing from 22,8% to 9,6% Hall says the declining trend will continue, pointing to the strong cash flow and the policy to gear up for a specific purchase, like the head office, and then repay the debt over a period

Perhaps one of the most important considerations for investors will be whether Hall's new position will mean a change in direction Hall says not "It makes *de jure* what has been *de facto* for some time," he says He sees strong organic growth and no need to enter new markets, rather diversifying by introducing new lines into existing stores

"We have seen no sign of a decline in demand," he says He believes the Woolworths emphasis on quality will be even more important in a recession, and that buying down will benefit Makro

Hall is confident that Wooltru will grow at a faster pace than the industry average, and it seems likely the share price will continue to

PROSPEROUS WOOLTRU

Year to June 3	1988	1989
Turnover (Rm)	1 668	2 096
Pre-tax profit (Rm)	122	179
Attributable earnings (Rm)	61 3	93 3
Earnings (c)	178,9	269,2
Dividends (c)	80	112

trade at a premium With the latest dividend bringing the total to 112c, the share is on a 3,7% yield and could adjust to bring the premium back to previous levels

Gerald Hirshon and Pit Kenney

Setback for Set for Life scheme

By Julie Walker

MILITANT insurance brokers and agents chased Set For Life out of Australia, so promoter John Drinkwater moved to South Africa with his controversial life-assurance co-operative selling scheme

He obtained a master policy for group life cover from the Standard General Insurance Co of SA (Stangen), but it has also given notice of cancellation

Stangen — largely Italian owned — says the notice of cancellation was given because of lack of agreement on Set For Life's marketing methods But Mr Drinkwater claims Stangen's action is invalid

He says that before issuing the policy, Stangen was aware of the marketing plan He secured a 12-month guarantee from Stangen because he expected opposition from other life offices He blames them for pressuring Stangen into this "illegal act, which effectively deprives 2 000 Set For Life members of their family protection"

Stangen chairman Robero Grandi says all bona fide claims will be honoured, and notice of cancellation has been given so that people know it will not last forever.

Scanty

"When Set For Life described its marketing schemes to Stangen, the information was at best scanty Mr Drinkwater's remark that Stangen was aware of the marketing plan does not reflect the true position We tried to iron out the differences with Set For Life without success"

Mr Drinkwater, an Australian married to a South African, counters "It provides much-needed life cover and a monthly income at the same time."

Mr Drinkwater owns Set for Life, which holds master policy 1257 issued by Stangen

Set For Life involves a pyramid of generations of people who buy life cover under the banner "people helping people"

Let's say I sell a policy to four friends For R100 a month, they buy life cover of R100 000 if they are under 35, R65 000 if they are under 45, and R30 000 if they are between 45 and 60 There is a 50% benefit in the event of dread disease

Everyone pays three months' premium upfront

Mr Drinkwater says "This is to give them some time to build up their own generations"

After the three months, commission income is said to be enough to cover a premium of R100 a month and the balance is paid in commission Tax deducted is 25%

Monthly commission is R10 from each member I have to try to help those four — my first generation — to sell four policies each to others The phrase is "help them gain protection" These people become my second generation

I get R9 each of their monthly premiums and my first generation members get R10

My second generation people then have to sell policies to four of their pals, who become my third generation and comprise 64 in number I get R8 from each, my first generation receives R9 and my seconds R10

So on, until the limit of six generations But every member is the nucleus of his own six generations If my sixth generation members are to achieve their own sixth generation there will be more people than there are in SA paying Set For Life

If 2 000 people took out Set For Life policies, and each paid three months' premium up front, that means R600 000 has already been gathered by the promoter They all had to buy a training manual at R15 as well for another R30 000

The glossy prospectus shows how the maximum monthly commission is a cool R29 112

Maximum

Of the premium income paid by my 4 096-strong sixth generation, 45% goes on commissions every month. That is my co-operative

One independent broker says for group cover the maximum commission he takes under Life Offices Association rules is 7,5% So 45% seems a lot He says he could offer the same group-life cover at half the price or lower

Mr Drinkwater says that out of every R100, Stan Gen gets about R30, and the balance goes in operating costs and Set For Life's profit

Dr Grandi says Stangen is considering ways of assisting the 2 000 Set For Life members to obtain cover without their being left in the lurch

Romens and Dior in rumpus over price

S/Times 3/9/89. 184

By Ian Smith

LISTED menswear retail chain Romens has clashed with one of the giants of the fashion world — Christian Dior

Cape Town-based Romens has complained to the Competition Board that South African licensees of the French fashion house — manufacturing goods from umbrellas to men's suits and knitwear — are refusing to supply it with the designer range

Competition Board chairman Pierre Brookes says "We have asked Christian Dior licensees to repond to the allegation before we decide if a full investigation is needed"

An attorney for Christian Dior says "We are aware of the nature of the complaint and we believe it is unjustified We are preparing a full response for the Competition Board"

Romens, which has 12 stores and franchised shops in the Cape, the Free State and Namibia, is SA's biggest retailer of Dior suits, shirts and knitwear, says chairman Danny Kahn

Pride

"The dispute has its roots in a complaint that our Port Elizabeth franchise was selling Dior merchandise at 'substantially lower' mark-ups — in other words, at a discount," says Mr Kahn

"We pride ourselves that, across the board, we sell at prices well below other menswear retailers — but we are not discounters

"We have built up this business over 30 years on the basis of a fair price to customers and fair profits to Romens and our suppliers"

Mr Kahn says that no Dior licensee was prepared to show Romens the Dior 1990 winter range — "although I specifically asked them to do so before the end of July"

He says "Dior officials in Paris have told us that the question of supply does not lie in their hands, it is up to local suppliers But the licensees have told us they cannot supply us because of a directive from Paris ordering them not to do so"

A major licensee in SA is Mentone Clothing, which makes Christian Dior men's suits Managing director Mike Siesel says. "We are preparing our reply to the Competition Board and it would not be right to comment at this stage."

The row could have repercussions for manufacturers of many other designer label clothes and accessories

Mr Kahn says that imported linings and trim are widely used on designer lines, and the quality is monitored by the foreign principals

Rag trade faces supply problems

Star 8/9/89

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Diagonal Street
TOM HOOD

Clothing manufacturers are forced to spend heavily on buying fabrics well in advance to counter late deliveries by textile mills.

Fabrics are being diverted overseas as textile companies take advantage of the weak rand to exploit export opportunities, making life difficult for manufacturers.

Purchases are have to be made now by some Cape clothing factories in the hope they will be able to take delivery in February.

"March deliveries will be too late for next season and our retailer customers are often unsympathetic to our problems," says Mr Selwyn Kagan, chairman of Pals, the Salt River menswear manufacturer.

The company had to absorb higher import duties imposed earlier this year because they could not be passed on to customers he said.

Pals' turnover rose 30 percent but operating profit dropped R90 000 to just over R1 million in the year to June.

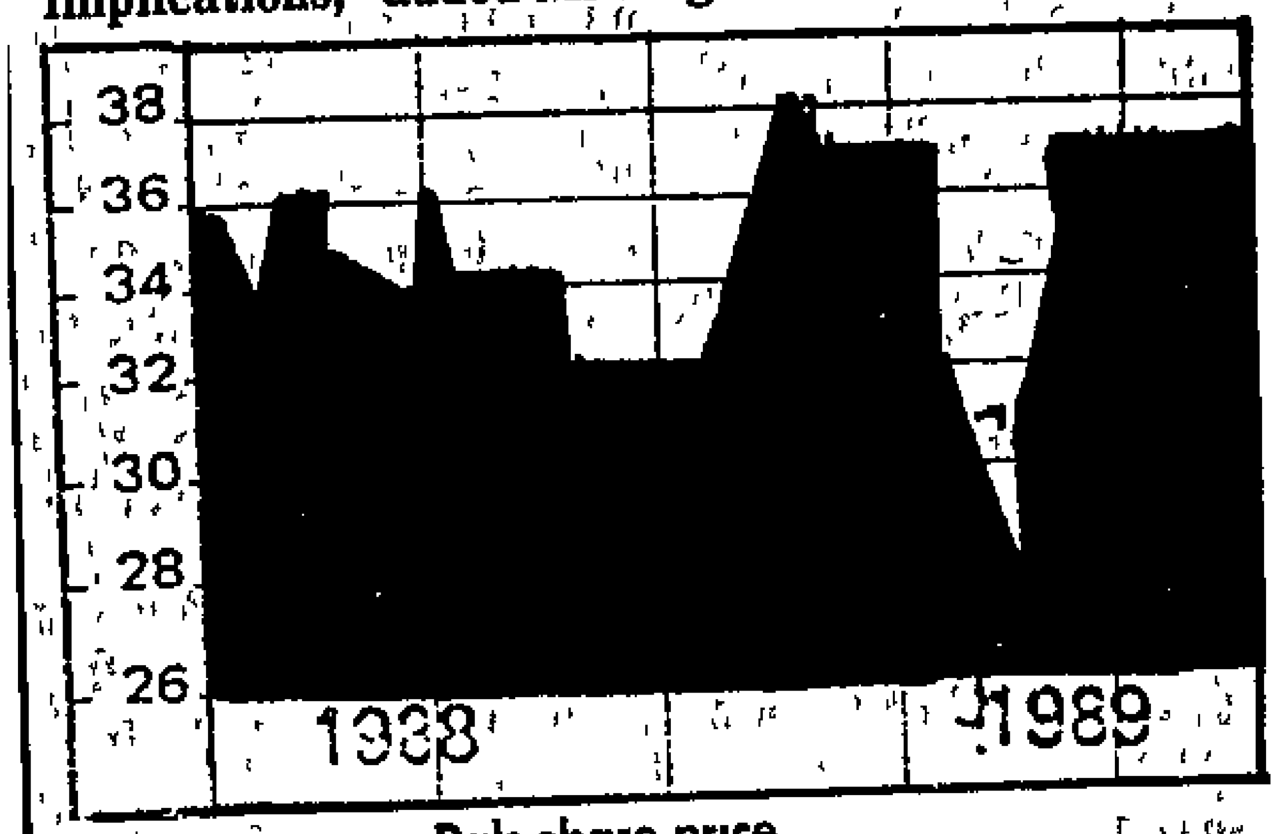
However, tax allowances from export earnings helped to offset the drop and raise its net earnings by 23 percent to R918 000 from R748 000 in the year to June 30.

The final dividend of 2c a share is more than the 1,4c total payout for last year — the first full year as a listed company — and the total payout of 3,4c is up 143 percent on last year's.

Order books show Pals's factories are fully booked for the next three months and well booked for three months after that, said Mr Kagan

Exports of sportswear to Britain rose considerably and the company is exploring other markets which, if viable, whould give a boost to earnings. Computer-assisted equipment was now being used for all designing and also brought huge benefits in usage of fabric.

"We have also changed our method of production in the factory and put in a whole new "switch trade" system which has enabled us to cut our work in progress dramatically by up to 90 percent. This has been running for a month and has obvious financial implications," added Mr Kagan.



Pals share price.

builds on earnings

JOHANNESBURG — Concor has reported a 62% increase in attributable earnings for the year to June with earnings per share climbing from 14,1c to 23,7c

Income attributable toshareholders was R5 399m compared to R2 999m the previous year

Pre-tax profits rose by 43% to R5 764m while turnover — not revealed — increased by 29%

The interim dividend was passed but a final div of 4c a share was declared compared to 2c during the same period last year — Sapa

Strebel boosts income 43,4%

GM-Times 13/9/89 (184)

THE Cape Town-based Strebel group, which has expanded from its core business of trimmings, fastenings and accessories into textile manufacturing, lifted operating income by 43,4% to R10m (R7,3m) in the year to June 30

Turnover rose by 39%, which chairman Fred Strebel said was due to organic growth as well as acquisitions

But the group was hit by an 87% rise in its tax bill, to R3,9m (R2,1m), which limited the rise in attributable income to R5,9m (R5m) Earnings at share level rose to 39,8c (33,6c) The final dividend is 9c, making a total of 13c (7,5c) for the year

The net asset value per share has risen to 132c (111c)

Strebel said it was gratifying that operating profit had grown by 60% in the second half of the year

He was optimistic about prospects for the coming year, in spite of the cooling down of the economy

Strebel's core business normally continued to do well even in a downturn and increasing black urbanisation would mean continued demand by the clothing industry There would also be increased demand for household textiles, as more houses were built

Strebel said that in line with a policy of greater diversification, the group had formed a textile division during the year After buying SA Badge and Embroidery Works (Pty) and Cape Embroidery Works (Embroitex) it had formed a knitted fabric unit

This had been integrated with the group's commission dyehouse, General Dyers and Bleachers

On July 1 this year the group had acquired Atlantis Nonwoven Fabrics, which supplied fabrics for the duvet, mattress, footwear and building industries

Merger talks for Border Air

EAST LONDON — The major shareholder in Border Air, Jack Rance, yesterday confirmed that the airline was in the final stages of merger talks with Magnum Airlines and Citi Air.

"We hope to be in a position to make an announcement later this week," he said

The proposed merger, which could herald major structural and operational changes for Border Air, would give the small charter airline the full benefits of the sophisticated Johannesburg-based Magnum and the Durban-based City Air operations

B Day 13/9/89

Strebel maintains steady growth rate

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SYLVIA DU PLESSIS

BUSIER trading, coupled with real growth experienced by each of its manufacturing operations, has allowed the Strebel Group to continue on its steady growth path in the year to June

The group, a manufacturer of trimmings, fasteners and accessories for the clothing, footwear and luggage industries, has posted a R1m rise in attributable income to R6m in the face of a 10% hike in its effective tax rate to 40%

This has been achieved on a turnover index which surged 39% to 520 (374), and operating income which was boosted by 43,4% to R10,5m (R7,32m)

Operating income was 60% higher in the latter half of the year compared with the corresponding period in 1988, and as a return on net average assets continued to grow, reaching 44,2% (36,5%)

Earnings a share of 39,8c (33,6c) — an increase of 18,5% — have been recorded, and a final dividend of 9c has lifted the total for the year to 13c (7,5c)

Textile division

MD Fred Strebel said in a statement yesterday the good performance was due to buoyant trading conditions, organic growth, higher productivity and a reputation for quality products and service

A major development during the year was the establishment of a textile division, which had great potential for growth as a result of increasing import replacement and the steadily growing purchasing of urban blacks

"We created this division by extending the General Dyers and Bleachers plant to include the manufacture of knitted fabrics for the local clothing industry and by acquiring two new concerns," he said.

These concerns were Embroitex, SA's largest manufacturer of embroidery, and Atlantis Non-Woven, which supplies non-woven fabrics to the bedding, footwear and building industries

"The acquisition of Embroitex means we are able to offer a comprehensive range of embroidered products to the household textile market, while Atlantis Non-Woven allows us to further penetrate non-clothing markets"

Strebel said directors were optimistic about the forthcoming year and forecast continued growth and earnings, barring an unforeseen deterioration in economic conditions

"Textiles, together with trimmings, fasteners and accessories is one of the so-called 'sunrise' industries

"It has great potential for growth through import replacement and the rise in income of the increasingly urbanised lower income consumers The household textile market, in our view, has excellent growth opportunities"

Strebel added the group was continuously working on improving efficiency and reducing costs by focusing on technology

Concor earnings beat forecasts

EDWARD WEST

CONCOR has surpassed earnings forecasts of 20c a share for the year to June 1989 and has increased earnings a share by 68% from 14,1c to 23,7c a share

Concor chairman Brian Murphy decribed the results as "healthy" He said the availability of work during the year had enabled the company to maintain a full order book

Reflecting improved operating margins the company, one of the largest construction groups in SA, has boosted pre-tax profits by 43% from R4,03m to R5,76m on a turnover increase of only 29%

The company has not disclosed actual turnover The final dividend it paid last year was doubled to 4c a share this year The extraordinary loss of R188 000 was attributed to a premium on the acquisition of a subsidary company written off

The directors, who passed the interim dividend, but anticipated a year-end dividend as the company's results continued to improve, were confident of increased pre-tax profitability during 1990

Concor company secretary Graham Mullany said all divisions, including construction, concrete products, roads, earthworks and plants and a mechanical and electrical engineering division, performed well during the year

Reflecting a general building trend, the housing and low rise building sub-divisions of the construction division did not perform as well as other divisions due to low margins in the building industry, said Mullany

Although many economic factors made it difficult to predict the traditionally cyclical nature of the construction industry, Concor was confident of increased pre-tax profits during the 1990 financial year, he said

B/Day 13/9/89

B|Day 14|9|89.

Meritex hit by problems in production

CHARLOTTE MATHEWS

A DISAPPOINTING performance was turned in by Meritex Holdings for the six months to July as a result of production problems and expenses arising from the reorganisation of the business.

Turnover rose by 23,7% against the 17,6% improvement reported for the six months to July 1988 and the 22,2% for the year to January 1989, but this translated into a R123 000 bottom line profit that was 93,4% lower than, or a 15th of, the previous interim's R1,9m.

EPS dropped to 1c from the previous 12c, a 91,6% decline.

But as a result of the restructuring, net asset value rose to 88c a share from last year's 78c.

Meritex is based mainly in Cape Town where it makes underwear and other basic garments as well as knitted fabrics Subsidiaries make leisurewear, swimwear and print textiles on commission.

The group also engages in exports which at the end of last year made up just under 7% of turnover.

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Remedial action

Directors said in a statement a loss of R881 00 was made in the first quarter of this period stemming from a dyehouse bottleneck, the late delivery of essential production equipment, delays in installing the computer programme, higher interest rates and additional costs arising from the relocation of the New Colours factory Interest charges rose nearly six times to R892 000 (R155 000)

The directors said urgent remedial action had been taken and pre-tax profit in the second quarter was R1,28m

"The market outlook for the second half of 1989/90 remains buoyant and the group expects to sustain its earnings improvement for the balance of the current financial year," they said

Manserv subsidiaries reversed into Cashworths

CAPE TIMES 18/9/89

By AUDREY D'ANGELO
Financial Editor

CASHWORTHS FASHION HOLDINGS will become a cash shell into which the operating subsidiaries of Management Services Corporation (Manserv) will be reversed, it was announced yesterday

It will become a financial and management services and banking group and will be renamed Colfin Holdings

The controlling shareholders of Manserv are the MAP consortium, represented by Yakoob Paruk, H S Spain, J M Wiggill, P A Tunstall and A S Klitofsky, who acquired Cashworths — a long-established Cape Town clothing retail and manufacturing firm — when it was in difficulties at the beginning of this year and have since sold off all its business operations and properties

Activity

They say they expect an increase in corporate activity flowing from the present economic and investment climate which will create significant opportunities for the new Colfin Holdings including its newly-formed banking division

The Manserv operating companies — Colfin, Punch Line Columbia Training, ACCSYS (Pty), Impact Training (Pty), Academy of Learning (Pty), Don Gray Systems (Pty) and Punch Line Education (Pty) — will be sold to Cashworths for R12,2m in cash

The MAP Consortium will retain effective control of both Cashworths and Manserv The sale of its operating subsidiaries will turn Manserv into a cash shell, but the MAP Consortium say they will look for new acquisitions to reverse into it

Renamed

Meanwhile, it will be renamed MAP Holdings

Yesterday it was announced that Cashworths had sold its last remaining major asset, Starter Manufacturing Co, to Sechic (Pty) for R1,1m in cash

The announcement was made with the release of audited results for the year to April 30, which show Cashworths made an operating loss of 7,5c a share compared with a profit of 11,1c the previous year

Turnover was higher at R21m compared with R19,9m in the previous financial year But the directors report a net loss before tax of R1,1m compared with a profit of R1,6m An extraordinary profit of R1,9m comes from the sale of businesses and properties

Attributable income is R780 000 compared with R1,1m The interest bill rose to R680 000 (R520 000) and the tax bill fell to R25 000 (R235 000)

The balance sheet on April 30 showed that long-term liabilities had been reduced to R735 000 (R1,1m) Net current assets had risen to R7,1m (R4,6m)

Losses

The directors say the results were "disappointing and are attributable to losses incurred in the manufacturing division"

They say the recently introduced management team has reduced these losses through "the disposal of all major business operations and properties Cash proceeds have been placed in interest bearing investments from the date of receipt."

The directors say the realised value of the assets in cash "will not be less than 60c a share"

Cashworths was listed in the development capital market (DCM) sector of the JSE in 1987 after a private placing to raise R4,5m at R1 a share

It achieved after-tax profits of R1,6m — 127% above the previous year and comfortably ahead of the forecast R1,2m — in the year to April 1988

Norman Schutz, who was then chairman and whose parents founded the firm, said that the retailing arm had performed extremely well

New plant

The group was hoping for increased profits as a result of gaining full control of R Sassoon & Co and buying new plant for the Botticelli and Knit One factories

During the year it had expanded out of the Cape, opening a pilot women's fashion store as a springboard to the Transvaal market

But last January the company reported a R445 000 trading loss in addition to a R500 000 loss on the disposal of R Sassoon

Control of the company was sold to the MAP Consortium It is believed that the highest price paid was 35c a share

In March the retail businesses were sold as a going concern to to the Focus Holdings group in a R4m deal

Skirts, Cashworths, Garcon to disappear

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Star 18/9/89

By Derek Tommey

Three listed companies have announced major changes in their activities

Skirtskip Clothing has sold its interests in clothing manufacturing and and has bought the subsidiaries of Nova Constantia . These are involved in the engineering, textile and leisure industries.

Skirtskip has changed its name to Nova Constantia

Nova Constantia is forecasting earnings of 4,4c a share for the 13 months ending March 31, next year, against earnings of 2,5c a share for the 12 months ended February 28, this year

A dividend of 1,7c a share is forecast for the 13 months ending March 1990, (equal to 1,5c on an annualised basis), against 1c for the 12 months ended February, this year On the assumption that the Nova Constantia acquisition was effective on February 28, this year, the proforma net tangible asset value of a Nova Constantia share would have been 14,8c

Former clothing retailer and manufacturer, **Cashworths,** is to sell its remaining asset, Starter Manufacturing, for R1,15 million and acquire the operating subsidiaries of Manserv for R12,2 million.

Cashworths is to be renamed Colfin Holdings

Manserv will change its name to MAP Holdings and become a cash shell with R15,4 million equal to 106,7c a share

Garcon, (Garlick Consolidated) has become the pyramid company of Unidev and has changed its name to Unidev Consolidated Holdings.

Unidev has electronic, industrial, property and financial services interests

Unicon intends to declare an 8c dividend for the financial year ending December, 1989

Sacrifices called for at Traclo

18/9/89 184

Traclo's directors have elected to absorb the costs of the company's restructuring and expansion programme in one blow, cutting earnings from 5,5 cents a year ago to 3,4 cents for the 14 months ended 30 June, 1989

According to a statement released by Traclo, the interim report states that the programme — which is focused on rationalisation and consolidation of the divisional structure and on increasing market share and expanding exports — "entails a number of changes and a degree of sacrifice of immediate profitability to attain longer term benefits" and that it should "ensure the rewards of real growth in the near future"

A final dividend of 1 cent a share has been declared which shareholders can elect to take in cash or by way of a bonus issue of shares based on a ratio giving an approximately equivalent value to the dividend, said the statement.

The exact terms will be announced within the next few weeks but holders of over 80 percent have indicated their intention to accept in principal

"Turnover for the 14 months shows an annualised growth of 38 percent at R39,9 million while operating profit dropped from R3,06 million to R2,77 million.

"The balance sheet shows a moderate increase of 17 percent in long term borrowings while higher short term debt has been largely utilised to finance working capital requirements, said the statement — Sapa

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Veka earnings drop by 93%

JOHANNESBURG — Veka recorded a drop of 93% in attributable earnings to R46 000 (R754 000) for the six months to June in spite of an increased turnover of R15m (R14,4m)

Earnings per share showed a corresponding sharp decrease to 0,2c from the previous 2,6c No dividend was declared

MD Almero Oosthuizen says the results "look sick" compared with the previous period mainly as a result of unprecedented demand for school uniforms in the first six months of 1988

"So 1988 was actuallly an exceptional year

"However, when compared with the first six months of 1987, then we did not fare too badly in the past interim period, as the company traditionally only shows a small profit or breaks even in this trading period

"It is in the second half of the financial year that turnover picks up as schools place their orders for uniforms"

Oosthuizen added that Veka, being highly geared, was vulnerable to movements in interest rates Hence the increase in interest paid to R1,5m against the previous R1m

"Notwithstanding this, the company is expected to be more profitable in the second half of 1989 compared with the second half of 1988" — Sapa

Veka looks 'a little sick'

Star 20/9/89

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Veka recorded a drop of 93 percent in attributable earnings to R46 000 (R754 000) for the six months to June in spite of an increased turnover of R15,0 million (R14,4 million).

Earnings per share accordingly showed a corresponding sharp decrease to 0,2 cents from the previous 2,6 cents. No dividend was declared.

Managing director Almero Oosthuizen says that the results "Look sick" compared with the previous period mainly as a result of unprecedented demand for school uniforms during the first six months of 1988.

"So 1988 was actuallly an exceptional year. However, when compared with the first six months of 1987, we did not fare too badly during the past interim period, as the company traditionally shows only a small profit or breaks even during this trading period.

It is during the second half of the financial year that turnover picks up as schools place their orders for uniforms."

Mr Oosthuizen added that Veka, being highly geared, was vulnerable to movements in interest rates. Hence the increase in interest paid to R1,5 million against the previous R1,0 million — Sapa

BDay 28/9/84

Cape-based Ensign feels the austerity squeeze

(1/184)

LESLEY LAMBERT

CAPE TOWN — Ensign, the Cape-based manufacturer of workwear and leisurewear, performed satisfactorily during the six months to June but, short-term borrowings and interest charges have increased substantially.

Turnover grew by 22% to R994 143 but a doubling of the interest bill to R166 729 as a result of a sharp increase in short-term borrowings reduced growth in untaxed profits of R827 414 to 13%.

After a tax bill of R397 091 and a preference dividend payout of R11 100, the net income to ordinary shareholders amounted to R419 223, up 12% on the same period last year.

Interim dividends remained unchanged at 15c a share.

Long-term borrowings were reduced by 26% to R495 023, but bank borrowings rose by 33% to R2,3m.

Directors expect a slow-down during the second half.

Wage deal pending

AMGCS 28/1/89 (184)

By DICK USHER
Labour Reporter

WAGE negotiations in the Western Cape clothing industry are delicately poised following deadlock and mediation

In three days of mediation last week a package was hammered out between employers and what is now the South African Clothing and Textile Workers' Union (Sactwu), following the recent merger between clothing and textile unions.

Mr Colin McCarthy, secretary of the Cape Clothing Manufacturers' Association (CCMA) said the package had been through CCMA and the Cape Knitting Industry Association (CKIA) structures and received conditional approval.

But it was dependant on the package being accepted by Sactwu shop stewards and members.

Deadlock was reached when the union rejected the employer offer of a R21,50 a week increase for grade B machinists and 16,5 percent for all other grades.

Employer sources said they understood Sactwu proposed taking the package to factory meetings to be mandated and said they were uncomfortable with this They feared rejection at one plant sparking rejection at others

The negotiations affect about 55 000 employees in the industry and about 400 employers, about half of whom are members of the CCMA and the CKIA.

(184)

Bosses respond to Gawu pay demands

NEGOTIATIONS are underway in earnest in the Western Cape's largest industry after clothing employers delivered their reply to the wage demands of the Garment and Allied Workers' Union (Gawu) last Friday.

The response from the Cape Clothing Manufacturers' Association and Cape Knitting Industry Association followed demonstrations and work stoppages involving about 10 000 workers at 50 factories throughout the Peninsula the previous week.

The employers have offered an increase of R15 for qualified machinists and 11 percent for all other workers.

They have proposed that the increases are implemented from the first pay week after the year-end shutdown.

Gawu had asked for increases of between R40 and R50.

The employers have also proposed that across the board increases and the closed shop agreement both be scrapped.

They also want the right to suspend the union's dues in the event of illegal industrial action.

In their reply to the union, the employers outlined constraints on the clothing industry, including the rising cost of material

They argued that the industry was being squeezed between suppliers and customers who were unwilling to pay high prices for clothes.

Last year, Gawu won an average increase of 57 percent on the minimum wage for its members — the highest ever in the industry.

Gawu is holding a mass rally over wage demands at the University of the Western Cape stadium on Sunday afternoon.

Retail surge bolsters Wooltru's earnings 50%

184 (20) b/day 30/8/89

LESLEY LAMBERT

CAPE TOWN — RETAIL and wholesale group, Wooltru, has exceeded profit expectations with the help of good trading conditions in the second half, reporting 50% growth in taxed earnings to R93,4m for the year to June

The group, which incorporates Woolworths, the recently acquired Makro wholesale chain and Speciality Retail Stores (including Truworths and Topics), benefitted from a surge in the retail sector over the last six months of its financial year, chairman David Susman said yesterday

"This has been one of three years which have been a shopkeeper's dream and we have more than capitalised on splendid trading conditions," he said

Untaxed profits grew by 47% to R178,5m on 26% sales growth which saw turnover exceed R2bn

Taxed profits grew strongly despite a tax bill which rose 44% to R85,1m, and were translated into earnings per share of 269,2c (178,9)

A final dividend of 65c was declared, bringing the total to 112c (80c) Dividend cover was increases to 2,4 times (2,2)

The directors refused to provide a breakdown of the operating companies' contributions to profits when asked what Makro's contribution had been, saying the companies were undergoing restructuring

But Susman said each company had improved profits substantially and increased market share, reflecting sound management and considerable capital expenditure over the past few years

Colin Hall, who was appointed deputy chairman last year, has been appointed CE of the group He told the Press conference yesterday he attributed profit growth largely to productivity gains and cleaning up of margins which, he said, would also contribute to the group's longer term health

"Our stated objective is to show high return on shareholders' funds and higher sustainable growth in the industry and we believe this year's results have been a step in the right direction," he said

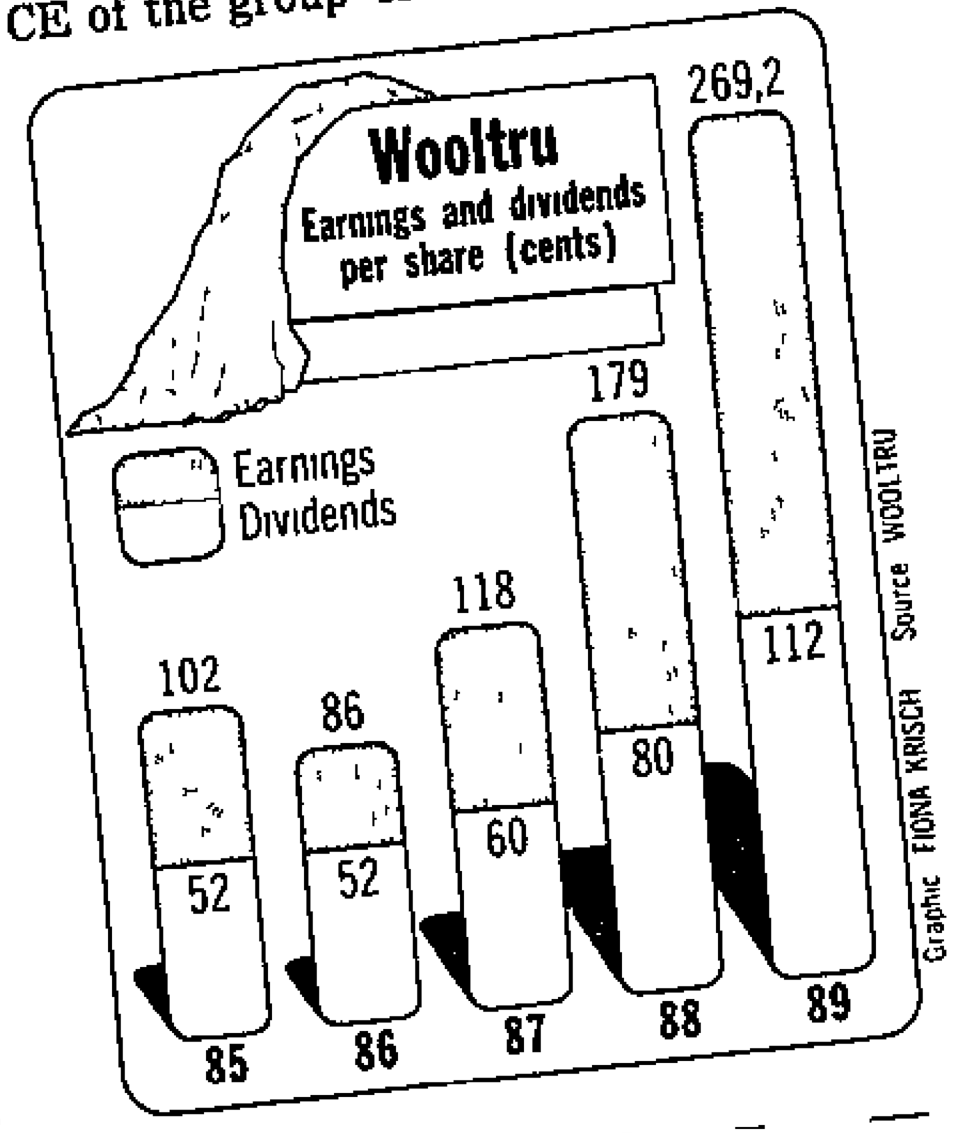
"The results prove to us that the operating companies are focussing more strongly on their particular brands and that our trade has proved increasingly acceptable to a wide range of consumers"

The anticipated impact of the economic slowdown on consumer spending would inhibit growth this year, Hall said But other traditional constraints such as cash shortages and inadequate management, would not present problems

A healthy balance sheet shows the group has reduced long term borrowings from R79,6m to R68,1m and although short term borrowings have grown from R2,3m to R4,5m, cash resources have more than tripled to R39m

The group also has on its books property which is currently valued at about R277m

Expansion plans include six new and six relocated Truworths and Topics stores, a new Woolworths in Claremont and expansion of existing Makro stores



 (184) South.


Actwusa and Gawu executive members at the inaugural conference

Breaking with 'years of subservience'

THE formation of the South African Clothing and Textile Workers' Union (Sactwu) had transformed the clothing industry and was of "major political significance"

This was said by the South African Congress of Trade Unions (Sactu) in a lengthy message of support to Sactwu's inaugural congress

"We congratulate the militancy of workers in this sector, particularly those who have broken with years of subservience and reactionary trade unionism," the message said

Sactu said the new union would have "tremendous political impact" and the potential for creating greater unity, particularly in the Western Cape

Guidelines

The message said the Sactu "noted with concern" that unions in the leather industry had not participated in the merger and called on Sactwu to continue organising leather workers

Sactu also called on rope and canvas workers to form part of the new union

The message called on Sactwu to pay "special attention" to the problems which working women faced and to work towards full participation of women workers at all levels of the union

It called on Sactwu to put forward its demands when discussing the ANC's constitutional guidelines and for the workers' charter to be discussed at all levels in Sactwu, the Congress of South African Trade Unions, the National Council of Trade Unions and unaffiliated unions

Contribution

Sactwu also received a message of support from the African National Congress which said the formation of Sactwu had "the potential of making a mighty contribution to the unity in action of the working class and to the creation of one non-racial democratic trade union federation"

The National Union of Mineworkers said the formation of Sactwu took place at a time when "the oppressed masses were locked in a life and death struggle"

Num said that "united mass action" was the weapon against apartheid

The South African Municipal Workers' Union (Samwu) said the formation of Sactwu was "a massive step forward in the liberatory struggle of the working class"

Messages of support were received from several other organisations including the United Womens' Congress, the Trades Union Congress of Great Britain and the British Transport and General Workers' Union

Birth of a giant

FACING THE FUTURE: Cosatu's Jay Naidoo (left) links hands with the Sactwu executive

THE formation of a giant new union for South Africa's clothing workers last weekend brought to a close a chapter of bitter conflict and inter-union rivalry in the industry.

Its formation was historic because it is the first time in more than 60 years that there has been a single national union in the industry.

But it was evident at the union's inaugural congress in Cape Town that there remain divisions which will have to be overcome if proper unity is to be forged

The new union — the South African Clothing and Textile Workers' Union (Sactwu) — was formed from a merger between former rivals, the Garment and Allied Workers' Union and the Amalgamated Clothing and Textile Workers' Union of South Africa.

With 185 000 members, Sactwu is the third largest affiliate of the Congress of South African Trade Unions

About 620 delegates attended the inaugural congress at the University of the Western Cape last weekend

It is the first time a major union has been launched in the Western Cape

Sactwu officials have acknowledged that the path to the merger was not easy

A joint Gawu-Actwusa press statement issued last week said that "months of lengthy unity talks" preceded the signing of the merger agreement by the presidents of both unions last month

The agreement did not end all differences between the two groups

Contentious

Prior to the congress, a joint merger committee had drawn up a constitution and decided on the structure and name of the union, but the two unions tabled separate resolutions on several issues including political policy — probably the most contentious issue within the new union

A Sactwu spokesperson said that several resolutions, including ones around political policy, could not be debated because of "time constraints" and had been referred to the national executive committee which meets later this year

Political policy

Meanwhile, the union will presumably be guided by Cosatu's political policy since delegates resolved to affiliate to the federation as well as to the International Textile, Garment and Leatherworkers' Federation

Also referred to the NEC are the national portfolios of media organiser, collective bargaining, education, administration and legal.

Gawu's regional secretary in the Western Cape, Lionel October, was elected general secretary against Desmond Sampson, Gawu's general secretary

It is understood that Sampson, who was general secretary of Gawu, was backed by Actwusa delegates against October, the regional secretary of Gawu (Western Cape)

Ideological

Actwusa general secretary, John Copelyn, was elected assistant-secretary and Actwusa president, Amon Ntuli, was elected president The first vice-president is Ellen Beaumont of Gawu and second vice is Actwusa's Bert Pitts

Joel Ndongeni from Gawu was elected treasurer

Aside from ideological differences, the new union will have to make a concerted attempt to bridge cultural differences between the union's members in different regions.

The union will have to build links between Gawu's largely Indian membership in Natal, the "coloured" members who make up the backbone of the clothing industry in the Western Cape and Actwusa's mostly African membership

It will also have to continue its attempts to win workers in the leather industry after leather worker unions refused to be part of the merger.

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South 21 Sept - 27 1989.

Natal delegates concentrating on the speeches

Western Cape

The face of

By CHIARA CARTER

THE formation of the South African Clothing and Textile Workers' Union (Sactwu) shows what a new South Africa would be like, says Cosatu general secretary Jay Naidoo

"What we see before us is the face of a new South Africa — face marked by its non-racial character, unity and strong spirit of the working class," he told delegates at the Sactwu inaugural congress at the University of the Western Cape at the weekend

Naidoo said the merger between Gawu and Actwusa was "an historic occasion"

Appealing for unity within the new union he said You are from different traditions and come from unions which had different policies

"What this merger has shown is that there is more that unites workers than divides them, he said

Compromises

"You have to forge the unity that will transform the new union into a weapon of struggle against great exploitation We hope the necessary compromises will be made to ensure unity of workers in this sector"

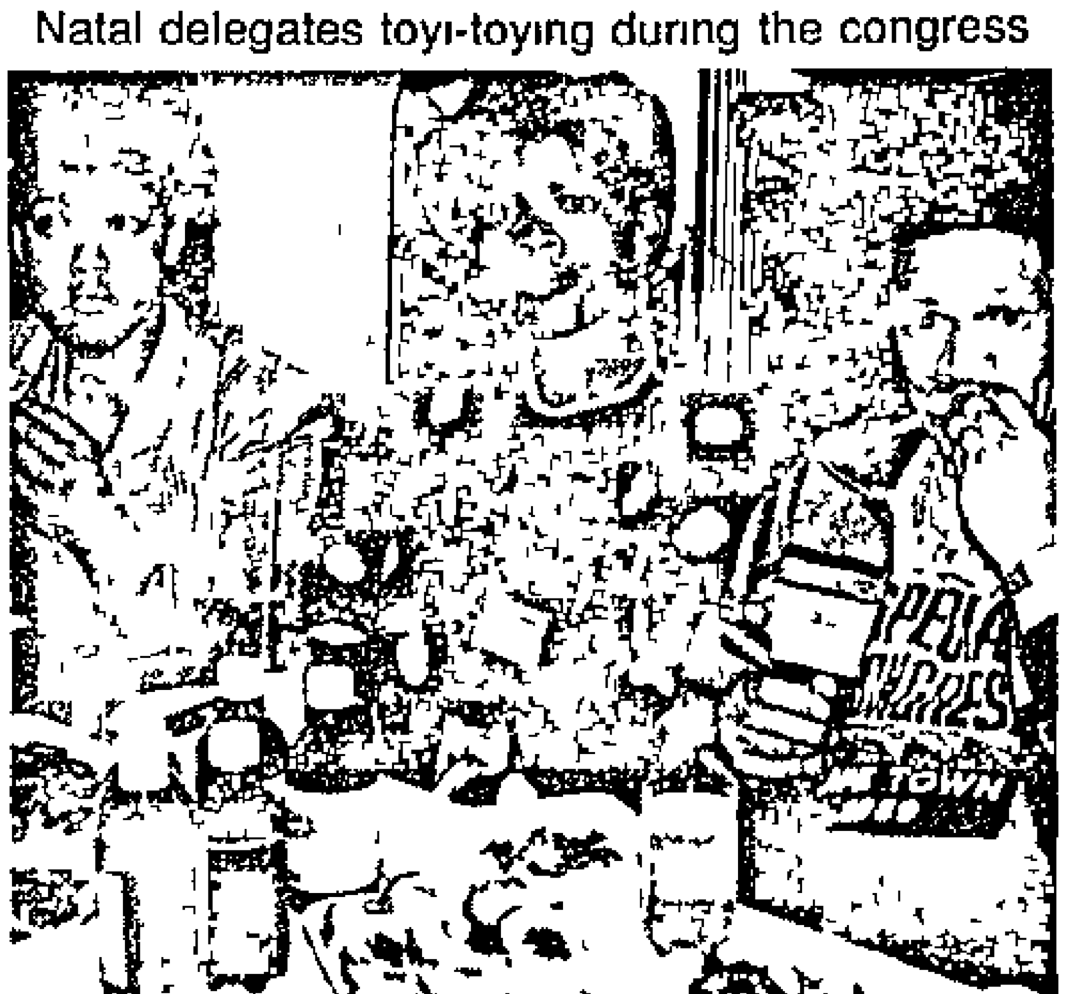
Naidoo said the fight against apartheid was part of 'an uninterrupted struggle for socialism

"Our society is one wracked by civil conflict Apartheid is the form capitalism takes For the working class apartheid does not mean the Mixed Marriages Act, but laws which affect the cost, supply and demand of labour "

Mass resistance led by the working class had created apartheid's greatest crisis and Cosatu had grown into one of the most militant union federations in the world, he said

The struggle on the factory floor should not be seen as separate from

Natal delegates toyi-toying during the congress



Quiet moment at the Industrial House social

Quickstepping into an exciting giant new union, Sactwu, enjoyin

lelegates show their zeal and zest PICS YUNUS MOHAMED Transvaal delegates singing the national anthem

' a new SA

the broader struggle within society and he called on workers to join the broad liberation struggle

'If we want working class leadership of organisations we must win that leadership through our involvement in the broader struggle,' he said

"Workers must help build all mass organisations in our country

"The Mass Democratic Movement (MDM) is an alliance of all patriotic forces committed to building a new South Africa

For us as part of the working class the role we play in the MDM will shape the face form and content of a new South Africa

future? Supporters of the g themselves at the social

'Trade unions are one of the most organised weapons the working class has but the working class is much broader There are millions of unemployed housewives, youth and rural dwellers who form part of the working class

'As the trade union movement we are a federation with certain priorities and the way we achieve our political goals is to forge alliances with those organisations whose goals coincide with ours

'This is why the MDM was formed

One of the central MDM campaigns has been the defiance campaign We have seen the De Klerk regime retreat in the face of massive opposition from people throughout the country

The Conference for a Democratic Future is another initiative by the MDM which aims at isolating the reactionary core of apartheid

Consolidate

'We must discuss the ANC's constitutional guidelines to give them the content of the working class

"As part of Cosatu, Sactwu's task will be to consolidate its factory floor structure to build one union, industry and federation

At a political level, the key task is to build the MDM — not just through slogans but through action

'One of our key tasks is to discuss what workers want in the new LRA This is why discussion of the workers' charter is important he said

Outgoing Gawu president Ismail Muckdoom called on workers to discuss within their ranks the new South Africa they wanted Discussion of the ANC's constitutional guidelines and the workers' charter was important in this debate, he said What kind of SA do we want for workers? Our answer will determine the quality of life of workers children still to be born

Difficult

He said the path to the merger had been long and difficult

"We never gave up our dream of one union in one industry Our grand attempt to unite the industry has ended today "

Actwusa president Amon Ntuli said the merger of the two unions was an historic day for worker control in our industry

He said there should be greater working class leadership in community organisations

"A major failing of the liberation movement in our country is that leadership of organisations is not in the hands of workers "

It was important that those who led organisations shared workers aspirations and directed them towards realisation

A major point of difference between the working class and other organisations was whether society should be free of capitalist exploitation

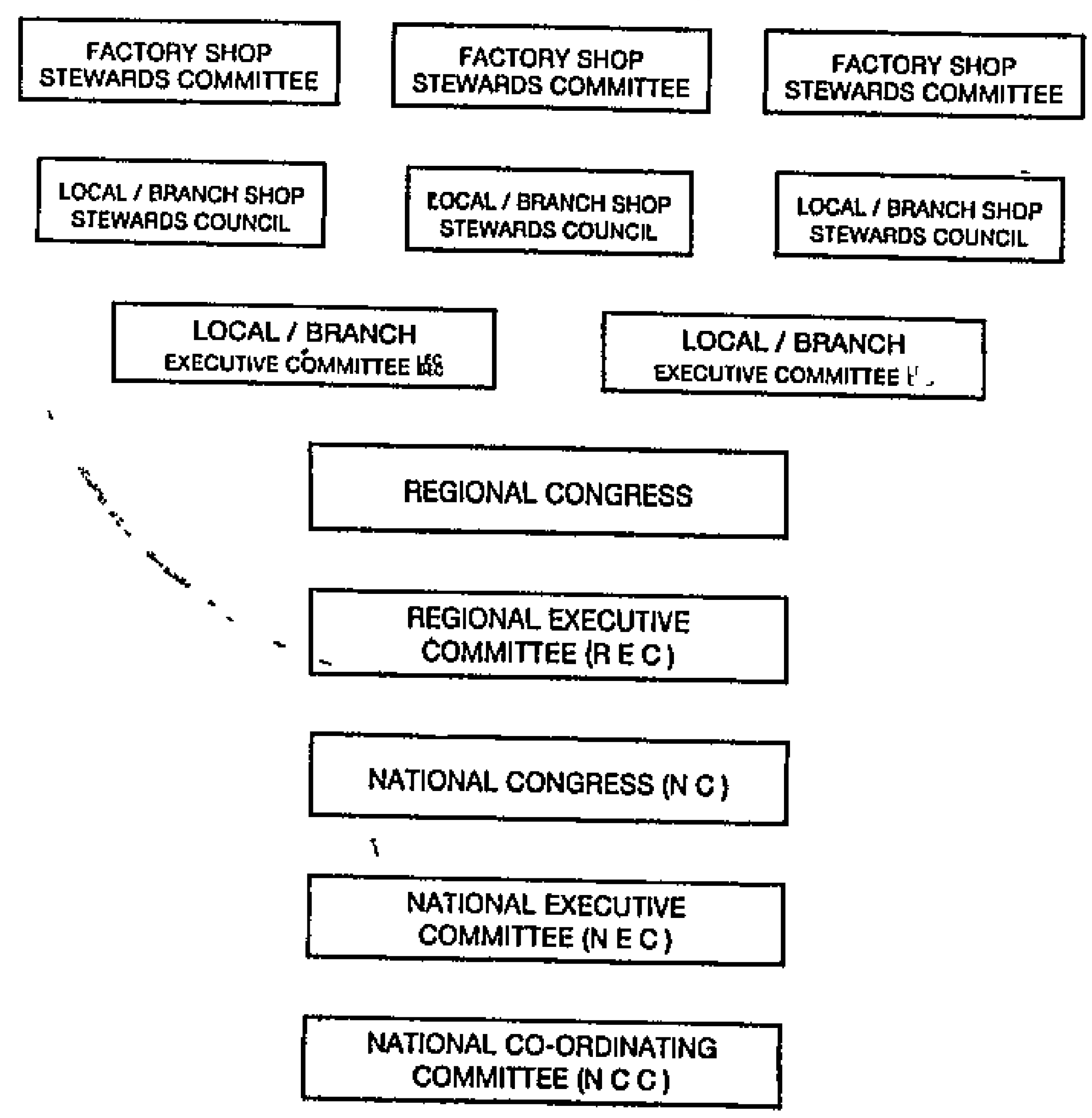
While certain shopfloor issues were exclusively trade union questions, others such as housing and education involved trade unions and community organisations

While joint action over such issues was important it should not be forgotten that Cosatu had resolved to be an independent organisation

He called on workers to develop their own independent structures, political demands and political programme

Jay Naidoo delivering the opening address

HOW WILL THE STRUCTURES OF SACTWU BE FORMED?



..ext..e unions merge to form a powerful trade union

184

W.Mail 22-28/9/89.

By EDDIE KOCH

A SUPER-UNION of clothing and textile workers, which was launched in Cape Town last weekend, is likely to have a profound influence on the political direction of South Africa's labour movement.

The 185 000-strong South African Clothing and Textile Workers' Union (Sactwu), the result of a merger between two major unions operating in the sector, is now ranked among the three biggest and most militant unions in the country.

The new union, which has signed up about 70 percent of the labour force in the clothing and textile industry, is poised to expand into the rural areas and the leather industry. It has the potential to become the most powerful in the country.

Sactwu is the product of a series of unity talks between two affiliates of the Congress of South African Trade Unions (Cosatu). These were the Amalgamated Clothing and Textile Workers' Union (Actwusa), which brought some 85 000 members into the merger, and the Garment and Allied Workers' Union (Gawu), which had over 100 000 members.

Each of the unions occupied positions on the opposing ends of Cosatu's ideological spectrum, with Actwusa being characterised as "workerist" and Gawu as "populist".

While Actwusa has participated in joint campaigns with political organisations — as demonstrated by the large number of textile workers that have taken part in work stayaways — it was strongly in favour of trade unions retaining their independence from outside political movements.

Gawu, a former affiliate of the now-defunct Trade Union Council of South Africa (Tucsa), now has a militant new leadership. It believes trade union struggles are part of the fight for national democracy and aligns itself with the Freedom Charter and the Constitutional Guidelines of the African National Congress.

The making of a super-union ... Sactwu members celebrate

Picture: BENNY GOOL, Afrapix

The merger congress ran out of time at the weekend and discussion of draft political resolutions was put off until early next year. But it is plain that the way the different strands are eventually woven together will have a impact on the political texture of the country's biggest labour federation.

Sactwu, with 185 461 members, is roughly the same size as the National Union of Metalworkers of South Africa (Numsa). It is surpassed in size only by the National Union of Mineworkers which has an official membership of more than 200 000

Sactwu provides by far the biggest proportion of organised workers in Natal and the Western Cape. For example, at Cosatu's regional congress in Natal due to be held this weekend, Sactwu will alone send 160 delegates while the 13 remaining unions will jointly send 90 people.

Given the clout that the union will yield within Cosatu and the fact that Cosatu is a senior partner in the Mass Democratic Movement the new union will soon be a major influence in extra-parliamentary resistance.

It is not yet clear what direction the Sactwu will go in. Both sides appear to be evenly balanced. The former Gawu leadership can count on a bigger mass base while the former Actwusa leadership has more experience of factory floor organisation and has been through some complex mergers with smaller unions in the past.

While there were reports of some bitter struggles in the run-up to the launch of Sactwu, both sides have, so far, managed to avoid allowing political differences to torpedo the unity process. Unlike an abortive merger in the retail sector three years ago, which resulted in the fragmentation of the Commercial Catering and Allied Workers' Union (Ccawusa), neither group within Sactwu has pushed for the early adoption of political policy.

The National Union of Leatherworkers, another former Tucsa affiliate with some 45 000 members, was invited to join the merger but withdrew from talks at an early stage. Sactwu, which was recently given membership of the industrial council for the leather industry, says it has recruited 5 000 workers in the sector and is set for an intense recruitment drive. The union has also targeted decentralised industrial areas in Natal, kwaZulu, the Eastern Cape and Ciskei as areas for quick expansion.

Amos Ntuli, former president of Actwusa, was elected as the new president Ellen "Bubbles" Beaumont, former Gawu office-bearer, is the vice-president Lionel October, formerly of Gawu, is the new general secretary, while Johnny Copelyn, formerly of Actwusa, takes the post of assistant general secretary.

Clothing giant expands

Sowetan 28/9/89

(184)

SOWETO businessman Reggie Hlongwane has linked up with Pep Stores, one of the country's giants in the retail clothing industry, for control of the black market.

Their new company, Pep Reef, now has outlets in Vosloorus, Tembisa, KwaThema and Katlehong. The fifth is being opened in Khayalitsha, Cape Town, today Within the next year three more will be opened in Daveyton, Protea North and Sebokeng

"Once negotiations have been completed with the various authorities, it will be all systems go," Hlongwane said this week

The future looks promising for Pep Reef According to an unaudited income statement for the first five months ended on July 28 1989, profit before interest was R81 824. Net profit was R56 541 compared with a budgeted profit of R86487 (after interest and before tax) for the 1989/90 financial year.

Healthy turnover

Hlongwane started the firs Pep store in Vosloorus when he went into partnership with Pep Stores, whose holding company, Pepkor, is among the country's Top 100 companies according to this year's analysis by the *Financial Mail*

After a healthy turnover, and profits Pep and Hlongwane decided it was time to take over the market completely Other outlets in Tembisa and Katlehong followed, and the fourth opened last month in Atteridgeville

When they decided to expand their relationship was altered and Hlongwane looked around for a

Reggie Hlongwane

black investors to ensure that the majority of shares remained in black hands Pep Reef as an associate company of Pep Store, was launched in November 1987. Pep has a 49 percent stake and blacks will hold the 51 percent majority.

Management

Among those involved in Pep Reef are Ben Motloung and Solly Sebotsa, two prominent East Rand businessmen

Pep also has a management contract which will expire in five years time It was signed six weeks ago and the fee is six percent of turnover if there is a profit

According to the contract, Pep is responsible for purchasing, national advertising, accounting, personnel and administration. All existing outlets are managed by blacks

The new company is registered and registration of the prospectus should be finalised this week or early next week The black community will then be invited to take up the remaining 337000 shares on offer

One million shares priced at R1 have been declared, of which Pep holds 490000 The black consortium holds 173000

1st October 1989.

Big fish fall to small fry

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By Julie Walker

ESTRALITA — an independent manufacturer and supplier of uniforms — has made a successful bid for Carter Harris — the largest in the business

In a similar way to the Malbak minnow's swallowing the Protea whale a few years ago, so the sardine Estralita has gobbled up big fish Carter Harris — part of the Berden group which belongs to Protea-Malbak

Estralita was formed in 1951, and came under current ownership in 1980 Two years ago the Proclo division was established to specialise in professional, corporate and hotel wear.

The acquisition of Carter Harris — in the business since 1969 — opens opportunities The enlarged uniform and corporate clothing group now serves Government departments, fast-food chains, hospitals, banks, wholesalers and industry.

All of SA's major hotel groups are clients, and there are three retail outlets as well as a network of sales offices. ST Times 1/10/89

A large production staff is employed, and designers go abroad each year to keep abreast of world trends.

Three of Estralita's directors are ex-Berden people, and the board has accumulated 67 years of experience.

Marketing director Roy Block says the deal will boost Estralita's turnover beyond R12-million this year. Profits have grown every year under the current management.

20% price rise in school uniforms

CAPE TIMES 5/1/1990

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Staff Reporter

THE price of school uniforms has increased by around 20% this year, meaning that parents could spend as much as R340 kitting out a Sub A pupil for the first time

This year's increase far exceeds last year's 7%, the previous year's 15% and the 10% increase experienced in 1987, and could result in a petition for the introduction of a cheaper standardised uniform being presented to the State President, Mr F W de Klerk, later this year

Mr Ian Masterson of Garsfontein, Pretoria, whose petition to the Minister of Education and Culture in the House of Assembly, Mr Piet Clase, for a standardised uniform was rejected early last year, plans to take the matter further

Mr Masterson confirmed earlier this week that he had asked, via his MP, to meet the State President on this issue

The president of the South African Teachers' Association (Sata), Mr Des Duxbury, yesterday told the Cape Times that although he was opposed to costly items being included in uniforms, he recognised the need of a school to be distinctive. He said that in the Cape, parent-elected school committees were responsible for the type of school uniform worn by the pupils

Mrs Naomi Peagam of the Cape English Speaking Parents' Association said parents called for a certain level of standardisation of uniforms but wished to retain an amount of individuality.

Mrs T K Stoner, principal of Fish Hoek Preparatory School, said that although it was desirable to bring down the cost of uniforms, children should be given the opportunity to be different

"If we standardise uniforms we will be bringing a rigidity into education which we are trying to move away from. Do we want stereotyped children?" she asked, adding that the community should decide on a school uniform and not "some bureaucracy"

Where uniforms are bought, the quality of the cloth used and where children go to school all drastically affect the cost of the uniform.

Many schools wear standardised grey or khaki shorts, white shirts and grey or navy jerseys which are available for less from large chain stores than from specialised school stockists

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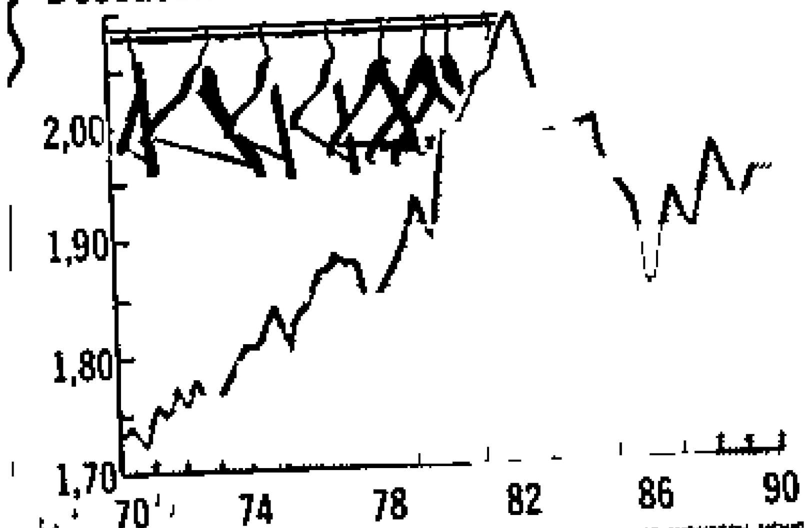
SA's clothing industry keeps on its upturn

CHARLOTTE MATHEWS

CLOTHING PRODUCTION VOLUME
Deseason '80 Prices Henderson semilog



Graphic: LEE EMERTON , Source: CLOTHING INDUSTRY NEWS

PRODUCTION volumes and employment levels in the clothing industry have been on the upturn since 1986 and still show no sign of abating, National Clothing Federation (NCF) executive director Hennie van Zyl says in the latest issue of Clothing Industry News

"The clothing industry remains rather busy although reports received from several clothing retailers seem to indicate lower activity levels as from the fourth quarter of 1989 onwards," he said

"Overall the NCF is forecasting a 1% real growth in aggregate clothing industry output for 1989 following 3% growth the previous year, slowing down to 0% in 1990

"The NCF bases its forecast on the assumption that the average consumer will first and foremost reduce his/her expenditure on higher-priced durable commodities and only thereafter will lower-priced semi-durable commodities such as clothing be negatively affected"

He said alsothat the cost of fabric, currently accelerating at a rate above 23%, was exerting severe cost-push pressure on the industry

This, combined with deteriorating fabric -supplies meant the cost of clothing could only rise

Van Zyl said the abolition of import control on fabric would make it easier for the industry to import some of its fabric requirements This would supplement deficient local supply and help counter excessive inflationary tendencies

A spokesman from a clothing retailer in the lower income market said his company's internal, inflation was higher this year than normal.

"Usually we keep our price rises about 5%-6% below the national inflation rate because our aim is to sell merchandise at the lowest possible price

"This year we are running at a higher rate than normal, not only because of the increase in material prices but because of the import duties A lot of our merchandise is imported and locally made products show the same level of price rises

"Our internal inflation is now about 3%-4% higher than normal and for the current season we are looking at 5%-6% higher than usual. We have to absorb as much of this as possible because we can only sell what the customer can afford"

Clothing prices to soar 25 pc

w/k Argus 7/10/89 (184)

By TOM HOOD
Business Editor

CLOTHING prices could rise by at least 25 percent in the next few months after jumping about 30 percent in the shops this year.

This trend is indicated by the country's largest garment manufacturer, Seardel Investment Corporation, which employs almost 16 000 people.

Higher shop prices could lead to lower sales, fewer factory orders and a threat to jobs, the company believes.

Input costs have grown more than 25 percent this year and the trend is continuing, says group chairman Aaron Searll.

Wages and employee benefits increased at a similar rate, creating heavy demands on working capital, he says in his annual report to shareholders.

"Although disposable income has grown to a degree, cost-/price relationships are approaching a threshold of consumer resistance."

The supply, delivery and costs of locally produced textile fabrics continues to be a major problem area.

"This over-protected industry has increased its prices by about 25 percent this year. This is unacceptable to manufacturers and consumers alike."

The Board of Trade and Industries would have to guard against a new protectionism through well-intentioned structural adjustment programmes, said Mr Searll.

"On first analysis the historical tendency to increase protection on domestic raw material production is once more appearing as a component of industrial strategy and this obviously militates against international competitiveness.

"It also precludes, as it has in the past, the proper development of a domestic market. Overpricing raw materials will ensure that locally manufactured goods are priced beyond the reach of the emerging consumers in South Africa.

"Exports alone cannot provide the growth South Africa requires to extend the benefits of participating in an industrial society to our expanding population."

The clothing industry needed to exercise responsibility and care in future wage settlements.

"We need to be careful of the debilitating effect of excessive increases on the cost of our products and the inevitable decline in volumes under cost pressures. This threatens jobs and the business those jobs support."

Mr Searll is one of the few company chiefs to make specific forecasts of the next year's results

This year group turnover was R741 million — easily beating the forecast a year ago of R670 million to R700 million.

STAR 19/10/89

Clothing prices set to soar again

(184)

By Tom Hood

CAPE TOWN — Clothing prices could rise by at least 25 percent in the next few months after jumping about 30 percent in the shops this year

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"The clothing industry needed to exercise responsibility and care in future wage settlements.

"We need to be careful of the debilitating effect of excessive increases on the cost of our products and the inevitable decline in volumes under cost pressures This threatens jobs and the businesses those jobs support."

Abhold is exceeding predictions

BDay 11/10/89 (184)

SYLVIA DU PLESSIS

ORGANIC growth has enabled clothing and knitwear wholesaler Abhold to easily exceed its earnings forecast of 47,5c a share in its debut financial period on the JSE.

The group, which went to the lists on December 5 last year, after reversing into the Jaqhold cash shell, has posted a 77% hike in earnings to 52,4c a share in the year to end-February.

This was achieved on a 54,8% rise in the turnover index to 404 from the previous year's pro forma 261 and an 80% hike in operating income to R8,4m (R4,7m)

Pre-tax income was still R2,7m up at R7,4m, after the credit squeeze and rising inflation saw the interest bill climb nearly tenfold to R997 000 (R105 000)

Taxation and tax equalisation reserve of R712 000 (R885 000) translated into an 81,3% hike in bottom-line profits to R6,7m (R3,7m) from which a dividend of 19c, as against the forecast 17,5c, has been declared.

Chairman Joe Aboo, in a statement accompanying the results, said shareholders would be offered 10 bonus shares for every 100 shares held in lieu of the dividend

Fundamental

This offer was being made to conserve resources, improve the group's gearing and eliminate the increase in the interest bill — and the holders of 85% of the shares had indicated their intention to accept it

Aboo said the group had performed well and the healthy results showed a strong fundamental growth, largely attributable to organic growth

In line with Abhold's aim of increasing its market penetration, it had acquired the entire issued share capital of Egen Consolidated Trading with effect from July 1 last year.

The full benefits of this acquisition would be felt only during the coming year

Further, Paultex Industries — a dormant company registered in Bophuthatswana — was acquired in November This company had remained dormant in the period under review but was expected to be fully operational as a manufacturer in March next year

On prospects, Aboo said that although economic uncertainty lay ahead, he felt that earnings a share from organic growth would "at least keep up with inflation" in view of the group's strong market penetration and customer base

He said the benefits of Abhold's proposed entry into the export market would be felt during the financial year ended February 1990.

Warning of imminent economic slowdown

B/Day 11/10/89

184

STEPHEN RICHTER

WOOLTRU chairman David Sussman warns shareholders in the latest annual report that while the inevitable slowdown in the economy has taken longer than expected, all indications are that it is close at hand.

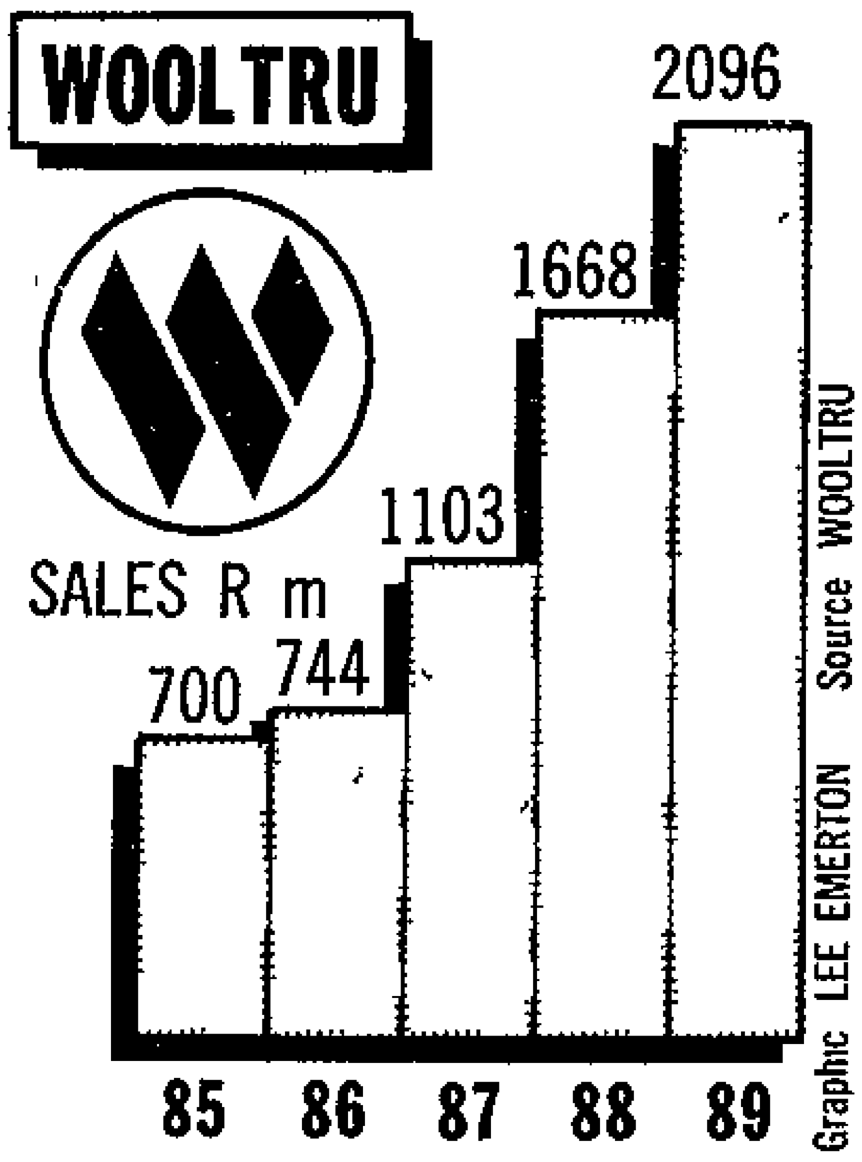
In spite of the negative implications for Wooltru over the next few years because of this factor, Sussman feels that the group's mixture of cash trading in everyday goods and credit trading in fashion provides adequate resilience to the expected economic downturn

Wooltru produced very impressive figures for the year ended June 1989 Sales increased by 26% to R2,09bn (R1,6bn), while pre-tax income advanced by 47% to R179m (R122m) during the same period Earnings a share rose by 50% to 269c (179c), while dividends were 40% higher at 112c (80c) Dividend cover was up marginally to 2,4 (2,2)

Sussman indicates that the group is headed for another successful year, as sales, through early September, were 24% ahead of last year Budgets for the current financial year, show a real increase in both sales and profits

Wooltru is the owner of Woolworths, Truworths, Topics and Makro SA Sussman says each operating company improved its profits substantially and management believes each is fundamentally healthier and more responsive to change than ever

Woolworths has a unique relationship with international retailing giant Marks & Spencer, which assures Woolworths' management of a significant advantage in the SA market-place Woolworths intends making increasing use of this international dimension to stay at the forefront of retail developments



Truworths has positioned itself as the leading domestic ladies speciality fashion chain, and recorded another record year of sales and profits Topics, which targets the middle-income ladies and childrens clothing market, recorded a 51% profit increase for the latest financial year Return on total assets was 28%, which is very satisfactory based on SA retailing standards

Makro is a broad-range, self-service, non-credit mass wholesaler, Wooltru took total control of this company during the past year, and a R40m capital expenditure programme for Makro has begun, while a sixth store was opened at Ottery in the Cape Sales during financial 1989 grew by 27% resulting in a moderate market share increase, while profits more than doubled

Group borrowings at year-end were R9m lower than the previous year, while borrowings to shareholders' interest declined to 21% from 27% The returns on both ordinary shareholders' interest and capital employed were 27% and 48%, respectively, which are now at their highest levels for at least the past seven years.

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South

Garment pay hikes

South 12-18/10/89

(104)

By CHIARA CARTER

MACHINISTS in Western Cape clothing factories will take home an extra R26 a week in terms of a wage agreement due to be signed next week.

The agreement between the South African Clothing and Textile Workers' Union (Sactwu) and the Cape Clothing Manufacturers' Association and Cape Knitting Association affects about 56 000 workers in the Western Cape.

The pay-hike pushes the minimum wage in the Cape clothing industry to above R125 — almost twice the minimum wage paid in the industry two years ago.

In terms of the agreement, Grade B machinists — the majority of workers in the industry — will get R155 a week

Other workers will get increases of between 17 percent and 21 percent.

The agreement, which was reached after three days of mediation, follows a period of unprecedented turbulence in the industry.

Work stoppages rocked the industry towards the end of July when workers protested aginst the employers' failure to respond to demands for an increase of between R40 and R50.

There were more work stoppages last month after talks deadlocked.

Sactwu has also finalised a wage agreement for garment workers in Natal.

Cutrite profits by sharper margins

CHARLOTTE MATHEWS 184

AT A TIME when liquidations are supposed to be rising and consumer spending falling, clothing manufacturer Cutrite Investments has sharpened its margins and shown a 35% increase in attributable profits to R1,5m for the six months to August against R1,1m for the previous interim period.

Both operating companies, Diva Fashions, which focuses on the high fashion market and Cutrite Apparel Manufacturers, which concentrates on the black consumer market, performed well and contributed to the 28% climb in turnover to R20,1m (R15,8m) BDay 13/10/89

This translated into operating profit of R3,3m (R2,3m) The proportion of operating income to turnover rose to 16% from 14,5%.

Earnings a share lifted to 9c (6,7c) and the directors have raised the dividend cover from 2,7 times to 3 times with the declaration of an interim dividend of 3c (2,5c)

Interest payments rose to R315 000 (R192 000) but financial director Hymie Feinberg said the group had arranged long-term finance at a favourable fixed interest rate

During the year Diva has expanded its premises and the group has acquired a locally-developed computerised management information system designed specifically for the clothing industry which was working satisfactorily.

Order books were full for both operating companies. Diva Fashions has completely sold out its sumemr range and its winter range has been "favourably received", Feinberg said.

Cutrite shares are currently trading at about 65c which puts them on a dividend yield of 8,5% and a p.e of 28% compared with the respective clothing sector averages of 6,2% and 21,8%.

CSS figures challenged

By Don Robertson

184

PRODUCTION statistics from the Government-managed Central Statistical Service (CSS) have been challenged.

Gad Ariovich, chief economist of stockbrokers Ferguson Brothers, Hall and Stewart and industrial consultant to the SA Federated Chamber of Industries (FCI) says that some statistics from the CSS are patently incorrect and could lead to distorted planning by Government.

Dr Ariovich recently spoke to members of the clothing industry in Cape Town and quoted figures from the CSS which showed that production of clothing in the year to July 1989 had declined by 4% compared with the figure for the previous year

However, the clothing industry insists that production has increased. Dr Ariovich also points to the improved results from groups such as Edgars, Foschini and Woolworths, which indicate that sales and, therefore, production, have increased substantially.

S/Times. 15/10/89.

One reason for the apparent discrepancies between the CSS figures and those of manufacturers is the fear that questionaires sent out by the CSS could be passed on to the Receiver of Revenue and as a result production figures are often deflated

Fashion shows an impressive pattern

CHARLOTTE MATHEWS

184

INDEPENDENT Fashion Holdings (Infash) showed an impressive 125% increase in turnover to R12,7m for the six months to August on new acquisition Dressking and improved trading in existing stores, according to results released yesterday

Costs related to the acquisition nibbled at attributable profits which increased 71% to R577 000 (R337 000)

Earnings of 6,1c a share were posted compared with 4,7c a share for the six months to August 1988, but no interim dividend was declared

Infash, moved from the DCM to the Retailers and Wholesalers sector in August, retails and wholesales ladies' and children's clothing through 27 outlets.

In May the company announced the purchase of 100% of Dressking for cash and shares This is reflected in the rise in share capital, which diluted earnings, and on the balance sheet in the rise in current and long-term liabilities

The company's interest bill rose six-fold to R267 000 from R43 000 last year and it also paid a slightly higher tax bill of 47% against the previous 41%

The directors expect to maintain these growth rates "in spite of the tough trading conditions anticipated"

BDay 27/10/89

Seardel urged to widen margins

CAPE TIMES 27/10/89 (84)

Aaron Searll ... objective an operating profit margin of 10%

By AUDREY D'ANGELO
Financial Editor

SEARDEL — the diversified group based in Cape Town — should press for bigger profit margins on clothing it sells to the big retail chains, the chairman of the Shareholders Association of SA, Issy Goldberg, suggested at the annual meeting yesterday

Congratulating chairman Aaron Searll on a 31% increase in turnover to R740,4m and a 55% increase in operating profit to R61,6m in the past financial year, Goldberg said the annual report showed operating profit margin was only 8,3%

Since this was a consolidated figure which included the toys and electronics divisions he estimated that the operating profit margin on clothing was "something like 5% or 6%, and that is too little"

Searll said the group's revised objective was an operating profit margin of 10% this year

Goldberg suggested that the dividend should be suspended to reduce borrowings of R118m, which cost about R20m in finance charges

Searll said that although this had been considered it had been decided that "this is not the route we should follow"

Accounts receivable of R138m were more than enough to cover interest bearing debt "It is a very stable situation"

Searll said that although a downturn was expected it had not yet affected group sales Sales during the first quarter had increased by 16,2% over the same period last year, to R228m

Pretax profit was ahead of last year but the rise was not proportionately as great — mainly due to the cost of financing working capital

He warned that there was "a danger of over-reaction by the authorities" in raising interest rates "Although it was necessary to cool the economy, to protect the balance of payments (BoP) it must not be allowed to stagnate

In answer to questions Searll — who complained in the annual report that the "over-protected" local textile industry had increased prices by 25% during the year — said that these prices "continue to go up and up"

Executive director Mike Getz said the Board of Trade was aware of this problem and "I am reasonably optimistic that a change in government policy is coming"

Import control on textiles had already been removed He took this as an early warning to textile manufacturers

MANUFACTURING – CLOTHING

1989

NOV – ~~DEC~~ -

Rights issue can save Tej — Deloitte's

Cape Times 4/11/89

184

By AUDREY D'ANGELO
Financial Editor

AILING knitwear firm Towles, Edgar Jacobs (Tej), which made a loss of R968 000 in the year to June 30, can be returned to profitability after a rights issue to raise R1,9m, shareholders were told at the general meeting yesterday

Consultant Alan Ball of Deloitte's strategy unit, which has recommended restructuring and other measures, clashed on this point with the chairman of the Shareholders Association of SA, Issy Goldberg

Warning that "we are entering a year of high interest rates and anti-consumerism", Goldberg said leading Cape Town accountants had told him that between R7m and R5m would be needed to save Tej

Pointing out that the company was highly geared and that "all its assets are mortgaged", Goldberg suggested that it needed "a giant group to take an interest in it"

He urged company chairman R M Jacobs to be prepared to listen to any major group that approached him

But Jacobs said measures were being taken to reduce the company's borrowings and interest burden and improve its cash position

He disclosed that leading Cape Town businessman Cedric Walton had accepted a seat on the board and would join it in two or three days

Alan Ball admitted "There is cause for alarm" Deloitte's had investigated the matter thoroughly and considered every possibility including liquidation and a sell-out to a big group: "There is no lack of suitors"

However, Deloitte's was confident that, with an injection of R1,9m from the rights offer, organisational changes and new terms negotiated with customers "step by step this company will recover fully"

Jacobs said a circular giving details of the rights offer was being sent to shareholders, and a general meeting would be held to discuss it on November 24

The rights issue will be of variable rate compulsorily convertible preference shares of 50c each

The circular explains that in the year to June, Tej increased its working capital and investment in plant and machinery by approximately R4,3m.

"This resulted in a significant increase in borrowings, from approximately R7m to R11,5m, thus necessitating an injection of additional share capital into the business"

The circular says "the proposed rights issue will satisfactorily restore the funding of the operation, so as to reflect a more acceptable ratio of shareholders' equity to borrowings."

The sponsoring brokers are Fergusson Bros, Hall, Stewart & Co

Questioned by Goldberg, Ball said that the issue would be underwritten by a private company with the backing of an insurance company.

"Any shares not taken up by shareholders will be taken up by a consortium"

Goldberg said he believed the company's only real asset was its R2,5m assessed tax loss

He said that if the economy were strong Tej might have a sporting chance but, entering a recession and with high interest rates, the consultants would be "Solomons" if they could turn the company round.

After the meeting — which he described as "the most difficult annual general meeting I have ever had", Jacobs said "The trouble was that we spent money on expansion at the wrong time — just before interest rates started going up."

But, he said, because knitwear is a seasonal business "we knit madly all year round to sell in the second half of our financial year", borrowings fluctuated They were always much higher in the first half of the year.

Tej is well set to resume dividends

W/C ARGUS 10/11/89 18U

By TREVOR WALKER
Business Staff

THE country's leading knitwear manufacturer, Towles, Edgar Jacobs (Tej) appears well set to begin paying ordinary dividends again this year following a series of management and production changes.

MD, Mr Ian Anderson said in an interview that senior management was on the line to see that the recovery took place.

But responsibilty has also been extended into the plant where divisionalisation of the business into major production areas has already begun to show success

The Jacobs family and senior management own about 61 percent of the equity, with the remainder spread fairly widely among the public

The company has shed its "family business" image and an in-depth study by a leading firm of management consultant has been accepted by management and is being implemented

A key appointment and one recommended by the consultants was that of Mr Howard Gant as financial director

Mr Gant was previously with Altron and says he is relishing the excitement and trading hype at Tej after the institutional or corporate atmosphere of Altron

New spirit

"There is a new spirit among the staff and throughputs and stock control has been tightened considerably as a result"

At last week's annual meeting, Mr Issy Goldberg, chairman of the Shareholders' Association doubted whether R1,9 million that the company plans to raise by way of a rights issue would be sufficient

Mr Gant agrees, and says "we have plans in the pipeline to raise a further four to five million."

The company's assets are substantially understated and at today's values the replacement value of the plant at the factory is in excess of R40 million

Improving gearing is a major priority and "the balance sheet by next June will be much more healthy than at end June this year.

"We have more than one quarter trading in the current year and things have difinitely picked up"

Tej supplies the upper end of clothing market and is very strong on the technical side

By setting minimum production runs and rationalising the product range the factory has been set up to maximise plant use

Traclo offering bonus shares

BDay 15/11/89 184

CHARLOTTE MATHEWS

TRACLO shareholders are being offered bonus shares in lieu of a cash dividend so the group can conserve its resources after 14 months of rapid expansion and development, chairman Lionel Lipkin and CE Ronnie Fivelman said in the annual report released this week.

Convinced that SA has reached a watershed in its development and that the future holds "much promise", the clothing group undertook a programme of rationalisation to create a focused structure and to ensure the best use of its resources in the years ahead, Lipkin and Fivelman said

Sacrifice

"This policy of gearing the group's businesses for the 1990s has encompassed a number of changes in course and a degree of sacrifice of immediate profitability to attain longer term benefits."

In the 14 month period to June — the company has changed its year end from April — turnover rose 38% to R39,9m but operating profit fell 9% to R2,8m. Earnings dropped by 2,1c to 3,4c a share but the dividend was held at the 1988 level of 2c

The costs related to the rationalisation programme are to be absorbed by the group in the confidence that the benefits will be felt in the near future, the directors said, and they considered the performance in the period under review to be satisfactory in view of the steps taken

The rationalisation programme included a consolidation of the divisional structure, efforts to expand market share and a strong export drive

The results showed the effects of increased interest charges and declining volume sales in the overall clothing market

At the beginning of the current year Traclo acquired a factory in Cape Town through the purchase of Starter Clothing for R750 000.

The directors forecast that this purchase would, among other things, enable the company to service and expand its Western Cape customer base.

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Clothing prices 'set to climb with costs'

SYLVIA DU PLESSIS

CONTINUING inflation, higher interest rates, rising labour costs and further price increases of textiles are all expected to contribute to significant rises in clothing prices throughout the industry, says Pals chairman Selwyn Kagan.

Writing in the DCM-listed menswear manufacturer's latest annual report, Kagan says that although the awaited downturn in the economy has been slower to materialise than originally expected, the indications are that it is now close at hand.

"A drop in consumers' disposable income coupled with higher clothing prices will obviously put great pressure on the market," he says

"However, we remain confident of continued growth and our order books for the first few months of the current year have already been filled."

Kagan says a significant area of development during the financial year under review was the establishment of a mass-volume production unit in the Transvaal

This operation, which produces trousers only, caters to the price-sensitive chain stores operating predominantly in the Transvaal.

Surged

In addition, the group is "actively breaking new ground" in its export markets and is currently broadening the range of sportswear to further tap the potential of this lucrative market

Pals declared earnings of 9,2c a share in the year to June — 13% higher than the previous 8,1c — after attributable income surged 23% to R918 000 (R748 000). A final dividend of 2c lifted total distribution for the year to 3,4c (1,4c) a share.

B/Day 15/11/89 ( )

COMPANIES

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Focus Holdings boasts 132% turnover rise

SYLVIA DU PLESSIS

MANAGEMENT of listed speciality retailer Focus Holdings is forecasting positive growth for the full year after the company posted a 132% improvement in turnover and a 23% rise in earnings a share in the six months to August.

Chairman Irwin Sacks, commenting on the results, said yesterday a large portion of the increase in sales, up at R21m from R9m, was attributable to the acquisition of the Cashworths ladies clothing stores in March from Amrel

Also contributing to this growth were the establishment of the Aca Joe stores and new store openings

"As budgeted, the Cashworths stores, which are predominantly Cape-based, earn a substantially greater portion of their profits in the second half of the financial year than the remainder of the group," he said

This, together with the new stores contributing for the full period, would result in higher margins for the group in the full-year

Sacks added that operating margins of the bedding and men's clothing divisions were in line with those of the corresponding period

The 108-store group lifted earnings to 3,2c a share from the corresponding 2,6c following a 78% hike in trading profit to R1,3m (R731 000) and a 35% increase in attributable earnings to R664 000 (R492 000)

Sacks said the Smiley Blue chain had been identified as a future growth opportunity for the group, particularly in view of the operating efficiencies which would be achieved by integrating these stores with those of Cashworths

This rationalisation programme — aready begun — had resulted in a reduction in operating expenditure and the repositioning of Smiley Blue in the market-place

He added that directors expectedmore difficult trading during the remainder of the year

(184) Final 17/11/89.

TEJ (184) Final

Surprise warranted?

The general tone of the annual report suggests a sense of surprise that TEJ has landed itself in dire straits But if the surprise is genuine, it reflects more on management than on the reasons for, or predictability of, the circumstances which have led to the present predicament.

It has been evident for years that the group was over-extended and under-profitable The final crunch in 1989 came with a halving of operating margins and a doubling of interest charges, thereby contributing to a loss of almost R1m before taking into account a small tax credit.

At the same time, the precarious nature of TEJ's financial structure is reflected in the fact that only once in the past four years has the debt equity ratio been under 1·0 — and the only reason for this exception was a revaluation of assets which added R2m to equity funds in 1987

A review of the past four years reveals.

- ☐ Turnover growth has been satisfactory at a compound annual rate of 24%,
- ☐ But the 108% increase in sales since 1986 has necessitated a 201% increase in total assets, before taking into account the asset revaluation Asset-turn, still excluding the revaluation, has thus fallen from two in 1986 to 1,4 times, which must have seriously affected the ability to recover overheads,
- ☐ Contributing to disproportionate growth in assets has been a deterioration in working capital control. Net working capital has risen from 27% of sales (itself probably too high for comfort) to 32%, which means that nearly one-third of sales revenue is now required simply to keep the ball rolling, and
- ☐ With the collapse of operating margins from almost 10% in 1986 to 3% last year (which itself succinctly defines the inability to recover rising costs) the corresponding collapse of cash flow (negative last year) has exacerbated the build-up of debt, from R3,3m to R11,6m in three years. At current interest rates debt costs close to R2,5m a year, about R1m more than combined pre-interest profit since 1986

It is not surprising that management consultants called in to sort out the problems have recommended a recapitalisation in a number of steps to improve profitability However, there was some dissension at the AGM on November 3 as to whether the proposals, which include raising R1,9m new capital through a variable rate convertible pref issue, will prove adequate

The answer, ultimately, will depend on the degree to which productivity ratios can be improved For example, taking 1986 as a benchmark, the present asset base should support sales in excess of R45m, 40% more than actual 1989 sales At a 10% margin, such sales would yield a pre-interest profit of R4,5m, while interest charges on the debt total reduced by the rights issue would fall to around R2m On paper, therefore, and assuming remedial action to be effective for a full year, a pre-tax profit target of R2,5m would seem reasonable This compares with aggregate pre-tax profits of R48 000 during the period 1982-1989

Potentially disturbing is that management apparently has visions of resuming dividend payments at the end of this year. Unless a turn-around is far more dramatic than now seems likely, improving the financial structure should remain the priority. Dividends, however modest, should wait until this has been accomplished. Having received only one dividend so far this decade, another year will surely make little difference to shareholders

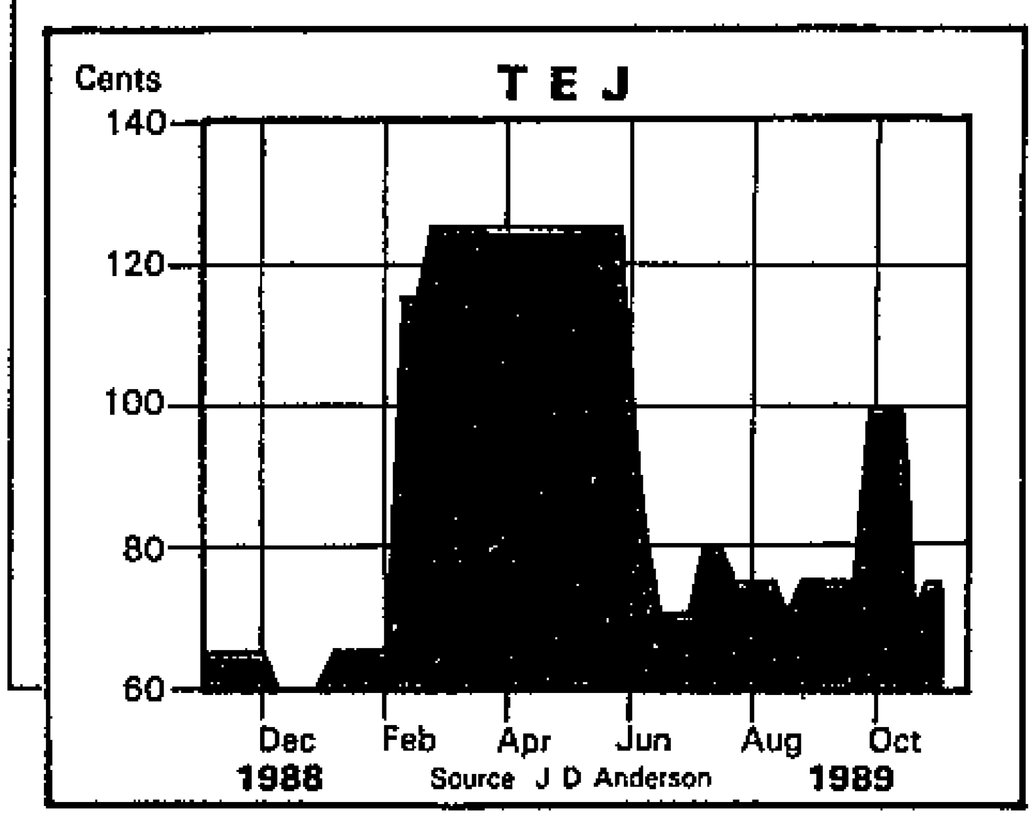
Brian Thompson

Activities: *Manufactures knitwear and other outerwear*
Control: *Directors own 31,2% of the equity.*
Chairman: *R M Jacobs, managing director· I C Anderson*
Capital structure: *2,8m ords. Market capitalisation· R1,9m*
Share market: *Price 70c. 12-month high, 125c, low, 50c Trading volume last quarter, 37 000 shares*
Financial: *Year to June 30*

	'86	'87	'88	'89
Debt:				
Short-term (Rm)	2,6	2,6	4,7	8,4
Long-term (Rm)	0,7	1,5	2,4	3,1
Debt equity ratio	1,47	0,65	1,20	1,97
Shareholders interest	0,28	0,44	0,34	0,23
Int & leasing cover	1,61	3,01	1,45	0,54
Debt cover	0,14	0,21	0,06	nil

Performance·

	'86	'87	'88	'89
Return on cap (%)	19,3	14,3	7,4	3,8
Turnover (Rm)	15,5	17,6	23,0	32,3
Pre-int profit (Rm)	1,5	2,0	1 4	1 0
Pre-int margin (%)	9,9	11,3	6,2	3,0
Taxed profit (Rm)	0,6	1,4	0,3	(0,8)
Earnings (c)	24,7	57,1	11,6	(29,0)
Dividends (c)	—	5	—	—
Net worth (c)	90	240	240	212



B|Day 17/11/89 (184)

Gap opens for potentially massive clothing exports

EDWARD WEST

GOVERNMENT export incentives and developments within the European market are opening the gap for potentially huge clothing exports, industry spokesmen said yesterday.

National Clothing Industry Federation (NCIF) executive director Hennie van Zyl said clothing was one of the least capital-intensive industries

In other countries, it was always one of the first industries to go international, he said

Though there was great potential for the export of SA clothing products, some factors were holding back exports.

Managements within the industry were hesitant to utilise the international opportunites available to them mainly because there was still uncertainty over export incentives

However, the new incentives were a step in the right direction, he said.

Under the new programme, once the value of manufacturer's exports reached 2,5% of its turnover, the company was entitled to import, duty free, fabric of up to 70% of its export values and up to 5% of its local fabric purchases

All other imports were subject to 20% ad valorem duty and formula duties designed to prevent dumping.

The majority of SA manufacturers were relatively small and did not have the neccesary infra-structure to export their products, said Van Zyl.

Most clothing export success stories involved access to fabric markets worldwide

But industry representatives in Europe had indicated a softening in attitude towards trade with SA.

Disillusioned

The price of SA clothing abroad was not neccessarily cheaper than other products, but quality and the service provided from SA was usually better.

The European market was becoming disillusioned with the service from the Far East, traditionally the largest supplier of clothing to Europe.

Exports would also be a good counter-cyclical activity for clothing manufacturers in the light of the expected slide in domestic clothing markets next year, he said.

Transvaal Clothing Industries (Traclo) CE Ronnie Fivelman agreed there was enormous potential in European clothing markets.

Traclo had just completed its first big order to Germany and was preparing to break into English markets.

The export incentives offered were encouraging, and the ideal position a clothing manufacurer could take was to open up an additional plant simply for the production of export products.

In line with the European Community's big move in 1992, the necessity for "labels of origin" on all clothing had fallen away in January.

This minimised possible consumer aversion to SA products, said Fivelman

However, moving into the market was difficult.

It took Traclo three years and great expense to enter the market.

Van Zyl said before any investment in exports was undertaken, the manufacturer first had to explore foreign markets and potential customers.

MANUFACTURING

Clothing markets now equal racially, convention told

21/11/89

From TOM HOOD, Business Editor

SUN CITY — The traditional pattern in which the black retail market plunged in a downturn is over, says Mr Donald Etheridge, managing director of Edgars' Group's R330 million Sales House retail chain of 100 stores.

"A greater share of good jobs is now in black hands There are far more blacks than ever with good incomes and the prospect of getting them," he said at the National Clothing Federation convention

Equally

"In the current downturn the white and black sectors will go down more equally than before, but the black retail market will hold up better than before"

For years business men treated the black market as an export market or as alien from another planet But there was no such thing as a black market any more than there was a French or Italian market

Most black people now wanted to shop in a decent part of town served by good transport facilities, with informed friendly service and a choice of stores conveniently clustered together.

Mr David Shirley, president of the International Apparel Federation said South African clothing manufacturers now had a tremendous advantage to export because labour costs in overseas countries had rocketed

The price a minute for clothing labour in the United States was 20 US cents This compared with 10 US cents a minute in Hong Kong, Taiwan and Thailand.

The cost in South Africa was 5 US cents a minute, while the independant states had a labour cost of only 1 US cent a minute

He suggested trading companies should be established to develop relationships and partnerships with European Common Market companies

Events in East Europe could also open a huge market for exporters, added Mr Shirley

Mr Mervyn King, chairman of the Frame Group, warned that the price of cotton could rise by more than 30 percent this year

Resisted

The textile industry had resisted such a massive increase in raw materials and was trying to argue a lower price with the Cotton Board

"If this increase, which is requested by the farmer, is officially implemented it will lead to massive increases in the cost of fabric in spite of efforts to contain this input cost," said Mr King

Polyester fibre prices increased by 75 percent in five years and among other input costs, electricity had doubled in price since 1985 However labour costs had become the highest cost factor, compared with other major countries

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Clothing costs set to increase

CHARLOTTE MATHEWS

CLOTHING manufacturers can no longer absorb increased fabric and labour costs — which will be passed on to the retailer who will in turn pass them on to the consumer, National Clothing Federation (NCF) executive director Hennie van Zyl warns

In the latest issue of Clothing Industry News he says the consumer, who has been "battered and bruised from increases in interest rates, increased taxation and overall increased prices", is in no position to spend heavily on clothing

Disposable income

According to the NCF's annual report, released at the NCF annual congress this week, clothing sales as a percentage of remuneration of employees and of current income started to rise from 1986

"The implication of these trends for clothing manufacturers is that their future is very closely linked to the disposable income of the population," Van Zyl said.

Local fabric prices are increasing by almost 25% a year. The cost of imported fabric is likely to continue rising in the face of a weak rand and more protection, and labour costs are forecast to rise by 20%-25% in the coming year

Van Zyl says 1989 has been a good year for the industry Sales of around R3,2bn are forecast for the year as a whole, 20% higher in nominal terms than the previous year and 4,5% up in real terms

Employment in the industry rose in 1989 while the rate of increase in both fabric and clothing production prices showed signs of slowing Latest statistics showed fabric prices increasing by 22% compared to 23% earlier this year

Clothing Industry News quoted a recent Bureau for Economic Research Manufacturing Survey showing most clothing manufacturers found business conditions satisfactory now but expected a deterioration in the next 12 months

"The outlook for 1990 is not too bleak," Van Zyl predicts "Clothing units produced will rise in 1989 by 2%-3% but decline by 1%-2% in 1990 Output, in monetary terms, is likely to be about 1%-2% higher in real terms The difference between monetary and unit output will be the effect of higher unit prices"

But, he says, clothing is dangerously close to pricing itself out of the market Unless costs can be controlled, 1990 could be the beginning of a difficult period for the industry

Realignment

One result would be a realignment of the industry into more major groups of companies and fewer small and medium-size companies This would represent a defence by clothing manufacturers to being squeezed by suppliers on one hand and customers on the other

Another factor which would contribute to this trend is government's encouragement of exports

The government's programme gives duty-free import concessions to exporters as well as the normal cash incentives, but some small clothing manufacturers realistically never will be in a position to export

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CLOTHING INDUSTRY

Time to strip away protection

The local rag trade, which gathered at Sun City this week for the biennial convention of the National Clothing Federation, expects a much better 1989 than anyone predicted.

Clothing industry sales will total R3,2bn this year — 4,5% higher in real terms than last year. But it is a very fragile prosperity that could be threatened by the structural adjustment programme for the clothing and textile industry.

The programme offers the industry concessions for additional exports, but also subjects it to a higher duty on imported fabrics.

University of Cape Town economist Brian Kantor warned delegates that the clothing industry is going down the path of the motor industry. Although the real price of durables, compared with non-durables, has come down since 1987, the price of one category of durables — motor cars — has continued inexorably upwards. And that's not because of the increased cost of imports but because of the much higher costs incurred by local manufacture of components.

"It is always possible to get more exports by subsidising them and to get less imports by taxing them," Kantor says "But such policies make SA poorer rather than richer They reduce the standard of living by providing South Africans with poorly stocked shopping shelves from which to choose.

"A strong manufacturing sector — strong only because its exports are heavily subsidised and its import competition heavily penalised — would present a pyrrhic victory for SA"

Local suppliers don't offer the clothing companies much comfort. Mervyn King, chairman of SA's largest textile company, the Frame Group, says the cost of cotton is expected to increase by more than 30% this year, though the textile industry is trying to negotiate a lower price with the cotton farmers

Thanks to the slide in the rand, the price of key chemicals and dyes has increased anything from 41% to 340%.

All this doesn't augur well for clothing's prospects as a major exporter. But David Shirey, president of the International Apparel Federation, says SA has a major advantage with its low labour costs and plentiful labour supply. Although SA's labour costs are increasing considerably, costs are rising much faster in the Far East. In South Korea, they increased by 110% between 1984 and 1988 and in Taiwan the increase was 84%

But Shirey says SA clothing companies shouldn't take the products now being designed and marketed locally and redistribute them overseas Rather they should look at establishing partnerships with manufacturers and distributors in the overseas target areas — as those marketers are obviously much more in tune with the lifestyles and demands in their community.

He says the major disadvantage SA industry faces is unquestionably the high cost of local fabrics, the limited choice and often indifferent quality

"In the longer term, if the clothing industry is allowed to grow, it would be to the benefit of the textile industry. But has the clothing industry got the marketing skills even if it can compete with the rest of the world on costs?"

Don Etheridge, managing director of the black-orientated Sales House chain, says clothing manufacturers still have an antiquated view of exports. "The attitude of a 19th Century Yorkshire ironworks dumping single manufactured goods on the shores of some benighted colonial territory still prevails."

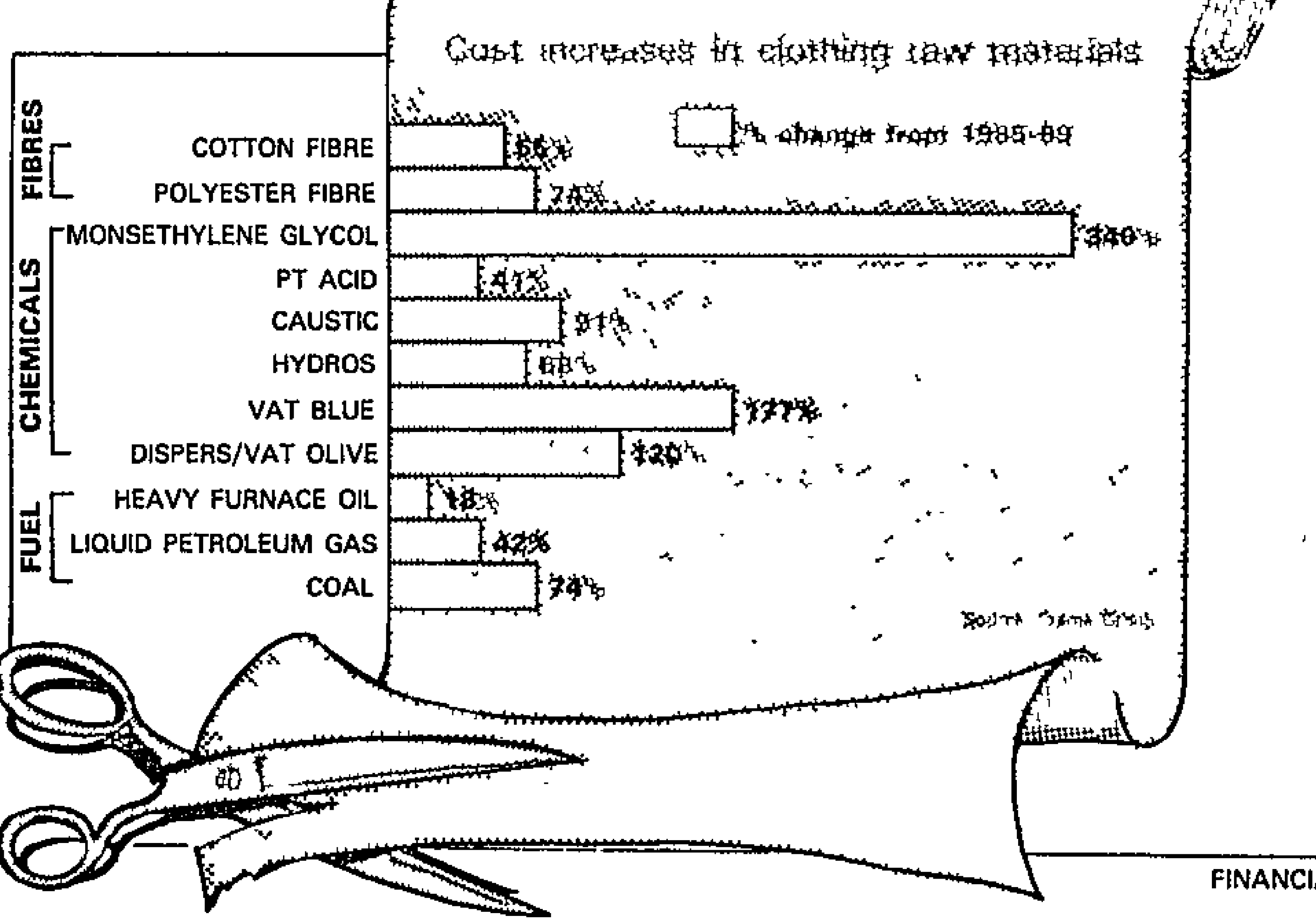
He says clothing manufacturers need a sustained commitment to carving out a permanent niche in the market.

One of the recurring themes of the conference was the need to build up a trading house and to improve relations with the textile suppliers and the retailers There was a determination to seize the initiative from the Board of Trade & Industry, which has disappointed the whole industry

Kantor puts it this way· "Many industrialists spend a lot more time negotiating with Pretoria than with their suppliers and customers. I hope that's going to change."

Commenting on the folly of structural adjustment programmes, he says "Nobody has the wisdom to predict changing circumstances. Foreign trade should be left to the market. A phased withdrawal of all tariffs should start right away."

Dressing up



EXPORTS 24/11/89

Widening the market

The Department of Trade & Industry is developing and promoting new export markets in "centrally planned economies." Unconventional methods, like countertrade, are increasingly being used to circumvent sanctions

Subterfuge has become part of trade efforts but exports have in fact gone up since sanctions were instituted, says the chairman of the Private Sector Export Advisory Committee, Iscor's Nols Olivier

Export Trade Promotion director Gerrie Breyl adds that the department now takes a global approach in developing markets. Traditional markets are, therefore, increasingly being supplemented by new ones in Africa, the Far East and behind the Iron Curtain.

Ironically, that last region has no official sanctions policy, though its countries do not trade openly with us

However, "ways and means" are being developed to find niches for exports by using third parties and countertrade

"It is not official policy to develop countertrade as an alternative to conventional trading methods," Breyl says "Rather, we use and promote countertrade as an alternative to no trade We are actively engaged in

Clothing export bonanza seen

w/c Argus 25/11/89 (184)

By TOM HOOD
Business Editor

VAST increases in clothing exports could be achieved, with the South African industry doubling output within three years and thousands of new jobs being created, says a visiting Texas clothing manufacturer, Mr David Shirey.

Only 5 percent of local production is exported by a handful of the country's 1 300 manufacturers in spite of new tax concessions for exporters

But, says Mr Shirey, the trend can change dramatically from next year as a result of three new factors

● Low labour costs plus a "boundless pool" of labour indicating that South Africa should be one of the world's major exporters of apparel products

Wages rates of Far East competitors have rocketed above South African levels

The price per minute for clothing workers in the United States is 20c This compares with 10c a minute in Hong Kong, Taiwan and Thailand, where an economic boom boosted wages.

Rates have risen between 32 and 110 percent in four years

The cost is 5c in South Africa and 1c in the independent states

Other major exporters's costs are about 10c a minute.

● After 10 years of trying, South Africa's National Clothing Federation has been admitted to membership of the world-wide International Apparel Federation — of which Mr Shirey is president — from January 1990.

This opens the door to international know-how in exporting and other technical fields.

A new approach involved establishing partnerships with manufacturers and distributors in the target market or through establishing strong ties with major retailers in these markets.

Trading companies could also be set up in areas which others have helped develop.

"This will ensure objectivity and credibility, both of which will be badly needed as approaches are made to the government for assistance and especially in the area of securing the needed relief in terms of restraint and availability of textile products," said Mr Shirey

● The European Community would be completely free for trading from 1992, so that clothing products need not carry country of origin labels — effectively curbing sanctions against South African manufacturers.

In Europe, with a 320 million population, the new global market would be technology sensitive rather than labour cost sensitive While South African manufacturers complained about high input costs, particularly of locally made textiles — and late deliveries — Mr Shirey said the textile industry would have to make greater efforts to help the local clothing companies, which needed access to broad selections of fabrics at reasonable cost

(See Page 6)

Clothing export bonanza forecast

w/c Argus 25/11/89 (184)

(From Page 1)

"They should cut their prices and help both industries. They are being very short-sighted for their future is tied up with the prosperity of the clothing manufacturers and their business could also soar if they co-operated."

Mr Mike Getz, chairman of the Clothing Industry Training Board, said this week the developments of export markets imposed on the industry a need to achieve international competitiveness.

"The reliability and consistency of local suppliers to the industry must be improved This calls for further progress in the advancement of the 'quick response' system throughout our pipeline," he said in his annual report

"Clealy we cannot expect to be internationally competitive until suppliers and supplied are operating efficiently and co-operating effectively

"Fundamental to overcoming these constraints is comprehensive training based on a considered approach to our industry's manpower needs."

A great deal still needed to be done to communicate the role of training as integral both to effective management and to productivity Far too many manufacturers remained uncommitted to training.

A properly structured, pro-active programme was needed nationally and regionally to change attitudes and practice

Also referring to exports, Mr Simon Jocum, chairman of the Textile, Clothing and Retailers Advisory Council, said at the annual meeting this week the new export incentives deserved more attention and more co-operation between the respective industries

Any default which led to loss of overseas customers or contracts because of quality or late deliveries from downstream industries would affect the entire image of the South African clothing industry and would be hard to recover from

This could only be prevented by the parties sitting down together and making a firm commitment to trim costs and grant concessions to clothing exporters and so help in the creation of jobs and a growing economy

"Because our exports are minimal, our contact with the outside highly competitive world is limited and we are losing the keen edge of competition in the entire pipeline," said Mr Jocum.

"If the position is not addressed soon we will be losing out to the thirsty Third World market which wants affordable clothing of good value"

Trading pattern determines new year-end

(184)

B Day 29/11/89

SYLVIA DU PLESSIS

SUMMERWEAR manufacturer Arontex has announced a change in its financial year-end after interim figures which reflect negative growth in taxed profits and a drop in earnings a share

Chairman Trevor Aron said in a statement accompanying results for the six months to August that the change in year-end to December from February would more appropriately reflect the Natal-based group's trading pattern The adjustment is to come into effect at the end of this year.

Arontex, which moved from the DCM to the JSE's main board earlier this year, produced a 95% increase in sales to R11,8m (R6m) and an 82% hike in operating profit to R990 000 (R545 000)

However, like most of its competitors, it fell foul of higher interest costs, with payments climbing 192% to R581 000 from the corresponding R199 000

Taxation 46% up at R168 000 (R115 000) reduced growth in taxed profits of R241 000 to 4% and translated into attributable profits of R212 000 (R244 000), from which earnings of 2c (2,2c) a share have been declared

The group does not pay interim dividends.

Commenting on the results, Aron said trading activity in the second half was traditionally higher than in the first because the group's main activity was the manufacture of summerwear.

But higher interest costs, particularly in the light of the recent prime rate increase, would continue to affect profits adversely, he added.

Aron said subsidiary company Alida Clothing Manufacturers was put into liquidation after the period under review and the loss arising on this was expected to amount to about R300 000, to be treated as an extraordinary item

Further, pending finalisation of an agreement to dispose of the group's shareholding in subsidiary Roots Clothing with effect from March 1 1989, no results in respect of this company have been taken into account in determining group profits for this period The loss arising from this disposal is expected to total R100 000

Market anticipation of the group's poor results pushed the shares down this week to a new low of 20c, half the June high of 40c

Sable planning a transfer to the JSE industrial sector

B|Day 29/11/89

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LIZ ROUSE

SABLE Holdings intends to move its listing from the property sector to the industrial sector, now that its industrial interests are contributing half of group taxed profits

Chairman John Nash says in his annual review that Steiner Services — the washroom services and linen and workwear rental division, which has now branched into manufacturing workwear garments in the Ciskei — should contribute about 50% of taxed profit in the current year

Also, Sable is poised to enter the direct sales market for industrial garments Its Ciskei factory is producing 20 000 garments a month

Steiner's turnover increased by 19%, and its operating profits before tax and interest were up 56% in 16 months to June

Projected growth for the 1989/1990 year is an increase in revenue of 23% and a rise in earnings of 55%

Nash says the property division, which has doubled its profits each year for the past three years, cannot be expected to continue growing at this rate However, despite the slowdown he expects taxed profit to rise by 30%

There have been significant changes in Sable's portfolio Properties in the Hillbrow and Berea areas have been sold (where sales were advantageous) and the funds redeployed, either in better-performing properties or acquisitions in the industrial field

Sable is looking at development of smaller industrial units, which the group believes have great potential because of changing economic trends

Nash says these objectives have been achieved and the results speak for themselves — Sable's attributable net income for the 16-month period increased to R8,4m (112,6c a share) from the previous 12-months' R3m (39,6c a share) Dividend distribution was raised to 40c (20c)

Borrowings

The property trading division also had a successful year

In the past this division acquired older properties and refurbished them for resale on sectional title In future, efforts will be concentrated on new developments which will be undertaken in co-operation with other developers

The group's debt has been handled carefully Bank borrowings, which rose to about R32m following the acquisition of Steiner, were reduced to R13m at the end of June Two property sales since the year-end have generated an additional R6,5m and part of these proceeds has been used to reduce borrowings

Sable's property portfolio has been revalued to 957c a share Net asset value of the portfolio was 587c a share at the end of February 1986

184 1/12/89.

REX TRUEFORM 184

Facing Euro-barriers

Back in 1985, Rex True recapitalised itself following reported losses. Since then, revenues have sheltered behind a tax loss That shelter should run out this year and the capital will again be altered as the pref shares are retired

That should help ordinary shareholders, but they are probably more concerned about the state of the clothing market and the company's inadequate reporting Chairman Stewart Shub is adamant he will not disclose turnover figures and does not comment on the fact that growth in the turnover index has done little more than match clothing inflation for several years.

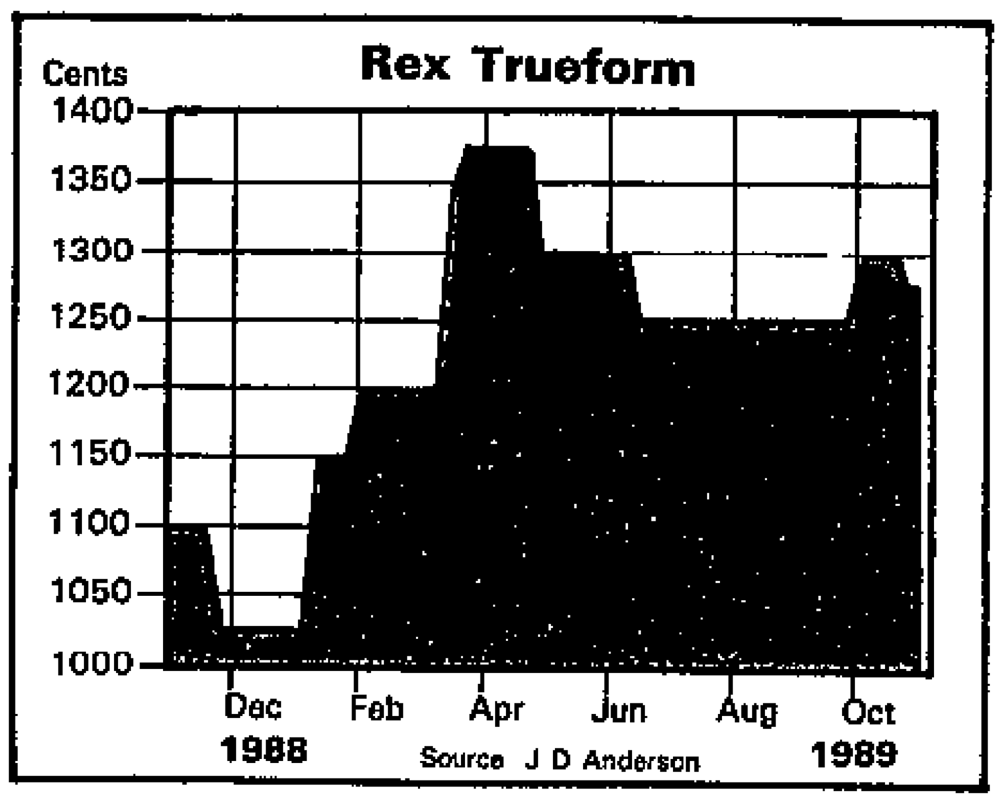
Of course, that has been accompanied by faster growth in operating and pre-tax profits — something Shub claims reflects the emphasis on product quality. The next few years could, however, be difficult Consumers remain squeezed by austerity measures while Europe, Rex True's most important export market, is erecting barriers in anticipation of 1992 Government is promising help to clothing exporters, but whether this can overcome the difficulties of breaking into fortress Europe is another matter Shub should quantify his view that exports will play an increasing role in the revenue mix

Activities: *Manufacturer of men's and women's clothing*
Control: *71% held by African & Overseas*
Executive chairman: *S Shub*
Capital structure *2,73m ords and 1,4m 'A' ords of 50c each Market capitalisation· R49m*
Share market: *Price 1 175c Yields. 7,7% on dividend, 35,6% on earnings, PE ratio, 2,8, cover, 4,6 12-month high, 1 375c; low, 1 025c, Trading volume last quarter, 9 600 shares*
Financial· *Year to June 30*

	'86	'87	'88	'89
Debt				
Short-term (Rm)	2,7	1,3	1,8	1,6
Long-term (Rm)	9,9	7,9	6,2	4,6
Debt equity ratio	0,54	0,28	0,40	0,1
Shareholders' interest	0,58	0,61	0,28	0,36
Int & leasing cover	4,2	8,4	n/a	n/a
Debt cover	0,8	1,2	2,3	2,5

Performance

	'86	'87	'88	'89
Return on cap (%)	11,7	13,8	26,4	31,8
Turnover index (1975=100)	309	353	415	498
Pre-int profit (Rm)	9,1	11,4	12,1	16,4
Taxed profit (Rm)	7,0	10,3	13,0	18,4
Earnings (c)	141	219	287	416
Dividends (c)	55	65	75	90
Net worth (c)	1 082	1 220	1 414	1 759



In the 1989 financial year, income after tax increased by R5,4m to R17,2m after pref dividends of R1,0m, a leap of 45% EPS rose a like amount but the dividend was raised only 20%, extending cover from the previous 3,8 to 4,6 A substantial R13,5m was retained, increasing liquidity. Cash holdings of R14,8m in 1988 rose to R18,5m, of which R12m is earmarked to redeem the variable rate pref shares in June

This year's revenues will be helped by interest receipts, but the dividend is unlikely to be lifted much above the past year's 90c if sales come under pressure *Gerald Hirshon*

Margins expected to be cut . . .

Menswear industry 'over-traded'

CAPE TIMES 2/12/89 (184)

By AUDREY D'ANGELO
Financial Editor

NEXT year will be one of the toughest ever faced by men's clothing retailers, and a number of smaller businesses will fold, predicts Danny Kahn, CE of the Cape Town-based Romen's chain

But the chairman of the Menswear Group of SA, Stephen Parsonage, points out that the number of small menswear shops was drastically reduced in previous downturns He believes that the survivors are professional enough to adapt to changing circumstances and stay in business

Kahn, whose 13-store chain is believed to be the largest retailer of suits and shirts in SA, says the shake-out will benefit the man in the street who will find prices falling.

He says some retail mark-ups are as much as 120% or even 140% over the ex-factory price He expects margins to drop to "a more realistic 60% to 70%"

Warning that the industry is over-traded and will face a shake-out early in the new year, Kahn says "A combination of higher interest rates and higher exit prices from the factories will force a number of the smaller and less efficient groups to close down This is not necessarily a bad thing, because menswear retailing is over-traded and has been for a long time

"The public is paying for this over-trading and inefficiency with inflated retail prices. Instead of there being greater competition, the smaller operators, particularly, are simply raising their prices in a desperate bid to keep their heads above water"

The growing Romen's chain relies on high sales volumes with lower mark-ups for its profits Kahn says the group's margins are often as low as 25% and it will be cutting prices in an aggressive drive to increase market share.

"Ours is a volume business and as usual we have bought forward enormous amounts of stock With intensified marketing and promotions we expect to sell at least 60 000 suits next year, and 120 000 shirts

"While other retailers will be pulling in their horns we shall be looking at continued expansion with stores in Cape Town, Durban, Pretoria and Johannesburg and a turnover of R20m by the end of the current financial year"

Parsonage says that ex-factory prices will, unavoidably, be higher in the coming year because of the rising cost of raw materials and labour

"But everyone in the industry, from textile and yarn manufacturers through to the retailer, must be aware of consumer needs and do their best to contain margins."

New direction at Wooltru

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Bottom Line

MICHAEL MENOF

While the inevitable slowdown in the economy has taken longer than expected, all indications are that it is close at hand, says chairman David Susman in Wooltru's 1989 annual report.

It had to happen with such high inflation and interest rates, the government's costly tricameral parliament bureaucracy. The hurtful apartheid props — the Group Areas and Separate Amenities Acts — and poor black education, all adversely affecting the SA economy, laments Mr Susman.

Post-apartheid SA is going to face more than enough challenges including the rebuilding of an economy broken by intensified isolation and deprivation.

Wooltru is consolidating and reinforcing the superb gains made during the last three years where sales and earnings have more than doubled. The group's character is interesting — a mix in cash trading from Woolworths and Makro and credit trading in fashion at Truworths and Topics allowing the group to withstand any slowdown.

The trend is also to foods considering that fashion represents less than 20 prcent of sales. Some significant events took place during the past year. Mr Colin Hall was appointed CE replacing Mr Tony Williamson who was spending too much time overseas; Makro became a wholly-owned subsidiary and three new managing directors were appointed for Woolworths, Makro and the newly formed Speciality Retail Group (Truworths and Topics).

A leaner group structure has emerged allowing each business division improved decision making. An appropriate capital structure for each business has been agreed and the sustainable growth rates within these structures assessed, says Mr Hall. Cash flow characteristics have been analysed. Despite capex being high, borrowings for the third year running declined significantly.

Stw 4/12/89

The market rates Wooltru highly considering that its net asset value at end June 1989 was 999c a share compared with the current JSE price of R36.

Unfortunately the annual report gives no profit contribution from the three divisions — only sales are disclosed. Last year Mr Williamson was unhappy when I highlighted the massive R42,5 million goodwill paid for Makro. During the past year the balance of Makro was acquired, making goodwill a total of R59 million for the investment.

By not disclosing Makro's bottom line, it is difficult to comment on the R59 million goodwill payment. Management has decided to write off that sum against non distributable reserves arising from the revaluation of land and buildings.

It should have been written off as an extraordinary item in the income statement thereby reducing distributable reserves but this would have hurt the income statement numbers.

Sales rose to R2,1 billion (1988: R1,67 billion) with net income before tax R178,5 million (1988: R121,7 million) Interest expense increased to R24,6 million (1988: R192 million). Just who the R5,5 million (1988 R5,3 million) technical and advisory fees were paid to was not disclosed.

After tax, pref dividend and insignificant extraordinary items, earnings were R94,1 million (1988: R68 million). Earnings per share were R2,69 (1988: R1,79) with the dividend upped to R1,12 (1988 80 cents).

Woolworths' 76 stores and five franchise outlets produced sales of R1,03 billion (1988: R827 million). Pretax profits increased more than 45 percent despite margins being kept low.

The Speciality Retail group of Truworths and Topics opened a number of new speciality concepts within Truworths. Sales were R359 million (1988: R277 million) with profits up 60 percent. Topics alone had a 51 percent profit growth. Makro has its 14th consecutive year of profitable trading with record sales of R711 million (1989: R559 million). A sixth store was opened at Ottery in the Cape.

A R40 million capex programme was stated. The property division is significant, comprising 48 trading sites with a book value of R207 million, and its operating profits increased by nine percent. The profitability and gearing ratios all improved, especially the return of capital employed 48 percent (1988: 36 percent).

Total shareholders' interest grew to R349,9 million (1988: R302,8 million) at end June 1989. Debt is down to R72,6 million (1988: R81,9 million). Working capital has declined to R35,2 million (1988: R58,5 million) but includes R35 million cash resources.

Strategic planning and strategic management has improved and the loopholes of investing cash resources in pref shares whereby the dividend was tax free had to be stopped at end-March 1989 when amending legislation forced repayment.

I agree with Mr Hall when he says Wooltru is a fine group and by giving him a free rein shareholders will not be disappointed — he has a superb base and management team to help him grow.

Consideration given to multi-shifts

B/Day 7/12/89

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CHARLOTTE MATHEWS

CLOTHING manufacturers, who have traditionally kept to a one-shift system, may consider more shifts under current economic conditions, Seardel industrial relations executive Johann Baard said yesterday.

He cited three reasons: because of the increasing cost of labour, and of plant and machinery (especially the replacement cost of imported machinery), and because manufacturers were seriously considering exports.

Baard was responding to a survey published by the FCI on Tuesday which showed that multiple shifts had not taken off in SA despite its benefits.

Textile Federation executive director Stanley Shlagman said the textile manufacturers worked 168 hours a week, which was characteristic of textile manufacturers around the world.

Frame Group chairman Mervyn King said they worked 24 hours, seven days a week, in the spinning mills and weaving sheds and 120 hours a week in the finishing mills.

Three top men quit Frame Group

STAR 31/12/87

(184)

Finance Staff

DURBAN — In a shake-up of executives at the Frame Group, three senior men have resigned and another has rejoined after four years outside the group.

Chief executive Mervyn King said yesterday that he "was not surprised" by the resignations and had expected such changes as a result of the decentralisation programme which he began soon after joining the group last year.

The men to go are Consolidated Cotton Corporation directors Barnes Whittaker, who was responsible for quality control, Nico Heynes, personnel director, and Riaan Wolfaardt, acting executive in the cotton division.

Rejoining as marketing director of CCC is Lawrie Myers who had been with the group for 17 years before resigning four years ago.

Mr King said certain head office positions were becoming redundant as the decentralisation programme came into effect and that the two directors who had resigned had moved out of what he described as "non-job" positions.

Mr W Böhrer and Mr A Crompton are to join the CCC board

Techire higher

S/Times 10/12/89

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STICKING to its knitting saw Techire right in the eight months to September 1989.

Hiring out skilled personnel as well as administering debts enabled the group to earn 6,5c in the eight months to September — 2c a share higher than the earnings for the year to March 1990.

The share price added 3c to 25c this week.

Romens carries on Dior battle

S/Times 17/12/89 (184)

By Charmain Naidoo

LISTED menswear retail chain Romens has lost round one of its battle against fashion-world giant Christian Dior.

Cape Town-based Romens complained to the Competition Board that Dior's South African licensees — they make men's suits, umbrellas, shoes and knitwear — refused to supply it with the designer range.

Dior's reason was that it did not want its prestige label to be associated with cut-prices or a "Dior goods sale".

Romens, listed on the JSE Development Capital Market in September 1987, asked the board to investigate what it called a restrictive practice.

Biggest

This week the Competition Board refused to take the next step and initiate a formal investigation, ruling that licensers of trademarks "and other intellectual property" were entitled to determine "both quality control procedures as well as select who will market their products".

Romens executive director and general manager Sid Hurwitz says he will not give up the fight.

"We are communicating with the board. We still believe Dior's unwillingness to sell us products with its label is unfair and restrictive.

"Romens also wants to bring to the board's attention some inaccuracies in Dior's statements."

Discount

Mr Hurwitz says Romens, with 12 stores and franchised shops in the Cape, Free State and Namibia, is "the biggest retailer of Dior suits, shirts and knitwear".

The rumpus began in June when the SA licensees of the French fashion house refused to supply Romens after an apparent dispute at one of the Port Elizabeth franchises.

Romens chairman Danny Kahn said: "There was a complaint that our Port Elizabeth franchise was selling Dior merchandise at substantially lower mark-ups — in other words at a discount.

"We pride ourselves that across the board we sell at well below other menswear retailers — but we are not discounters."

The law firm of Webber Wentzel says a Dior representative bought two suits at a Cape Town outlet belonging to Romens.

"Dior's name was prominently featured on placards which gave the representative the impression of a Dior sale and was told that the second suit would be sold to her for one cent.

"Dior considered that this style of promotion was incompatible with its marketing strategies and amounted to a downgrading of Dior's reputation and prestige."

Licensees, at Dior's initiative, agreed they would no longer sell their products to Romens once existing orders had been fulfilled. Dior withdrew the status of authorised stockist which Romens had held since September 1987.

Romens in turn complained to the Competition Board, saying the concerted refusal to supply constituted an unlawful restrictive practice.

The board said this week it could not find any evidence to substantiate the claim that the only reason for the refusal to supply Romens was to obviate competition and to maintain prices.

Success

A spokesman said the board "considered that Dior refused to sell because Romens no longer measured up to Dior's stated standards".

Dior was free to choose retailers that seemed most suitable for "maintaining and promoting the image of its products".

In the case of Christian Dior, the board accepted that the success of a business often depended on correctly identifying the niche in which it could best operate and that some licensers and manufacturers might wish to give their goods an up-market status.

B/Day 20.12.89

(184)

Delswa turns in satisfactory results in subdued trading

CHARLOTTE MATHEWS

DELSWA has turned in satisfactory results for the six months to October in the current climate of subdued trading conditions and high interest rates, the directors announced today

Delswa makes women's and children's clothing mainly for the domestic market Recently the company embarked on an export drive and, according to the directors, had achieved reasonable orders for the current year while the full benefits would only be felt in the next financial year.

A turnover figure is not usually released at interim period Operating profit rose by 20% to R3,9m from R3,2m for the first six months of the previous financial year

A 54% rise in the interest bill to R988 000 (R643 000) dragged down profits before tax to R2,9m (R2,6m), but attributable profits were redeemed by a lower payment to an outside shareholder in a subsidiary

Financial director Peter Jaff said this item fell to R1 000 from last year's R16 000 because one of the Delswa subsidiaries did not perform well.

Attributable profits of R1,5m (R1,3m) translate into earnings of 22,13c a share (19,2c) but the directors have decided to maintain the interim dividend at the same level as last year's 3,5c a share

They explained this was because of the need to conserve cash resources for financing growth in working capital and investment in plant and equipment

In July the company announced a 10 for one share split to improve tradeability and the rating of the share in the event of an acquisition

Jaff-Delswa, whose income is derived from interest and dividends from Delswa, reported bottom-line profits of R120 000, of which R113 000 was dividend income from Delswa

Relocation plays havoc with Leegall's earnings

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BDay 29/12/89.

LINDA ENSOR

EXCEPTIONALLY late results from Leegall (previously Berkshire) Clothing for the year to end-June reveal the devastating effects of factory relocations on earnings, which show a loss of 211c (1c).

Hopes of reversing the downward slide experienced at the last interim, when a 17c loss in earnings a share was reported, have failed to materialise

The share price since February has reflected the group's poor state of affairs, falling from 500c way past current net asset value of 445,7c to its present 225c

High gearing

MD Frank Falowitz says in the profit announcement that new management has been introduced and corrective action taken, but he does not expect any attributable income in the coming year because of the high cost of funding

Falowitz could not be reached yesterday to elaborate on the announcement

An already high gearing of 116,3% rose further to 131,3% and the interest bill soared by 160% to R2,6m

Current liabilities more than doubled to R21,7m (R10,8m), giving a current ratio of 1,2 times (1,7)

In the second six months of the year, following Leegall's acquisition of Gallant Clothing in March 1988, the East London and Durban factories were moved to Prospecton in Natal More than 50% of the staff were lost in the process

The discrepancy between a loss of 211c (1c) a share on a 115% turnover rise to R61,1m (R28,4m) tells a woeful story of margins ravaged by poor productivity, declines in quality and unreliable deliveries which led to a cancellation of orders

Compared with a 4,9% interim margin last year, the group suffered an interim operating loss of R1,7m

This, coupled with the higher interest charges, saw attributable income plummet to R4,8m

Retained income benefited from an unexplained R5,5m extraordinary item

High stock levels and losses dashed any hopes that the R11m cash injection from the sale of the hosiery division would improve the group's gearing

Healthy

Although the Gallant profit warranty was achieved, an independent audit has been instituted The results will be published with the interims for the six months to end-December.

On the year ahead, Falowitz says Leegall will not return to full production, though he adds that "customer goodwill, quality and deliveries have improved and order books are healthy"

MANUFACTURING — CLOTHING

1990

Rising debt and share conversion will lower Seardel's earnings

Star 24/1/90 (184)

Bottom Line

MICHAEL MENOF

Seardel's automatically convertible pref shares became ordinaries in July 1989, increasing ordinary share capital by 39 percent. This made Seardel's net asset value R3,70 compared with the current JSE price of R2,70 a share. Why such a difference?

Chairman Aaron Searll was happy to report record sales and earnings and a strong demand for the group's products, in the latest annual report

Inflationary factors affected trading with input costs increasing 25 percent during the year. So, too, wages and employee benefits have created a heavy demand on working capital, he says. But working capital actually improved to R143,02 million (1988. R113,42 million) at end June 1989

Dividend cover is pegged at six times in an attempt to improve the debt to equity ratios. Debt has increased almost 27 percent to R120,44 million (1988: R95,07 million) and interest expense has more than doubled. At year end the borrowings to equity ratio was 110 percent (target set 80 percent) and debt to equity 221 percent (target set 180 percent).

High reporting standards have been maintained, according to Mr Searll but nothing is said about significant changes in various subsidiary shareholdings and loans

Seardel is owned 61 percent by pyramid Searcon where Mr Aaron Searll holds control

Main divisions

Seardel has four main divisions — apparel, consumer and business electronics, quilting and textiles, and toys, located predominantly in the Cape.

The first two divisions contributed 91 percent of sales and 87 percent of operating profits Sales increased to R740,45 million (1988. R566,44 million) with operating income R61,65 million (1988. R39,82 million). Net interest more than doubled to R19,77 million (1988: R9,77 million) and directors' salaries increased 24 percent.

After deducting tax of R17,67 million (1988: R9,87 million), insignificant gains/losses in associated companies, minorities shareholders profit R900 000 (1988. R1,01 million) and pref dividends R1,87 million (1988: R1,95 million), the bottom line totalled R21,23 million (1988: R17,67 million)

Earnings per share were 126 cents (1988: 105 cents) with dividends upped to 21 cents (1988: R17,5 cents). This was prior to conversion

Buoyant trading conditions helped apparel sales increase to R553 million (1988: R410 million) with their operating profits R42,97 million (1988: R24,85 million) The supply, delivery and costs of locally produced textile fabrics continues to be a major problem.

This over-protected industry saw prices increase by around 25 percent, which is unacceptable to manufacturers and consumers, says Mr Searll

Surely local industry needs protection if jobs are to be created and unemployment reduced. But with his record profits and increased operating profits percentage to sales (1989 8,33. 1988 — 7,03) what is Mr Searll moaning about.

Despite the Government surcharge, consumer electronics increased sales to R119 million (1988. R100 million) with operating profits R10,6 million (1988: R7,61 million) Toys, non-woven textiles, properties and travel contributed only 10 percent of sales and virtually unchanged operating profits of R8,08 million (1988. R7,36 million)

On page 57 the annual report features subsidiary shares and loans. The R9,09 million investment in wholly owned Desiree International in 1988 has disappeared. Two new subsidiaries were acquired in 1989 — Fun Frill for R1,32 million and Bibette for R2,75 million. Jocorost Properties, costing R68 500, was sold and dormant companies shares, with a R3,99 million cost in 1988, was suddenly reduced to R258 000.

Sharp Electronics shares' book value of R3,76 million and loans R8,24 million in 1988 are now only R241 000 with no loans A joint venture stake in Airspeed Charters appeared in 1989

Material changes

Nothing is said about these material changes

Ordinary shareholders interest increased to R87,93 million (1988 R72,5 million) and group equity increased to R107,8 million (1988. R92,71 million) at end June 1989.

Goodwill of R10,97 million (1988: R8,66 million) has been deducted from non-distributable reserves Plant, with a R41,1 million book value, has an insured replacement value of R163 million

Seardel has a joint interest in associated property companies along with financier Nefic Ltd which has advanced loans to them of R9,5 million (1988: R1,75 million)

Mr Searll predicts sales of between R860-R900 million, pre-tax profits R43-R46 million, earnings per share 107 to 117 cents and dividends 18 to 20 cents.

But with consumer expenditure appearing to have peaked and economic activity slowing down the group must reduce debt first as the above good predictions include inflation

Being predominantly in the apparel industry the market is not rating this share highly at this stage.

Thomas said.

Durban Publicity Association di-

Sapa reports CP chief information spokesman Koos van der Merwe said the CP had received numerous com-

year than before

What had come to light was that there was a need to improve and increase facilities to accommodate the crowds.

Opt for standard school uniforms — textile boss

CHARLOTTE MATHEWS

GREATER rationalisation and a move away from the large variety of school uniforms would be a more effective response to rising prices than blaming textile and clothing manufacturers. B/DAY 4/1/90 (184)

This is according to Textile Federation director Stanley Shlagman.

A variety of factors caused the annual increase in the price of school uniforms and some reality needed to be injected into the issue, he said.

"The fact that the bulk of school purchases are an annual affair leads to a highly focused comparison with 12-month-old prices."

All clothing prices had risen over the past year for the same reasons that were causing general inflation.

High international prices for raw materials and the weakness of the rand made the situation worse. Textile and clothing manufacturers were also pressured by the escalating internal cost of services and wage hikes.

He cited the example of the 180% increase in the cost of basic chemicals used in producing synthetic fibres and yarns between mid-1988 and mid-1989. Dyestuffs and chemicals had almost doubled in price.

At Sales House in Eloff Street the price of blazers, excluding GST, ranged from R77,99 to R149,99 depending on size.

One parent of an older schoolboy said uniforms should be standardised and that badges could be changed.

"Having to buy new uniforms every year is a lot of rubbish," she said. "And whoever decided that kids should wear white shirts obviously doesn't have to do the laundry."

Another parent with a boy at King Edward VII School said the uniforms were rather expensive because they were specially made for the pupils and different clothes were required for various activities.

The school had its own shop and parents automatically opened an account which gave them time to pay for uniforms.

"I think it is a good idea for boys to wear uniforms because it teaches them how to dress in the business world. The boys are proud to wear them," she said.

Casspirs out — Soweto chief

THE Casspir is to disappear from Soweto following the appointment of new regional police commissioner Maj-Gen Johan Swart.

Swart, who took office on Tuesday, aims to replace all Casspirs in Soweto with ordinary patrol vehicles.

Six Casspirs will be replaced immediately. B/DAY 4/1/90.

At a news conference yesterday, Swart urged people to accept the move as a gesture of goodwill by the police.

He said he would assess the situation before deciding on the possible withdrawal of troops.

He appealed for full co-operation with police in their task of maintaining law and order and preventing crime.

Swart, who replaces Brig J J Viktor, was transferred from Police Headquarters in Pretoria where he served as chief co-ordinator of the De Witt Committee into the restructuring of the police.

He said he had gained the impression Soweto was returning to normal, although he had not yet had the chance to familiarise himself with the situation. — Sapa

FM 5/1/90 (184) (~~232~~) (~~197~~)

CASHWORTHS/MANSERV

Voting half

(~~232~~) (~~197~~) (184)

The tortuous lives of Manserv and Cashworths continue on January 12 when shareholders vote on the proposed sale of Manserv's operating assets to the Cashworths cash shell The MAP consortium, which controls both, has been persuaded by the JSE to vote only half its 8,5m Cashworths shares This is the first time this has happened

JSE pressure was apparently partly because the deal is considered to be not at arms' length Since the 4,25m shares MAP will vote are only 28% of Cashworths' equity, minorities could defeat the motion However, Chris Niehaus, corporate finance director of Simpson McKie, broker for the deal, is confident it will be approved Cashworths and Manserv chairman and MD, Harry Spain and Jeff Wiggill, are overseas

Dissenting minorities say Cashworths' purchase for R12,2m of 13 Manserv subsidiaries, six of them dormant, will denude its R10,2m cash and require it to borrow R2m But many takeovers include dormant companies, and most companies have some gearing Many speculators bought Cashworths when MAP rescued it last year and would prefer to be paid out its net worth of about 67c The share is now about 40c

A fundamental question is why the swaparound is occurring at all Apparently, on the one hand Spain and Wiggill want an operating company, and on the other another MAP member Yakoob Paruk wants a shell with as much cash as possible Manserv had R3,5m cash which could not be injected into Cashworths as it had no assets to exchange The deal was the only way to liberate all available cash into one company

Another factor is apparently that the sale offers tax advantages

Manserv's largest minority shareholders are Datakor and Punch Line, with about 28% Apparently because they were unhappy with the price the deal puts on Manserv's assets, they have negotiated to be bought out by members of the MAP consortium if the deal goes ahead The price is likely to exceed 100c, against the current 75c Other minorities will receive the same offer

If Datakor and Punch Line are right, of course, that's good news for Cashworths But auditor Fisher Hoffman Stride has given the deal a "fair and reasonable" statement

FM 5/1/90 (~~232~~) (~~197~~)

If minorities veto the deal, they will not be assured of a cash distribution MAP could, for instance, decide to inject other assets On its cash pile, Cashworths could earn 7c-8c a share, at a high tax rate, in its year to April 1990 This compares with 15c forecast by Spain and Wiggill if the deal goes through Though their recent record is erratic, they seem talented dealmakers and there is merit in supporting them (184) *Teigue Payne*

Offer for Trimtex Holdings shareholders

CHARLOTTE MATHEWS

B/Day 9/1/90

(184)

TRIMTEX Holdings shareholders are being offered 25 shares in Trimtex Trading for every 100 Trimtex Holdings shares they hold

This was to facilitate the listing of Trimtex Trading, the directors announced in today's press

After releasing a notice in November of their intention to make Trimtex Holdings the pyramid company, the directors were now publishing details of the offer to ordinary shareholders

Trimtex Holdings will reduce its share premium account by R3,7m through the new share scheme

After the capital reduction has been implemented, Trimtex ordinary shareholders will hold 25% of the issued ordinary share capital of Trimtex Trading which will be listed on February 5

The remaining 75% of Trimtex Trading shares will be held by Trimtex Holdings and will constitute its only asset

 F/M 12/1/90

Cutting its cloth

(184

Most of the disappointments of 1988, when annualised earnings and dividends fell 10% short of prospectus forecasts, and turnover 13% short, were overcome in a year of considerable growth, but the cost was strained finances, which decided the directors to pass the dividend and retain funds to contain current borrowings (there are no long-term borrowings) and strengthen the capital base

Romens also did not make the hoped-for early 1989 promotion from DCM to main board Executive director Sid Hurwitz says such a move would be premature, given the company's stage of development and tight financial ratios

Several new stores were opened Chairman Danny Kahn's annual statement says the total has reached 13, including the first three outside the Cape, in Vereeniging, Bloemfontein and Windhoek. The aim for the end of this year is 20 stores with turnover of R20m Longer-term, the group wants to become the largest national retail men's wear chain Hurwitz claims it is already the biggest for up-market suits and shirts.

Considering that annualised turnover rose 79%, a 50% rise in year-end stocks is evidence of considerable financial discipline.

F/M 12/1/90. (184)

Activities: *Operates a (mainly franchised) retail men's clothing chain*

Control: *The directors hold 73,2%, including 52,3% non-beneficially through Maracay Investments*

Chairman: *D M Kahn, managing director D J Marks*

Capital structure: *13,375m ords of NPV. Market capitalisation R5,1m*

Share market *Price 38c Yield 17,3% on earnings, PE ratio, 5,8 12-month high, 40c; low, 30c Trading volume last quarter, 113 000 shares*

Financial: *Year to June 30*

	'86	'87	*'88	'89
Debt				
Short-term (R000)	—	518	1 070	2 917
Debt equity ratio	nil	1,01	0,52	1,09
Shareholders' interest	0,04	0,14	0,24	0,23
Int & leasing cover	n/a	26,2	29,8	4,8
Debt cover	n/a	n/a	0,60	0,33
Performance.				
	'86	**'87**	***'88**	**'89**
Return on cap (%)	18,3	19,4	12,8	12 7
Turnover (Rm)	4,7	5,9	7,5	13,4
Pre-int profit (Rm)	n/a	n/a	1,0	1,5
Pre-int margin (%)	n/a	n/a	13,5	11,1
Taxed profit (Rm)	0,2	0,3	0,61	0,88
Earnings (c)	3,5	3,2	4,5	6,6
Dividends (c)	nil	nil	2,25	nil
Net worth (c)	1	4	14	20

* 16 months annualised

Debtors and creditors were also kept under control. However, net borowings in the past two financial periods have risen by R5,4m, justifying the dividend policy Kahn says in future "all dividends will be viewed in the same way . Never will short-term gains be made at the expense of long-term growth"

Neither Kahn nor MD David Marks make specific forecasts for the current year The economy will be difficult but they both seem broadly optimistic At the AGM it was said that December 1989 turnover was almost 50% up on 1988, which suggests that the target for the year is within reach

The share has not seen the 1987 prelisting issue price of 40c for two years. It has traded within a narrow range, of which it is now near the top — and almost double net worth However prudent the decision not to pay a dividend may be it is unlikely to do anything for the rating but, if the group can handle the strains of the present phase of rapid expansion, this could change *Michael Coulson*

Factory relocation proved to be an expensive move

CHARLOTTE MATHEWS

THE Leegall Clothing Company experienced large losses as a result of a new acquisition and a physical relocation and its future prospects depended largely on management's efforts, chairman Corder Tilney said in the group's annual report

BDay 15/1/90

He said in spite of the enormous task which lay ahead, the board felt the group should show a small loss or possibly break even in the coming year

Results released at the end of December showed a loss of 211c (1c) a share for the year to June on an attributable loss of R4,8m (R20m)

Tilney said the relocation of the Gallant Clothing Group's factory in Gale Street, Durban, to Prospecton had resulted in a 50% staff loss Apart from the fall in productivity the group had suffered from late deliveries and cancelled orders

The R11m gain from the sale of Berkshire's hosiery division to Arwa had been all but erased by the losses of the Durban relocation

(184)

MD Fank Falowitz said "We have already accomplished much in restoring our customer goodwill through better quality and deliveries and the forward orders for all divisions are looking healthy now"

Cashworths acquire Management Services Corporation subsidiaries

(232) (184) (1471)

ZILLA EFRAT

CASHWORTHS Fashion Holding's shareholders voted in favour of the acquisition of Management Services Corporation's subsidiaries at Friday's general meeting in Johannesburg

Shareholders Association of SA chairman Issy Goldberg, who had received about 500 000 to 600 000 proxies from minorities, queried various aspects of the proposed deal

BDAY 15/1/90

R12,2m deal

However, after finding the director's explanations "reasonably acceptable", he voted in favour of the acquisition.

Prior to the meeting, the JSE persuaded Cashworth's controlling shareholders, the MAP consortium, to vote only half their 8,5-million shares

The R12,2m deal involved the transfer of Manserv's 13 subsidiaries to cash shell Cashworths, thereby making Manserv, also controlled by the MAP consortium, a cash shell

When this deal was announced in September, the consortium said they would use Manserv for their investment holding banking programme.

However, in December they announced they would sell the cash shell.

At the general meeting, Goldberg said Cashworths' directors had to show the deal was at an arm's length in the spirit of equity and the law

He questioned various aspects of the circular sent to Cashworth shareholders, especially R4m shown as trademarks in the pro forma balance sheet.

Low asset

If this figure was not included, net asset value would be substantially less than 68c a share, he said.

Cashworths MD Jeff Wiggill said the subsidiaries were all service companies with low asset values.

However, their names — which included Accsys, Colfin, Punch Line, Columbia Training and companies trading under the Don Gray name — had value

Ripples in SA's clothing industry described as 'an overreaction'

CHARLOTTE MATHEWS

BDay 17/1/90

A RIPPLE was caused in the clothing industry early this month by cancellations from some retailers overreacting to an expected economic slowdown, but retailers and manufacturers this week reported no cancellations and higher turnover.

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One manufacturer, who preferred not to be named, last week admitted receiving a few cancellations but said it was not serious "at this stage"

National Clothing Federation chairman David Kaplan said there had been some cancellations, but it seemed the major chains had enjoyed a good Christmas.

Edgars MD George Beeton said it was true Edgars had cancelled a few orders because of late deliveries, but orders as a whole were higher than last year. Focus Holdings financial director Gavin Harris said the group had not cancelled orders

BUSINESS

Small business is losing out

Sowetan 18/1/90

184

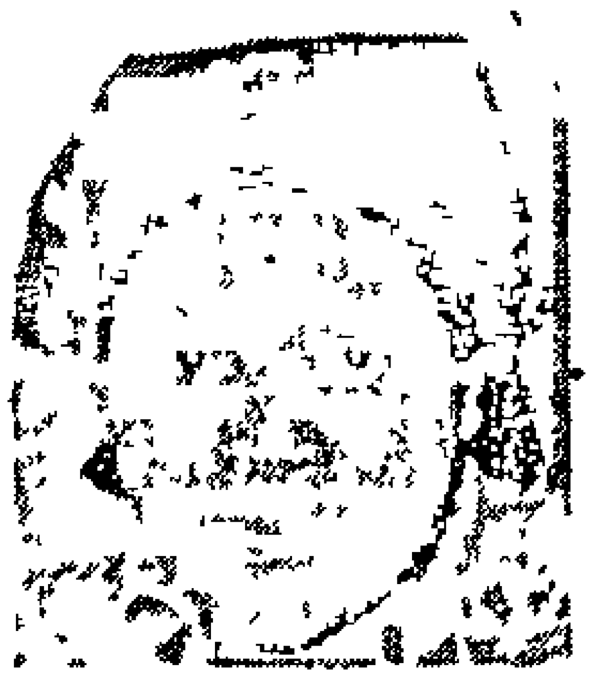
BLACK entrepreneurs manufacturing school uniforms from industrial parks or in the backyards of their homes in the townships are on the brink of collapse because of competition from white and Indian manufacturers.

According to several black uniform manufacturers white and Indian operators have entered into agreements with black schools, sometimes with the tacit approval of officials They supply uniforms to these schools and the school officials get donations for their schools or personal presents

The Department of Education and Training said it did not have any policy on the purchasing of school uniforms by pupils. Mr Richard Chernis, public relations officer, said:"this is entirely a matter for individual schools."

He said if proof could be produced that any official accepted bribes the matter should be reported to the police. Departmental action would be taken once the courts had found the culprits guilty.

The plight of backyard manufacturers has been worsened by the fact that



Mrs Ester Mhlambi.

major fabric wholesalers seem to be in league with the major operators for these backyard factories are being denied good quality material which parents insist on

Also, these wholesalers first sell the small manufacturer sufficient good quality material for the first batch of say 50 uniforms. When the manufacturer, because of demand from the pupils at the particular school, places the second and bigger order, poor quality material is then delivered with the excuse that the first type was no longer available.

One of the victims is Mrs Ester Mhlambi (52), of Kwa-Thema near Springs, who operates from the Kwa Thema Industrial Park. After several meetings with parents and the teachers at two schools in the township it was agreed that she manufacture uniforms for the two schools This involved sewing uniforms for about 1 500 pupils It was a big boost for her fledgling business and her staff of eight.

The first batch was produced and parents were excited with the uniforms and the prices charged She then placed an additional order and after being pushed around, material of an inferior quality was sent. Parents returned the uniforms as they were not what they wanted or expected. She has now reduced her staff to one person and her reputation is in tatters Remarkably, a trader from outside Kwa Thema is now selling the uniforms in the required quality; the cloth Mhlambi used to make the first batch of uniforms.

Another operator, Mrs Sana Dladla, who manufactures tunics and track suits from a garage in Kwa-Thema, says she lost out on a contract to sew uniforms for a local school. On investigating she found that traders from town had given the teachers donations and they now had the rights to make and sell the uniforms.

She maintains that it is unfair for town operators to monopolise the uniform business and push the township manufacturer out, instead these town operations should getting into contracts with blacks who would then sew some of their products.

Mrs Elizabeth Nkabinde, of Residensia in the Vaal Triangle, says her 12 year-old school uniform manufacturing business was ailing because she was not getting support from local schools. She puts the blame on school authorities.

"When I started my business in 1978 I was optimistic and advertised myself at various schools, but gave up hope when teachers refused to support my venture,"she said.

Mr G Cachalia, manager of Snapper Uniform Manufacturing Company, one of the biggest school uniform manufacturers in the PWV area, , said his company had been in operation for the past 30 years and was supported by schools in black areas

"But, he also added, "while we are prepared to plough part of the money we make back into the townships, we will not stoop as low as to bribe people to buy our products."

The managing director of Sales House, Mr Donald Etheridge, who also spoke on behalf of the Edgars Group, said they were prepared to contract small business people to manufacture school uniforms for them, but added, "on condition that they produced the high quality our customers want."

Unispin set to pour money into productivity

SYLVIA DU PLESSIS

INDUSTRIAL and hand-knitting yarn manufacturer Unispin will maintain a high level of capex in the next few years, say chairman Robert Wachsberger and MD Chris Snijman in their annual review

Their joint report says the aim will be to position the group in the forefront of textile technology and to improve its productivity to make it competitive in an open world market

"We are of the opinion that it would be imprudent to base the company's future strategies (on) import protection, as world markets are continuing to be freer and the group must be competitive on world standards in order to remain a viable long-term business

"Although we are fully aware this will limit growth in earnings per share in the short term, we have no doubt it will bear fruit in the medium and long term, resulting in substantially greater earnings on a compound basis"

Wachsberger and Snijman say 1990 promises to be a successful year for the group in spite of the economic downturn.

Bday 18/1/90

(184)

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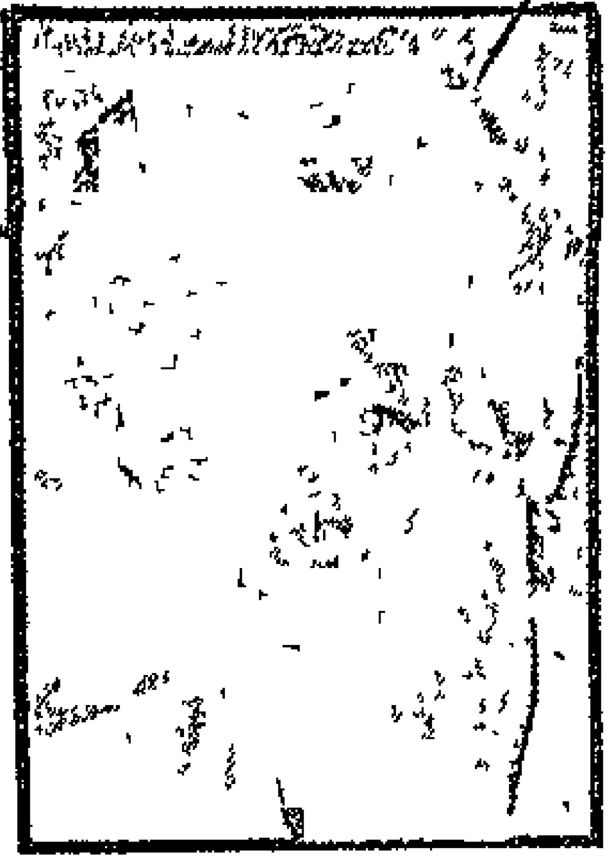
by JULIE WALKER



From one cash shell to another

SHAREHOLDERS of Cashworths agreed a week ago to the purchase of the operating companies of Manserv, and that Cashworths be renamed Colfin.

The purchase price is R12,2-million cash — more than Cashworths held

It takes only an ordinary resolution — the approval of 51% — to dispose of a listed company's entire assets, yet special approval of 75% is required for a change of name.

At the meeting, Shareholders Association frontman Issy Goldberg condemned Section 228 of the Companies Act, allowing the anomaly He promised to continue lobbying for its amendment to require a special resolution when a company disposed of its core businesses

But I digress Why should cash shell Cashworths buy the assets of Manserv, so turning Manserv itself into a cash shell?

STRATEGIC

The JSE requires trade in cash shells to be suspended pending the purchase of suitable operating companies within six months Failure to secure such business precipitates a delisting

Only a few months ago, Manserv said it intended to become a sort of investment trust — acquiring strategic stakes in companies as investments

But by December, all that changed Manserv said it would be disposed of as a cash shell

Major shareholder Map consortium agreed to buy the stakes in Manserv held by Datakor and Punch Line Holdings for much more than the 64,5c a share Map paid for its original 57%.

An offer was extended to the minority at that price Map members comprise much of the directorates of both Cashworths and Manserv, and will come to own about 90% of Manserv.

UNLIKELY

A reverse listing would take place when a company came along and paid R15,4-million plus a little for Manserv's only other asset — the JSE quotation.

It is unlikely that Map would sell the Manserv shares at below net asset value of 106,7c

If it received that price, it would be a 65% capital profit in a short time for the controlling shareholders — and wonderful for all Manserv's shareholders, providing they rejected the standby offer of 64,5c

Cashworths shareholders were given a unique opportunity at the general meetings to thwart management. Mr Goldberg said the onus was on Map members to display that the sale of assets was at arm's length

The JSE encouraged Map to agree to vote only half of its Cashworths shares, leaving minorities a sporting chance to defeat the proposals To muster the interest of 6-million shares is a farce Every proposal went through

Mr Goldberg grilled the directors for nearly two hours on several aspects of the deal He wanted to know how a value of R4-million could be ascribed to trade marks in Colfin's pro forma balance sheet.

He said that without the trade marks, the net tangible asset value would be only 13,4c compared with the pro forma 68c

Managing director Jeff Wiggill says the trade marks are valuable, and that only the day before, an offer to buy one of the computer companies at a R2-million premium to tangible value had been proposed

He says net asset value is only one determinant of the value of a service-oriented company such as Cashworths-Colfin, and that earnings prospects are more important.

RESTRAINTS

Mr Goldberg also queried the R2-million investment in unlisted finance company Wingate, elsewhere recorded at R1,25-million Mr Wiggill explained that it was bought by Manserv for R1,25-million, and sold for R2-million to Cashworths a year later

Another query was raised about restraints of trade totalling R540 000 paid by Cashworths to its management. A restraint of trade payment is not taxable in the hands of the recipient

If my employers paid that to me, I would promise never to work again.

Mr Goldberg was "not unreasonably dissatisfied" by the explanations, and voted his proxy for the motions

He was scathing of minority shareholders' apathy, saying managements could run almost any company with de facto control yet owning only 10% of the shares

Cashworths is now called Colfin Ltd, and having bought 13 companies from Manserv for R12,2-million, now comprises Colfin, Punch Line Columbia Training, Accsys, various Don Gray companies and others

More importantly, it is the vehicle through which Map intends to develop its businesses.

It is forecast to earn 18c a share for the year to April 1990 — a conservative figure, says management. A 6c dividend is forecast Its tangible net asset value is given at 40,5c. The current share price is 40c

Colfin plans to be involved in mergers, listings and so on, to provide training, and to invest in clients' businesses

The market seems to shun shares which chop and change, and Cashworths-Colfin has a checkered history If Colfin can maintain the status quo for a while, and allow shareholders to trust that what is promised is delivered, the rating could rise

Better economy may boost sentiment towards Focus Holdings shares

ANALYSIS
STEPHEN RICHTER

FOCUS Holdings has been out of favour with investors recently, but once economic conditions improve, sentiment towards the share could change

Focus is engaged in speciality retailing of men's and women's clothing as well as bedding

The group controls outlets such as Cashworths, Bachelors, Mattress World and Forty Winks, mostly in the PWV

During the current financial year, the group acquired the Smiley Blue and Goophees retail chains from Amrel

Focus now has a line-up of retailing outlets which are situated in major shopping centres with strong merchandising and marketing support.

25/1/90

The type of clothing outlets this group owns must keep in step with the latest fashion trends

Joint MD Michael Cohen is reluctant to provide details concerning Focus's December sales figures

He did say that "the group showed positive growth in turnover in December 1989, compared with December 1988, as well as the first 10 months of the current financial period over that of the previous financial year"

In spite of this optimistic statement, shareholders are clearly worried things may get worse before they get better

This is due to the high interest rates and reluctance on the part of the average consumer to increase spending until economic conditions improve

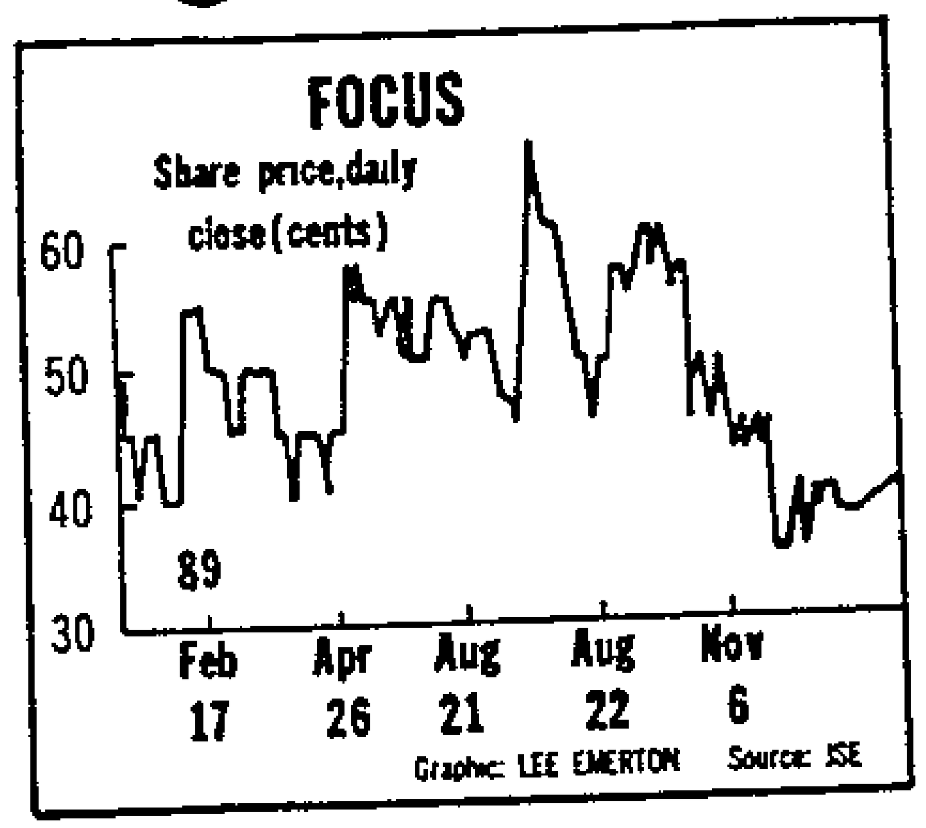
(184)

These concerns are justified in view of Focus's latest statement on December 19, which indicated that while earnings a share for financial 1990 would show some improvement over the 8,5c achieved last financial year, the results would be below the projected 13c.

Management blames the current economic conditions as well as the fact that rationalisation benefits resulting from the recent Cashworths acquisition are taking longer to accrue than expected.

Cohen said while the Cashworths operation was profitable, "the full benefits of the rationalisation and cost-saving measures implemented will further add favourably to 1991 profits"

While market sentiment towards the group is negative, it seems possible Focus can earn 10c per share and pay a 4c dividend, which translates into a forward earnings and dividend yield of 26,3% and 10,5% respectively, based on its recent price of 38c



Better times ahead, say Adonis bosses

SYLVIA DU PLESSIS (184)

MANAGEMENT of clothing, footwear and textile-listed Adonis Knitwear is confident of increasing earnings in the current year after posting a 23% drop in attributable income for the year to September 1989. B/Day 30/1/90

Writing in the company's latest annual report, chairman and MD Joe Bencen says demand for Adonis's products continues to grow

"The major portion of annual turnover is derived from winter sales

"In August each year a separate winter collection for each label is launched and presented to the trade for delivery from March the following year," he says.

"The demand for our products continues to increase and this is reflected in the unit volumes increasing by 12% over the previous season"

House brands

Bencen says the company's summer ranges are being launched in March, and as demand for summer knitwear remains steady, management is expecting earnings for the 1990 financial year to again increase, barring unforeseen circumstances

Adonis, which markets products under both its own house-brand labels of Adonis and Dino Milano and — under licence — Christian Dior, lifted trading profit to R3,6m (R2,7m) during the period under review

However, a tax bill which climbed to R1,7m from R61 000 reduced attributable income to R795 000 (R1m).

As a result, earnings fell to 46,7c (48,3c) a share, but dividends were increased by 33% to 24c (18c)

Directors said at the time that the tax rate rose because the company no longer qualified for allowances made on an investment the year before.

LEEGALL FM 2/2/90

Faded look

(184)

Activities: *Manufactures fashion garments.*
Control: *Directors control 60,5%.*
Chairman: *C R Tilney; MD: F Falowitz*
Capital structure: *2,3m ords; 50 000 6% cum red prefs of 200c. Market capitalisation: R3,5m*
Share market: *Price: 150c. 12-month high, 500c; low, 150c. Trading volume last quarter, 5 000 shares*

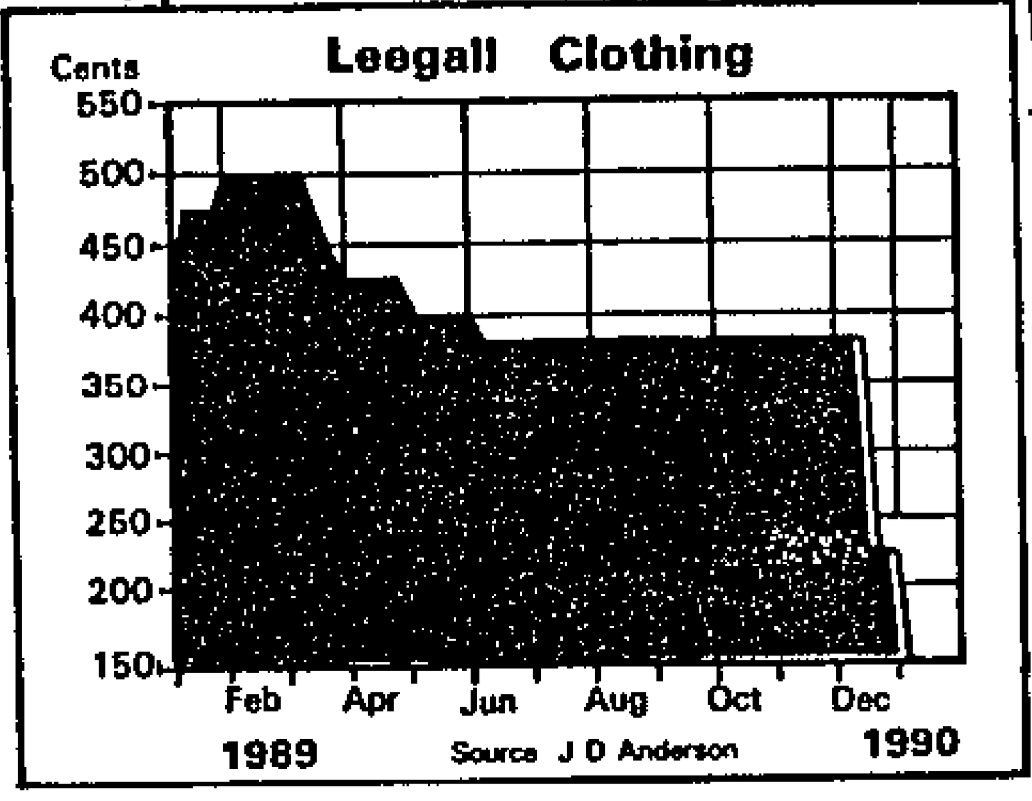
Year to June 30	'88	'89
ST debt (Rm)	5,7	12,0
LT debt (Rm)	3,0	1,4
Debt equity ratio	1,02	1,08
Shareholders' interest	0,37	0,34
Int & leasing cover	1,38	n/a
Return on capital (%)	6,2	(4,8)
Turnover (Rm)	28,4	61,1
Pre-int profit (Rm)	1,4	(1,7)
Pre-int margin (Rm)	4,9	n/a
Earnings (c)	0,9	(211,6)
Dividends (c)	—	—
Net worth (c)	477	447

Leegall Clothing, formerly Berkshire International, ended fiscal 1989 precariously. The fact that shareholders had to wait six months for the annual report says little for the board's concern for the company's outside owners. The delay in publishing the report is understandable as management really messed things up last year.

MD Frank Falowitz admits the acquisition of the Gallant group, together with a total relocation programme, caused the year-end loss of R4,8m (1988: R20 000 profit). More than half of the middle management and staff moved on or voted with their feet after the acquisition.

That led to poor productivity, deteriorating quality and unreliable deliveries. Not

→ FM 2/2/90 (184)



surprisingly, perhaps, customers cancelled orders. Working capital fell by more than R3m and the group was left with stock levels up 79% to R16,9m (R9,5m). The loss of 211,6c (1c profit) contrasts sharply with a turnover increase of 118% to R61m (R28m).

Cash from the R11m sale of the hosiery division to Arwa has been swallowed in factory relocation costs. There is little reason for dividends to be paid until the balance sheet's gearing is reduced and there is no compelling reason for the share to improve beyond its present 150c.

Jacques Magliolo

PALS FM 2/2/90

Margin wear

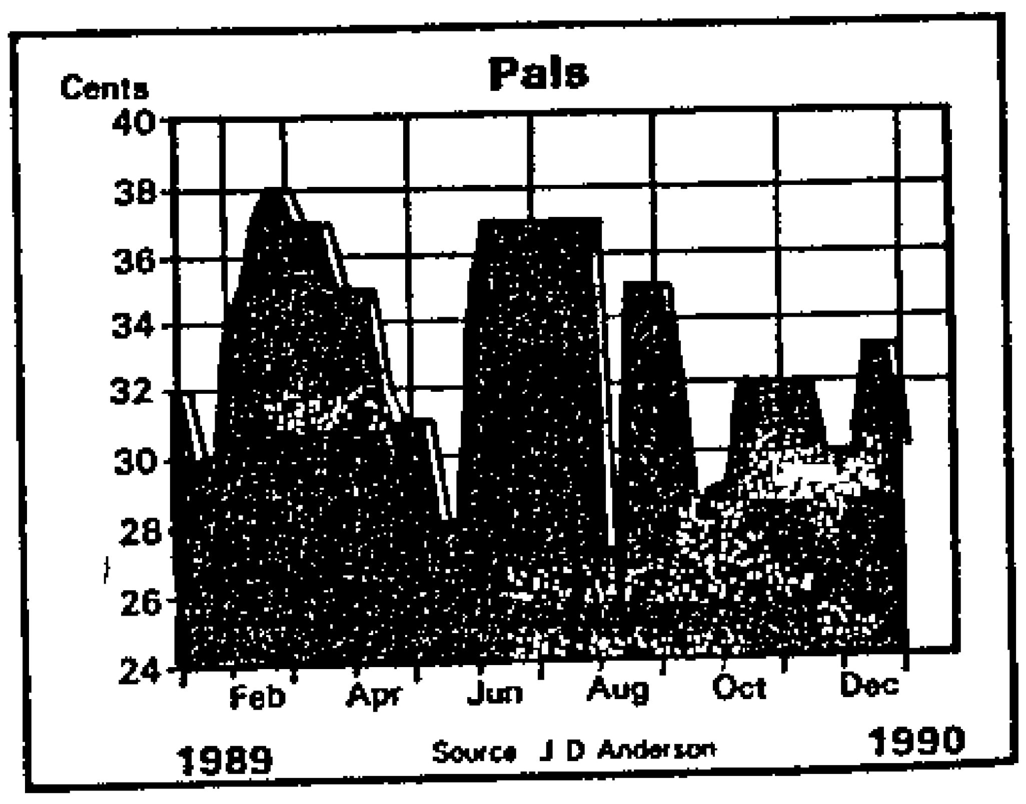
(184)

Activities: *Manufacturing menswear.*
Control: *The directors control 67,6%.*
Chairman: *S Kagan.*
Capital structure: *10m ords of 1c. Market capitalisation: R3m.*
Share market: *Price: 30c. Yields: 11,3% on dividend; 30,6% on earnings; PE ratio, 3,3; cover, 2,7. 12-month high, 38c; low, 25c. Trading volume last quarter, 65 000 shares*

Year to June 30	'88	'89
ST debt (Rm)	0,48	0,58
LT debt (Rm)	0,31	0,36
Debt equity ratio	0,14	0,10
Shareholders' interest	0,56	0,49
Int & leasing cover	11,2	5,0
Return on capital (%)	21	16
Turnover (Rm)	n/a	n/a
Pre-int profit (Rm)	1,19	1,25
Pre-int margin (%)	n/a	n/a
Earnings (c)	8,1	9,2
Dividends (c)	1,4	3,4
Net worth (c)	32	37

Chairman Selwyn Kagan believes last year's 30% turnover increase and 8% pre-tax profit drop were "very satisfactory." The trouble is, Pals does not disclose turnover figures so it is impossible to tell just how well or badly management is running the business.

Kagan attributes the drop in pre-tax in-



→ F/M 2/2/90 (184)

come (though he mistakenly refers to operating income) to higher finance costs and increased import duties which could not be passed on to customers. But given the past year's buoyant trading climate, Kagan appears to be overstating the influence of external factors. Operating profit, stated before interest charges, rose by 4,7% and the margin drop was presumably exacerbated by the acquisition of Huguenot Clothing and the purchase of new equipment which added 20% to capacity.

Order books were full during the first months of the present financial year and retail sales boomed at Christmas. But household budgets are becoming increasingly pinched and margins are likely to be squeezed further. Kagan believes Pals enjoys some protection from market cycles. Shareholders might be less cheerful.

Gerald Hirshon

UNISPIN FM 2/2/90

Capex yarn

(184)

Activities: *Manufacturing knitting yarns*
Control: *Directors hold 74%*
Chairman: *R Wachsberger, MD · Chris Snijman.*
Capital structure· *35m ords Market capitalisation R52,5m*
Share market: *Price· 150c Yields: 7,5% on dividend, 24,8% on earnings; PE ratio, 4; cover, 3,3 12-month high, 245c, low, 140c Trading volume last quarter, 371 000 shares*

Year to Sep 30	'87	'88	*'89
ST debt (Rm)	23,5	1,0	11,5
LT debt (Rm)	23,6	13,6	25,9
Debt equity ratio	8,0	0,46	0,77
Shareholders' interest	0,08	0,52	0,42
Int & leasing cover	7,9	15,8	4,9
Return on cap (%)	6,0	15,2	12,2†
Turnover (Rm)	19,4	76,6	118,5
Pre-int profit (Rm)	4,2	14,9	22,2
Pre-int margin (%)	21,7	19,5	18,7
Earnings (c)	13,8	39,2	46,5
Dividends (c)	—	14	14
Net worth (c)	126	146	176

* 15 months † adjusted for 12 months

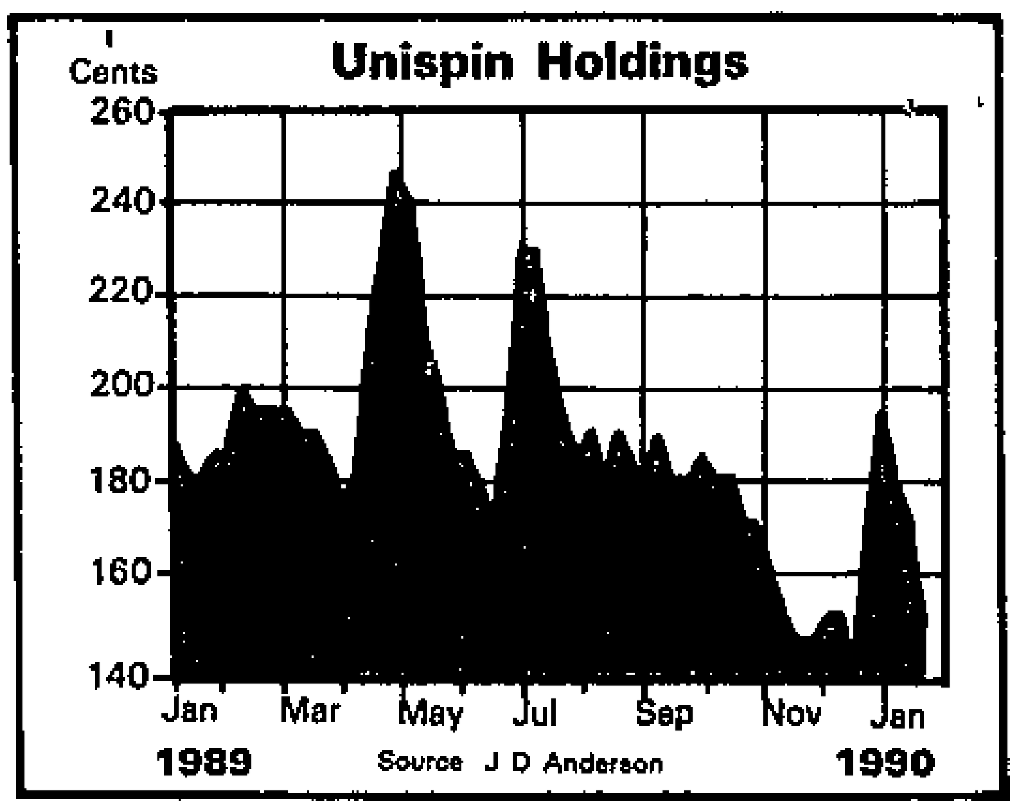
Management is thanking its lucky stars that most of the present major capex programme squeaked in ahead of the new tax write-off regime, applicable since December 15. Financial director John Erasmus says almost all fell under the old 50 30.20 rule.

R46,1m was spent in the 15 months reviewed in the annual report and R26,1m more is budgeted this year to complete the programme. Borrowings increased sharply, though not by as much as the capex because management decided to make the best of a bad earnings job and cut the dividend to conserve cash

Annualised, turnover rose 24% but return on capital and pre-interest margin fell; EPS were 6% lower and the dividend was cut by 20%. Chairman Robert Wachsberger argues it is unfair to annualise the 15 months' performance because trading is highly seasonal But there is little option for the analyst

During the review period spinning mills were rationalised and some relocated. A new cotton mill was commissioned in November Erasmus says Unispin has dominant shares of the industrial and hand-knitting yarns markets and cotton is a promising diversification He believes pre-interest margins will be steady this year as Unispin settles down and as the cotton mill becomes fully productive.

FM 2/2/90 (184)



The bottom line is unlikely to be better this year. The additional capex is likely to lift gearing further before an expected decline in 1991. High interest rates should take care of any profit from higher turnover resulting from the increased capacity Before Unispin was listed in mid-1987, it was foreign-owned and financed by a large Swiss franc loan, the interest on which consumed most of its profit Management is thus aware of the dangers of high gearing, but reckons upgrading and modernisation are essential.

The repayment of the loan partly accounts for the tax loss, which has declined from R42m in 1987 to R5,5m. On Unispin's profit projections, it should come to tax in 1992, but then only at about 15%.

Wachsberger says the new incentives for the textile and clothing industries give local textile industries opportunities for growth However, world markets are loosening up and Unispin is not planning on import protection

Considering the extent of the changes at Unispin its results seem creditable, but the share price is unlikely to recover soon because of immediate earnings prospects

Teigue Payne

184

SABBM set to announce plans for acquisition

CHARLOTTE MATHEWS

AN ACQUISITION was being negotiated by SA Bias Binding Manufacturers (SABBM) and an announcement would probably be made within the next 10 days to two weeks, MD Phillip Coutts-Trotter said yesterday.

He declined to give details of the transaction because negotiations were "at a delicate stage".

SABBM released a cautionary notice earlier this week advising shareholders negotiations in progress could affect the price of ordinary shares

According to one analyst, a cautionary would not be necessary unless an acquisition or change of control of significant size, likely to materially affect the company, was under discussion

Coutts-Trotter confirmed it was a sizeable acquisition "relative to our size. If you were talking about Anglo American it would not be a large acquisition".

In August last year chairman Chris Seabrooke said two acquisitions were being negotiated, one in SA and one in the UK, both in the group's present field of operations

Coutts-Trotter said yesterday the cautionary concerned the SA acquisition

B/Day 8/2/90

SABBM shares closed at 280c yesterday where they offer a dividend yield of 6% and an earnings yield of 15,4% compared to an average for the clothing sector of 5,1% and 15,6% respectively

The share has risen 24% over the last year from 225c last February.

ADONIS FM 9/2/90 (184

Good winter

Activities: *Manufactures knitted outerwear*
Control: *Directors hold 78%*
Chairman and CE: *J Bencen*
Capital structure. *3,5m ords Market capitalisation R6,5m*
Share market *Price 185c Yields 13% on dividend, 25,2% on earnings, PE ratio, 4, cover, 1,9 12-month high, 210c, low, 180c Trading volume last quarter, 21 000 shares*

Year to Sep 30	'86	'87	'88	'89
ST debt (Rm)	0,3	0,1	—	0,2
LT debt (Rm)	0,5	1,1	0,9	0,8
Debt equity ratio	0,13	0,04	—	0,11
Shareholders interest	0,57	0,50	0,62	0,54
Int & leasing cover	6,56	16,7	7 9	17
Return on cap (%)	18,6	23,7	24	32,5
Pre-int profit (Rm)	1,1	1,8	2	3,6
Earnings (c)	15,1	24,4	48,8	46,7
Dividends (c)	7	12	18	24
Net worth (c)	99	111	147	170

There is no obvious reason why Adonis, on a 13% yield, is so poorly rated In the years since 1985 operating profits have increased by 30%, 82%, 49% and 37%, and interest payments have not been large

Possible reasons are the share's lack of tradeability, turnover and margin figures. Investors may have been alarmed recently by the rapid rise in tax rate, from 3,5% in 1988 to 51% This caused attributable earnings

FM 9/2/90 (184)

and EPS to dip In fact, apart from 1988, Adonis has usually had a full tax rate — the abnormally low rate that year was due to an investment in a film Cover was increased to smooth the dividend increase and dividends grew by 40%, 71%, 50% and 33% since 1985 At least the tax rate can now go no higher

Financial director Steven Chaitel says Adonis is little affected by lower consumer spending because it serves the top, fashion end of the market for jerseys Growth has and will come from expansion in the knitwear market though Chaitel says the group is always seeking other opportunities Gearing reappeared last year but no unusual capex is in prospect

Sales occur mostly in winter and these have already been made, Chaitel says they grew in real terms Even if summer sales, now being concluded, show no increase, the EPS increase should also be real, he adds The company shows no sign of dropping a stitch and the counter seems to offer opportunity.

Teigue Payne

Seardel boosts profits 33,1%

CAPE TIMES 9/2/90

(184)

By AUDREY D'ANGELO
Financial Editor

THE huge Seardel Investment Corporation once again achieved record sales in the six months to December 31. It lifted turnover by 21,9% to R470,6m and operating profit by 33,1% to R41,5m — indicating a widening of margins

But, with higher finance charges and an increased number of shares in issue, earnings at share level rose by only 12,1% to 62c.

In spite of this, the interim dividend has been maintained at 8c with a high cover of 7,8 times

Aaron Searll

Executive chairman Aaron Searll said that in fact attributable earnings had risen by 18,4% But the number of shares in issue had risen by 39% to 23,4m as a result of the conversion of redeemable preference shares in December, 1988 Shareholders' equity had risen by 12,5% to R118,7m.

Explaining the reason for the high dividend cover, Searll said "We need to plough back substantial reserves in order to reduce the ratio of borrowings to equity"

This had already been reduced to 119% compared to 123% this time last year, "so we are on our way Our objective is to bring it down to 80%".

He said total assets on December 31 were R393m The return on assets was now 17,9% compared with 16,1% the previous year. "Our objective is 20%."

Searll said retail sales of group products had continued to be good in January. But although the margins of clothing companies in the group had improved they had still lagged behind the inflation rate

"We hope to change this The clothing manufacturing industry has been hit by inflation and we shall have to pass on some of this"

Although he expected economic activity to slow down in the second half of the year, forward bookings were still good.

He expected earnings for the full year to be around 105c a share

Commenting on the future outlook, Searll said he expected interest rates to fall in mid-year

Although he agreed that monetary policy could not yet be relaxed, the whole situation would change if foreign bankers agreed to roll over SA's foreign debt, relieving the pressure on the balance of payments (BoP)

"The recently announced initiatives by the State President applicable to the political scene should impact positively on economic activity in this country. I am very optimistic."

The group exports clothing to Europe but Searll said he saw no opportunities, at this stage, in the opening up of Eastern European countries.

"They may provide us with markets in the future but at present I don't think they have money to buy imported clothing."

FM 16/2/90 (184)

FM 16/2/90 (184)

FORMULA FAILS

Year to December 31	1989	1988
Turnover (Rm)	336	283
Pre-tax profit (Rm)	30,8	31
Attributable earnings (Rm)	19	18,7
Earnings (c)	305	301
Dividends (c)	100	100

acquisitions are unlikely to affect EPS, but they will provide scope for significant rationalisation

Van Vught says all last year's adverse surprises are on a recovery track. Chemserve's business changes constantly and is highly competitive, but the group is budgeting for 20% higher bottom line earnings this year The compound annual EPS increase over five years has been 28%, and there is no indication of a permanent problem. However, the share has slumped from R28 in April to R18 in January. It has since risen to R20, where the 5% dividend yield may offer recovery potential.

Teigue Payne

SEARDEL FM 16/2/90 (184)

Caught by debt

The clothing sector has been out of favour for some time and the results from Seardel for the six months to end-December show why the stock stands on an historical p:e of only 2,8 times.

Chairman Aaron Searll has continued to generate a strong trading performance, even though from a constantly expanding base The problem has been at the bottom line, with EPS up by 12% after being reined back by interest payments and earnings dilution on conversion of prefs.

Better trading margins saw the 22% turnover advance translated into a 33% rise in operating profits. But after net financing charges of R16,3m (R8,7m), pre-tax income was up only 12,2%. Not surprisingly, given the debt:equity ratio of 1,35 at last year-end (*Companies* November 18), the debt burden has depressed the share rating

Holders of ordinary shares have also seen earnings diluted by conversion of prefs — this year the ords increased from 16,8m to 23,4m An ordinary shareholder has thus seen the interim EPS fall from the stated 73c in 1988 (before the conversion) to 62c in 1989 For comparative purposes, the 1988 EPS were recalculated on the assumption that the increased number of ordinary shares were in issue a year earlier, the figure then increases from 55c to 62c

Searll feels that the worst is over. Firstly, he expects interest rates will start falling during the second half of 1990, secondly, there are no more prefs to be converted. Trading, says Searll, is expected to soften in the second half of the fiscal year, but the policy is to concentrate on quality turnover to achieve better margins and he is looking for turnover close to R860m (R740m) and EPS growth ahead of inflation.

He continues to address the debt burden by increasing dividend cover. This may not find favour with shareholders in the near term, but Searll reckons that at present it is preferable to other options that may further dilute earnings His target is to reduce borrowings to 80% of shareholders' funds within two to three years.

It may well be premature to suggest a market rerating. However, on a long-term view the record does not seem to merit a p:e of less than three times earnings

Gerald Hirshon

Colfin on target

STAR 9/7/90 (184)

By Ann Crotty

Colfin looks comfortably on its way to meeting the 18c a share earnings forecast for the year to end-April

For the six months to end-October, Colfin (formerly Cashworths) chalked up earnings of 8,05c and given that the earnings flow is skewed in favour of the second half it looks as though eps of at least 20c are on the cards

Interim operating profit was up 30 percent to R1,5 million (R1,2 million) After allowing for tax and income from associates, earnings were up 51 percent to R1,2 million (R799 000) equivalent to 8,05c (5,33c) a share

The pro forma figures for financial 1988 show that second half earnings were 10,87c a share Assuming the rate of improvement is sustained in the second half, shareholders could be looking at full year earnings of as much as 24c a share

Indications from MD Jeff Wiggill are that this figure is on the high side although he seems confident that the 18c forecast last month in the circular to shareholders will be surpassed

The directors' intention is to declare a single dividend in respect of each financial year

Wooltru ahead of sector

Star 19/2/90 (84)

Finance Staff

The Wooltru group has again achieved profitability gains ahead of the retail sector, raising pre-tax income by 40 percent to R124,2 million (R88,6 million) in the six months to end-December

Further market share gains were achieved during the period, with sales increasing by 27 percent to R1,36 billion (R1,07 billion)

Earnings per share rose by 36 percent to 181c (133,9c), while the interim dividend was raised by the same level to 64c

Wooltru CE Colin Hall said Woolworths had performed particularly well on the sales front, raising turnover by 31 percent, while both Makro and Speciality Retail group achieved turnover growth of 23 percent

Loans and investments had been raised from R38,4 million to R106 million as a result of a R60 million investment in preference shares

On prospects Mr Hall said that sales for the group during the first seven weeks of the second half were 27 percent ahead of last year, but he warned that this achievement would not necessarily hold for the full six months

B/DAY 20/2/90

Clothing group mum on future

CHARLOTTE MATHEWS

CLOTHING group Niman & Lester's financial director Gerd Rahmer refused to be drawn on future prospects after results for the year to December were published last week.

"The situation is too uncertain," he said yesterday. "We are facing a recession, although everyone is expecting a soft landing, and then we have what can only be described as political turmoil as well."

He added the company had no plans for expansion or acquisitions.

Niman and Lester makes clothing for men, boys and women, as well as a range of knitted clothing.

On Friday the company reported a 10% improvement in the final dividend to 55c (50c) a share, bringing the total dividend for the year to December to 73c (65c) a share.

Earnings a share were 261c (237c) a share on attributable profits of R8,4m (R7,6m) before an extraordinary item of R2,5m arising from the sale of a building.

Trading income rose 27% to R19m compared with R15m in 1988. Interest doubled in this period to R3m.

Capital expenditure for the year was high, indicated by the higher depreciation bill of R4,3m (R2,5m).

From January 1 the company increased its holding in associate Hacks Holdings to 60% from 50%.

COMPANIES

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Projec shares put on intriguing show

CHARLOTTE MATHEWS

AN INTRIGUING share performance has emerged from the last eight months' trading of DCM-listed Projec Investment Holdings, which bought canvas company Canvacor and appeared on the JSE last July under its new name

The company appeared at around 500c a share after a one-for-five consolidation of the previous shares Within a month it had shot up to 900c and proceeded to zig-zag upwards to 1100c at the beginning of September, where it has stayed unchanged for the last five months

The volume of shares traded, however, started to get really significant after this stage Without the price changing at all, the share frequently recorded more than 100 000 shares changing hands a day On two occasions more than 200 000 shares were sold in one day

Projec's Joe Caldeira, said this week the directors, who owned around 89% of the shares in issue at the time of listing, now together held about 40% of the issued share capital He said the remainder was publicly held

Loss

Caldeira said he had no direct involvement with Projec Holdings and preferred to call himself a consultant to the company MD Bernard Bester had been unable to make the interview, although the first interview arranged had been cancelled for this reason.

Canvacor was a canvas product and protective clothing manufacturer In the year to November 1988 directors reported the Solid Pine division had incurred a loss of R213 000 and the profitability of the core business had also declined

The company was then bought by Interstate Breweries, a private company, and renamed Projec At the same time the sale of the Solid Pine division for R1,4m was announced

Caldeira said Projec had disposed of the Canvacor business in January for R2,3m, payable over four months, to a private company called SAPHI The price had been determined on the basis that Canvacor carried excess stock for which the buyers would be invoiced over a period of time An announcement would be made shortly.

However, Caldeira said the buyers of Solid Pine had not complied with the purchase agreement and the division would now form the base of a furniture retail venture for Projec

Expand

"Most of it will be owned by Projec and the remainder by two senior directors of a large public furniture company in SA."

The furniture business would start with two stores and eventually expand around the country, he said

"In the first year of operation net earnings are budgeted at R6,5m"

Caldeira said Solid Pine broke even during the last financial year

"About 80% of its production was for the export market The pricing was wrong and the marketing policy generally was no good But with new management we believe it will do well"

Projec's other investment was a 32% holding in a private company called Project Financing, bought for R2,6m and paid for by the issue of 258 000 shares.

"Project Financing has an issued share capital of R7,5m," Caldeira said. "Its business is the financing of various things — it lends money in the liquor industry and leases shop fittings and so on. It has a current book of R1m"

Caldeira said final results for the year to November would be released at the end of February

FM 23/2/90 (184)

WOOLTRU FM 23/2/90

Capex spin-off (184)

Wooltru's results for the six months to December help to explain the 172% rise in the share price since January last year.

Group sales showed hefty real growth, with a 27% advance to R1,36bn, and the profit performance was even stronger with net income before tax climbing 40% to R124,2m The effective tax rate was marginally higher and that left attributable income up by 37%

According to chairman David Susman, the group is now enjoying some of the benefits of its R300m capital programme over the past five years The spending was used to refurbish and change the image of the stores, install new fixtures and equipment and make use of new information technology

The strongest sales growth was seen in the Woolworths chain where turnover was up 31% Speciality Retail Group (RSG), which includes the fashion chain Truworths, and wholesaler Makro each produced sales increases of 23%.

Susman reckons Woolworths has gained market share, especially in the food and fashion sectors He claims that more quality-conscious black buyers are shopping at these stores and there is large growth potential in this market which can be achieved without changing merchandise standards, styles or patterns.

Makro operates through only six outlets and is budgeting turnover at about R850m this year. Susman says that when the group bought Makro it was trading at a margin of 1,5%. Last year the margin was 2,5% and this year MD Mark Lamberti "is shooting for an even better rate" He also comments bullishly on SRG which, he says, is "unusually short of stock, simply because of good consumer off-take, and is poised to produce good results for the remainder of the year"

Floor space was increased during the six months by only 1,5%, so productivity improvements were achieved

While stocks jumped 40%, management reckons the total working capital showed little increase Susman explains that stocks rose as a result of a change in policy In the past, Woolworths has tended to keep stock at minimal levels, with the result that goods were often sold out The new policy is to ensure goods are continuously available

In the first seven weeks of the second half, group sales are maintaining the 27% growth rate Susman says there are no signs of this trend abating and he is looking for full-year results similar to the interim Bearing in mind that there are 27 weeks (26) in this half, and assuming margins are maintained, EPS for the full year is likely to be around 370c, on a dividend cover of 2,4 times a total payout of 155c would be likely

At R48, the prospective p.e would be 13 times, compared with the present historical p e of 17,8, while the prospective yield would be 3,2% against the historical 2,3%. Analysts think 3,2% is not an unreasonable yield for a share of this calibre and that the current price is justified — always provided that expectations are met *Gerald Hirshon*

Clothing market is likely to soften

Bday 28/2/90 CHARLOTTE MATHEWS (184)

DEMAND for clothing is unlikely to drop dramatically in 1990, although there will probably be a slight softness in the market, says Romatex Group chief economist Jon van Coller in the latest issue of Textile Topics, the Textile Federation newsletter.

"Unfortunately there are signs of the jitters developing — both at the retail level and in the manufacturing pipeline — so that initial bookings are not being confirmed in some cases, and re-order levels are very tentative," Van Coller said.

"This does not necessarily reflect any serious decline in consumer spending on clothing, but largely an anticipation by business of what they think will happen".

Van Coller felt that the more favourable political climate would prompt people to spend as much as they could afford, especially on clothing.

Softening

However, household textiles would feel the effects of the decline in the housing market, which would only recover when interest rates had reached more attractive levels for prospective home-owners

He said that textile inflation was likely to outrun the CPI for several months because of the latest wage agreements — in excess of 20% in some cases — and a substantial hike in the cotton price in mid-1990

This would be countered to some extent by a softening in the wool price and a firmer rand exchange rate, which would reduce inflation in imported raw materials' cost

"With some slack developing in the domestic market and the new export incentives coming into effect in April, 1990 will be a good year for the industry to launch its export drive," Van Coller said.

"With all the new plant being installed by the SA textile industry at present, plus the drive into exports, we can expect some interesting new structural developments to take place in the industry in 1990."

Cash cow Lucem considers its future

NEIL YORKE SMITH

CASH shell Lucem Holdings's financial statements for the six months to end-September showed the company had net current assets of R65,4m

It had no fixed assets or investments Cash holdings were worth 84,6c a share

Lucem is an 81,8%-owned subsidiary of industrial holding company Ozz Ltd After a capital reduction of 52c a share earlier this month, the net asset value was reduced to 32,6c a share

The company now holds R24,4m in cash, which has been invested in short-term deposit.

Lucem's listing was suspended on February 5 after it became a cash shell

Proposals for its sale or voluntary liquidation are being considered

20/3/90

184

Tax bill knocks down Rex Trueform improved profit

CHARLOTTE MATHEWS 184

A HEAVY tax bill reduced clothing company Rex Trueform's 13,2% improvement in pre-tax profit for the six months to December to attributable profits 33% lower than those in the previous interim period.

Attributable profits fell to R5,4m from R8m in 1988. Earnings were 131,1c (195,2c) a share. There is no interim dividend.

No turnover figure is given but operating income rose 11,7% to R10,2m from R9m in the same period in 1988, and the company reduced interest charges by 19% to R335 000 (R413 000). Interest bearing debt dropped to R5,4m from R6,9m.

On pre-tax profits of R9,8m (R8,7m) a 39% tax bill was payable.

Warning

Rex Trueform makes and sells clothing on domestic and export markets. B/Dam 11/3/90

In the 1989 annual report chairman Stewart Shub had warned that although an increase in pre-tax profits was possible, the company would become liable for taxation.

In today's announcement, Shub says: "Provided the effects of the managed slowdown in the economy are not too severe, pre-tax profit for the full financial year should at least match that achieved in 1989."

In the six month period, capital expenditure was R2,3m (R1,5m) and R583 000 more has been committed.

African and Overseas Enterprises, the holding company of Rex Trueform, showed a similar pattern.

On a 13,2% improvement in operating income to R10,8m from R9,5m, attributable profits fell by 28,5% to R3,2m from R4,5m. Earnings are 129,2c (180,8c) a share.

Tax holiday ends for Rex Trueform

Star 1/3/90 (184)

By Tom Hood

CAPE TOWN — The end of a tax holiday landed Rex Trueform with a R3,8 million tax bill in the half-year to December and lowered the Cape clothing company's earnings to R5,9 million from R8,6 million a year ago.

Chairman Stewart Shub said turnover rose 13 percent over the same months of 1988. But profits were now subject to normal tax and earnings a share were reduced by 33 percent to 131,1c from 195,2c.

Provided the effects of the managed slowdown in the economy were not too severe, pre-tax profit for the full year should at least match 1989's R18,4 million after tax.

Before being hit by tax, operating profit rose by 13 percent to R10,3 million from R9,1 million for the first six months.

Capital spending in the half-year rose to R2,3 million from R1,4 million. The group had capital commitments totalling R583 000, all of which were contracted for and would be financed from the group's own resources.

Rex True's holding company, African and Overseas Enterprises, was also hit by the tax man and paid R4,1 million against R200 000 a year ago.

Operating profit rose to R10,7 million from R9,5 million but earnings after tax were trimmed to R6,2 million compared with R8,9 million a year ago.

Further rises in textile prices seen

CAPE TIMES 3/3/90

184

By AUDREY D'ANGELO
Financial Editor

TEXTILE prices are likely to continue rising at a higher rate than inflation — as measured by the consumer price index (CPI) — "for some months yet", JEM van Coller, chief economist of the Romatex group, warns

But he suggests that "jitters" being developed by retailers and clothing manufacturers, who fear falling sales as money becomes tighter, may not be justified.

"In the clothing market there is no reason why demand should drop dramatically in 1990, though there will probably be a slight softness in the market," he says in the newsletter of the Textile Federation of SA

"Generally the more favourable political climate, and the excitement which this is generating, will keep people spending as far as they can afford to — particularly on clothing"

However, he advises manufacturers to compensate for "some slack developing in the domestic market" by exporting, taking advantage of the new improved incentives

"Smaller exporters should consider organising themselves on a co-operative basis," he suggests

Admitting that "the current high level of inflation plaguing the textile industry is a worrying factor for all manufacturers," and there is a danger of consumer resistance developing, Van Coller says the latest wage agreements for the industry gave rises of more than 20% in many cases

And there will be "a substantial hike in cotton prices when the new agreement between producers and spinners comes into effect in mid-1990"

Positive developments, however, are some softening in the wool price, higher capacity utilisation by textile manufacturers and a firmer rand exchange rate which reduces the inflationary effect of imported raw materials

Simon Jocum, chairman of the Cape Clothing Manufacturers Association, and Mike Getz, immediate past-president of the Cape Chamber of Industries, both agreed that exporting was necessary for the clothing industry to grow

But both called for more clarity about export incentives, as a matter of urgency.

Agreeing that domestic clothing sales might not drop steeply, although "it is a price-sensitive product", Getz said that in an inflationary environment people tended to spend what money they had rather than save

He pointed out that in previous downturns retailers lost opportunities to sell through having insufficient stock Failing to order enough turned fears of a serious downturn into a self-fulfilling prophecy

Jocum said export success "does not happen overnight It involves a lot of sweat, blood and travelling"

It was essential to have more clarity on export incentives as quickly as possible "because we are already quoting prices for goods to be delivered in 1991"

And it was vital for export incentives to be good enough to tempt as many firms as possible to establish themselves in European markets before 1992

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B/Day 25/3/90

Sterling profits slightly higher than last year

SYLVIA DU PLESSIS

STERLING Clothing has produced earnings only 0,3c higher than the corresponding figure last year at 14,5c a share for the year to December, on an increase in the number of shares.

But directors have confirmed their longer-term confidence by raising the final dividend to 4,4c (4c).

This represents a 10% higher distribution of 6,6c for the year.

Newly-appointed chairman Fred Haslett said on Friday the clothing, footwear and textile group's performance was "very satisfactory" in view of economic conditions.

But while margins improved to 18% from 17% during the period under review, after operating income climbed by 22,4% to R6,3m from a 16% higher turnover of R34,9m, the cost of borrowings grew by 50,8% to R873 000 (R579 000), in line with higher interest rates.

The group's tax rate remained virtually unchanged. Attributable profits were 38,4% higher at R2,8m (R2m).

A profitable year in SA Bias group

184

CHARLOTTE MATHEWS

ALL SA Bias group companies exceeded forecasts for the year to December, a performance reflected in a 26% improvement in attributable earnings of holding company SA Bias Holdings to R19m (R15m).

Although no turnover figure was given, SA Bias Holdings achieved a 30% rise in pre-tax income to R28m (R20m).

B Day 7/3/90

After a slightly higher tax rate resulting from the loss of certain allowances after the reorganisation of the company, earnings rose to 98,4c a share from 78c in 1988

A dividend of 30c (25c) a share was declared

An extraordinary item of R1m (R2,4m) represented a one-off payment for restraint of trade on certain operations, chairman Chris Seabrooke explained yesterday

SA Bias Holdings is an investment company which holds 88,9% of SA Bias Industries and 77,5% of Merhold.

SA Bias Industries, a manufacturer and distributor of trimmings and accessories for the clothing, footwear and allied industries, boosted turnover by 29% compared to the 28% gain made in 1988 No actual figures were provided.

A slightly higher interest bill and higher tax eroded bottom line profits which nevertheless showed a 22,4% gain to R13m over the previous year's R10,7m.

Product ranges

Earnings of 46,5c (39,4c) a share were achieved on which a dividend of 18c (15,2c) a share was declared

"Internal growth continues to be strong through the encouragement of greater diversity in product ranges for supply to the group's existing markets, an expansion of the group's target markets through the introduction of new products and, the hastening of the development of international markets," Seabrooke said

SA Bias's exports were growing substantially, and the company was planning to open its own manufacturing and distribution operation in the UK before the end of the year to service the European market.

SA Bias Holdings' other subsidiary, Merhold, is a financial group with interests in banking, corporate investment and services, export trading and trade finance and factoring

Income before tax rose by 45,6% to R10,9m from R7,5m in 1988 Ordinary shareholders' attributable income rose by 27% after a rise in preference dividends and convertible debenture interest payable

Earnings of 46,4c (36,5c) a share were achieved and a dividend of 17c (14c) was declared

Seabrooke anticipated Merhold would increase attributable income by more than R10m in 1990

For the group as a whole, he forecast earnings growth in line with inflation in 1990 in spite of the expected weak economy in 1990 and a higher tax bill

SA Bias growth continues

Finance Staff

SA Bias and its pyramid holding company, Sabvest, increased earnings per share 26,2 percent each to 98,4c and 48,9c respectively in financial 1989 after satisfactory performances by its two operating subsidiaries.

Sabvest, whose only interest is a 50 percent stake in SA Bias, raised its dividend payments for the year 20 percent to 14,9c (12,4c). SA Bias paid 30c (25c).

SA Bias' earnings per share rose 26,2 percent to 98,4c (78c) after the net income from its two subsidiaries — SA Bias Industries and Merhold — increased by R6 million to R26,1 million.

The major subsidiary, SA Bias Industries, which is SA's largest manufacturer of trimmings and accessories for the clothing and footwear industries, raised attributable earnings 22,4 percent to R13 million (R10,7 million) and earnings per share 18 percent to 46,5c (39,4c).

The final dividend has been raised 18,4c to 18c (15,2c).

MD Philip Coutts-Trotter says the group's new divisionalised structure allows SA Bias Industries to operate more efficiently and to plan for major acquisitions.

An announcement of the first of a number of takeovers is expected this month.

The financial arm of SA Bias, Merhold, also had a succesful year, with attributable income rising 27 percent to R8,5 million (R6,7 million), equivalent to earnings per share of 46,4c (36,5c).

The dividend has been raised 21,4 percent to 17c (14c).

Merhold deputy-chairman Ken Klugman says all divisions performed well, but particularly strong results were produced by New Republic Bank and the corporate investment division.

Prefcor takes stake in Garlicks

STAR 8/3/90 (184) (KFP)

By Ann Crotty

Following on its recent acquisition of the troubled Natal-based Price Furnishers, it seems that Prefcor — the Durban-based retail chain — is now set to take a stake in Garlicks.

Garlicks, which once had 15 outlets, has been privately owned since becoming a wholly owned subsidiary of Jano Retail Holdings in December 1988.

There has been speculation of a change in control for some months — fuelled by rumours of poor trading performances.

In January, management said it had closed two stores and would be closing two more.

In November 1988, Jano Retail Holdings acquired all of the issued shares of Garlicks for R13,70 each.

The scheme had been opposed by a minority shareholder who claimed that the shares were worth in excess of R20 each on the basis of an improved trading outlook for Garlicks.

The Kangra group said yesterday that the group, in co-operation with Prefcor, had acquired 100 percent of Jano Retail Holdings from the Garlick Family Trust.

Management team

Kangra previously held 50 percent of Jano.

According to Prefcor sources, the transaction will involve the strengthening of the management team at Garlicks and a financial restructuring of the group with the assistance of the Standard Bank.

● Another ex-Checkers executive, John Willoughby-Williams, has joined Prefcor and has been appointed MD of Game.

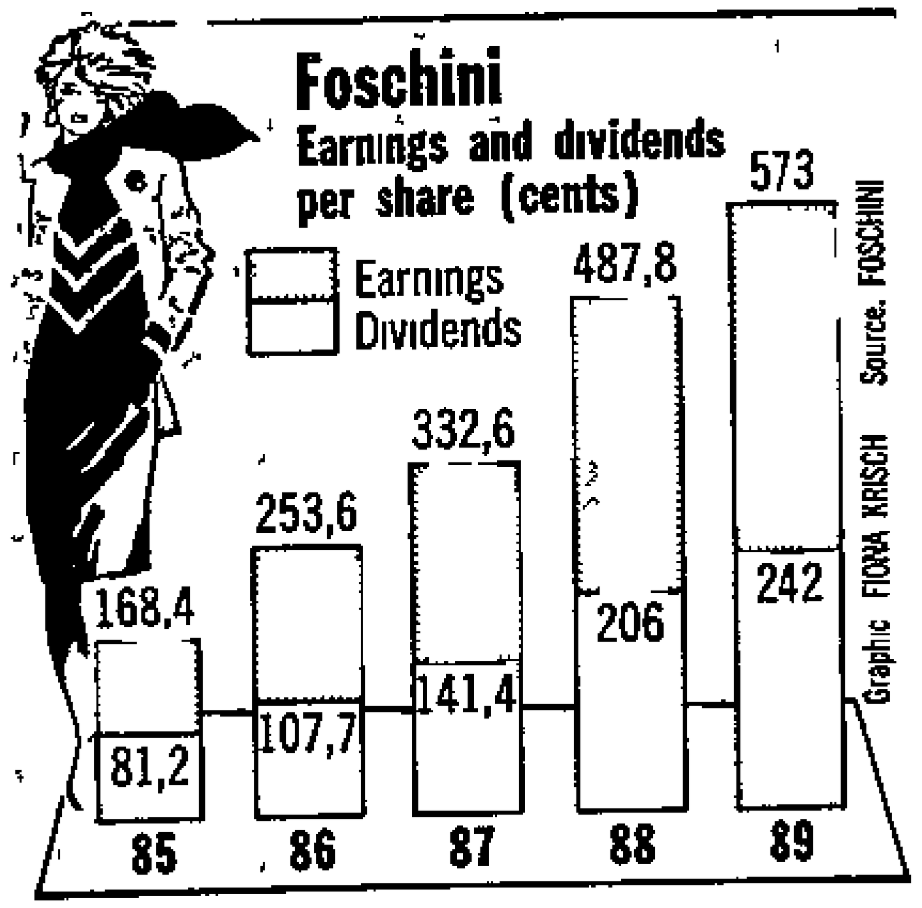
Mr. Willoughby-Williams was merchandise and marketing director of Checkers.

COMPANIES

BDay 9/3/90

(184)

High interest charges hammer Foschini profits



CAPE TOWN — Clothing and jewellery retail group Foschini continued to outperform the industry in terms of productivity, but bottom-line profits took a hammering from high interest charges for the year to December with earnings a share (eps) up 17,5% to 573c a share.

The group's four operating chains — major profit contributor Foschini, American Swiss, Markhams and Pages — reported sales growth of 25,1% to R661,19m during a 52-week trading period, compared with 53 weeks the previous year

Operating income grew by 25,3% to R125,2m, reflecting a marginal slowdown in the traditionally buoyant second half Joint MDs Clive Hirschsohn

LESLEY LAMBERT

and Brian Belcher said American Swiss had been hit by strict HP conditions.

But interest charges grew by 138% to R14,28m as a result of heavy capital investments in technological information systems and high interest rates

Interest charges, coupled with an 18,7% increase in the tax bill, left net income at R55,61m, translating into a disappointing 573c a share. Analysts had expected eps of at least 600c.

With dividend cover maintained at 2,4 times, a final dividend of 194,5c increased the total dividend to 242c.

The directors reminded critics that on a 52-week comparison, growth in operating income would have been 30%, while net income would have near 23%

Foschini boasts the highest ratio of operating income to turnover in its industry, attributing this efficiency to improvements in productivity as a result of information systems investments

While the previous year's record operating margin of 18,9% was maintained in last year's shorter trading period, a pre-tax to turnover margin of 16,8% set a productivity record

The directors said that while growth had not been as buoyant during the first two months of 1990, they expected to achieve moderate real growth during the year and reported a development programme which included a commitment to at least 24 new stores.

By Ian Smith

Prefcor entrenches up-market status

S Times 11/3/90

A NEW force is rising in retailing The sale of the last 50% family holding in the controlling company of the established Garlicks group this week has given impetus to fast-growing Prefcor

The Durban-based group already has 180 furniture retailers and 52 BeeGee clothing stores through the acquisition of Beares last year It also controls 11 Game discount outlets

Plans

The addition of nine Garlicks stores — four in the Cape, one in Natal and two each in Pretoria and Johansburg — takes the group up-market

Prefcor chairman Terry Rosenberg says "You don't go into a deal like this without having plans, but we cannot disclose them until we have spoken to Garlicks management It may have great plans of its own"

The Garlicks deal was clinched by Prefcor in partnership with coal magnate Graham Beck's low-key Kangra Holdings

Mr Beck was a member of the Jano consortium with Garlicks deputy chairman Jack Garlick and managing director Noel Boyce which took control of Garlicks late in 1988 in a R41-million deal.

The partnership of Kangra and Prefcor has now bought the remaining 50% interest in Jano held by the Garlick Family Trust. The value of the deal has not been disclosed.

The partnership says the transaction will include the strengthening of the management team, including the appointment of a new managing director, and a financial restructuring.

Strength

Prefcor has management strength in retailing Former Dion managing director Hymie Sibul and Checkers managing director Clive Weil joined the group last year

Garlicks' board has been strengthened by the appointment of Mr Rosenberg, Mr Beck, Mr Weil, Mr Sibul, Kangra financial director Alister Rogan and another Kangra director, Ken Geeling He is a former executive chairman of Shell in SA

Jack Garlick will remain as a non-executive director of Garlicks Stores and Mr Boyce will act as a consultant to the group during the management changeover

The addition of Kangra's financial muscle to Prefcor's strengths raises intriguing possibilities of future co-operation between the groups

But Mr Rosenberg will not be drawn "We are happy about the link with Kangra, but it is too early to say where we will go from here"

By Julie Walker

SA Bias gets R11m Kirton

S Times 11/3/90 (184)

SA Bias Industries has bought the Kirton group for R11-million

SA's largest manufacturer of trimmings and accessories to the clothing, footwear and allied industries made a score of acquisitions in the last recession

During the upswing, SA Bias was well-placed to grow internally Its attributable income for the year to December was 22% up at R13-million The lightly-traded share is at a high of 280c

Chairman Christopher Seabrooke believes that the economic cycle from which SA Bias did so well last time is about to repeat itself

Kirton is the first of five acquisitions the group hopes to bring home Kirton's products are sold under the Rufflette, Kirsch and Arrow labels It makes curtain tapes, hardware accessories, louvre windows, doors and dry-wall partitions

SA Bias is involved in curtain-hanging through Narrowtex It expects the Kirton deal to result in focused marketing and distribution

Payment will be by the issue to sellers Benmaclauden of 357 000 SA Bias Industries shares at 280c each and the balance in cash instalments subject to conditions

The sellers have given warranties and entered into four-year restraints of trade

The group has also bought Webbing Products for R1,1-million It will be merged with the Quintex Webbings to consolidate SA Bias as the leading seat-belt webbing supplier

The latest balance sheet shows SA Bias holds net current assets of R26-million It expects growth to be in line with inflation notwithstanding an expected higher tax rate

Although the Kirton acquisition will have had no effect on the earnings or net asset value of SA Bias in 1989, Mr Seabrooke expects the benefits to show in the next upswing

OUR OWN
NESS

Strebel feels the pinch of interest bill (184)

LIZ ROUSE

STREBEL GROUP increased turnover by 33% and operating income by 30% during the six months to December, despite active steps by the government to cool down the economy BDay 12/3/90

However, higher tax and a substantial rise in interest charges resulted in an increase of only 10% in attributable earnings. The interim dividend has been raised by 1c to 5c.

The group is a leading manufacturer of trimmings, fasteners and accessories for the clothing, retail and home textile industries.

Turnover moved from an index of 242 in the corresponding period in 1988 to 322 (Strebel does not disclose actual turnover figures), while operating income soared from R4,718m to R6,137m.

Due to an almost tripling in interest payable and an increase in tax from 40% to 46%, income attributable to ordinary shareholders rose only 10% — from R2,716m to R2,982m.

Tax benefits accruing from assessed losses in companies acquired by the group have now been fully utilised. The tax rate is expected to stabilise at 46%.

SA Bias secures Kirton Group for R11m

184

ROBERT GENTLE

SA BIAS Industries, manufacturer and distributor of clothing, footwear and allied industries, has bought the Kirton Group for R11m B\Day 12\3\90

The Kirton Group manufactures, markets and distributes curtain tapes, drapery hardware and accessories, louvre windows, folding doors, sliding doors and moveable dry-wall partitions.

It operates countrywide and is a major supplier to the construction industry, as well as to the DIY and interior decorating sectors

SA Bias Industries says the Kirton acquisition is a natural development as its own Narrotex division is already involved in the curtain suspension industry

In addition to expected benefits from rationalisation of distribution channels and increased focus on marketing, the target markets of the Kirton Group should broaden the spread of industries supplied by the SA Bias group.

The R11m consideration is to be settled by the issue of 357 000 shares in SA Bias Industries at 280c per share to sellers Benmaclauden Investments, with the balance of R10m in cash instalments, subject to certain conditions.

Computer hitch pushes down Meritex earnings

8/Day 18/1/90 CHARLOTTE MATHEWS (184)

CLOTHING manufacturer Meritex Holdings dropped earnings a share to 1c in the year to January from 7c in the previous year and passed on a dividend because of continuing problems in the implementation of the group computer planning system.

According to results released today, turnover rose by 24,3% — no exact figure is provided — compared to a 22,2% rise in the previous year

Operating income of R3m was 47% lower than the previous R5,8m Attributable profits fell to R125 000 from R4,2m The company was liable for the full tax rate against 18% in 1989 as some divisions showed profits, and interest charges were 9,7 times higher at R2,2m (R226 000)

Meritex makes mainly underwear, leisurewear and swimwear. One field of activity is printing textiles on commission, where bottlenecks were experienced in the first half of the year under review.

These bottlenecks were eliminated in the second half but ongoing problems with the computer programme hampered day-to-day manufacturing operations In turn this contributed to late deliveries, order cancellations, increased stock holdings and substantially higher interest charges

"Considerable progress has been made with the implementation and management of the computer planning programme since the peak October/November 1989 garment delivery period," the directors said.

Financial director David O'Donovan said yesterday no acquisitions were contemplated in the near future and 1990 would be a year of consolidation.

"The order book for the first half of 1990/91 is ahead of last year and the group is budgeting for a return to meaningful profits in the current financial year," the directors said

B/Day 16/3/90

Bergers enjoys further growth

(184) SYLVIA DU PLESSIS

CAPE-BASED clothing retailer Bergers has for the third successive year since listing enjoyed real growth across-the-board.

Earnings for the 12 months to December exceeded market expectations of 28c a share, climbing 47,3% to 30,2c (20,5c) a share after better productivity and rapid expansion during this period.

The group, listed in 1987, bettered turnover by 33% to R83,6m (R62,8m), while operating income — 43% up at R9,4m (R6,6m) — elevated margins at this level to 11,3% (10,5%). In line with analysts' predictions, dividends of 13c — representing a 36,8% increase over 1988's 9,5c payout — were declared.

Chairman Howard Mauerberger said yesterday existing stores had performed well, but a major reason for growth was organic expansion: during the year, the number of stores in the group increased by about 25 to 200, and another 20 were planned for this year.

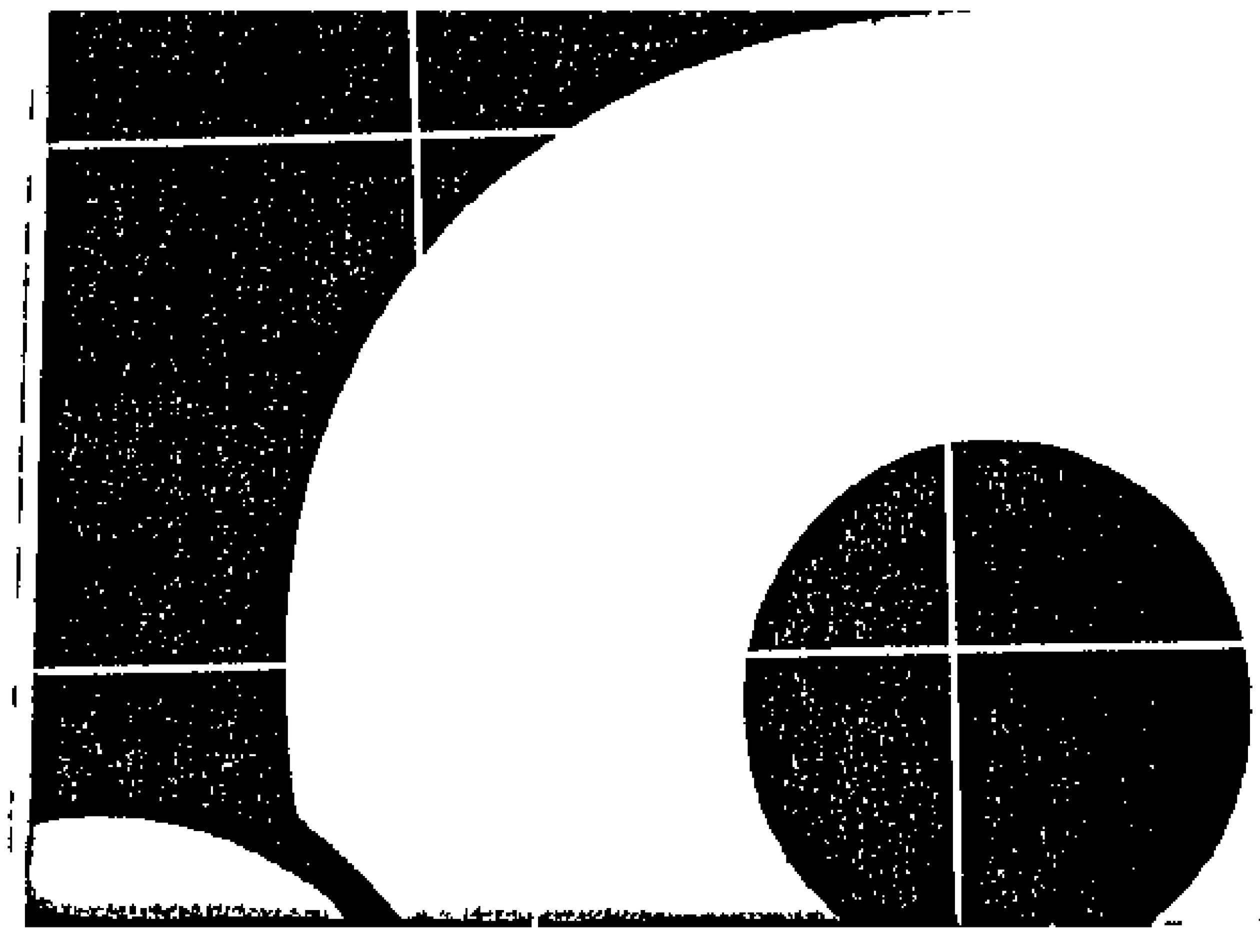
Another contributing factor was the successful introduction of shoes in selected stores in October. Mauerberger said further growth in sales would result from extension of the range.

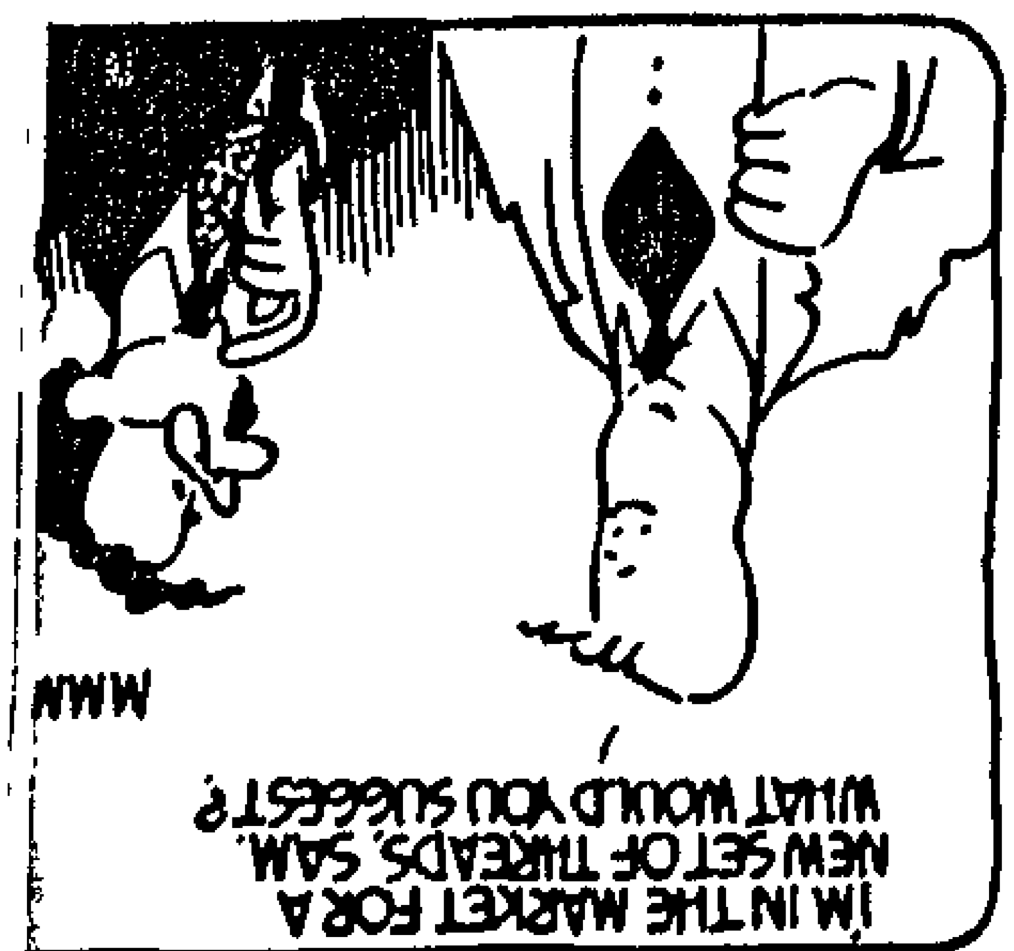
With effect from February 1 this year, the group acquired a controlling interest in retail chain Hilton Weiner, which, with eight stores in major centres, was expected to contribute "meaningfully" to future earnings

Recently-appointed MD Mervyn Jacobson declined to disclose budgeted future earnings, but said turnover since year-end had shown substantial growth over last year.

"Notwithstanding current political sentiment, I'm optimistic we'll once again achieve real growth. We're on a good run at the moment and there's no reason why it shouldn't continue."

The share hit a seller's price of 175c yesterday, after strong demand pushed it from a December low of 110c to a fresh peak of 180c earlier this month.





Remgro buys stake in Lenco

ROBERT GENTLE

THE Rembrandt Group (Remgro) yesterday announced it had paid R15,9m cash for a 16,5% stake in Lenco Holdings Ltd, a Cape-based holding company whose subsidiaries operate in clothing, shoes and packaging.

The three subsidiaries, all JSE-listed, are Cape-based House of Monatic, Natal-based Amalgamated Shoes and Transvaal-based Combined Packaging.

A Remgro spokesman said the acquisition, which became effective on March 1, was nothing more than a strategic investment in the management of Lenco Holdings.

The transaction, he said, would not have a material effect on either Remgro's estimated earnings for the year to March 1991, or its net asset value at that date.

Lenco Holdings group MD Douglas de Jager said he was delighted at the Rembrandt presence, which would provide "stability".

He said control of Lenco Holdings still lay with Lenco Investment Holdings Pty Ltd, which holds a 57% stake. (184)

An analyst from JD Anderson said in comparison with previous Rembrandt investments (like the R500m stake in Consolidated Gold Fields bought last year), this appeared to be one of its less important moves. BDay 20/3/90.

This view was echoed by a Simpson McKie analyst, who said it was too early to read too much into it.

Notwithstanding the use of Lenco as an eventual springboard for Remgro into clothing and shoe manufacture, the most obvious area of synergy would appear to be in packaging. Remgro is already involved in this field through a 30% stake in Printpak.

Chairman and MD Hein Ehlers said the costs of reorganisation had

...igated for the highly lucrative gourmet and specialist bread markets."

Discussions on sale of Arontex subsidiary

CHARLOTTE MATHEWS

THE provisional liquidators appointed for Arontex Holdings subsidiary Lara's Manufacturing Company are trying to finish work in progress and are negotiating with interested parties for the sale of the company.

184

JSE-listed clothing company Arontex was placed under provisional liquidation in the Natal Provincial Division of the Supreme Court on Tuesday, together with operating subsidiaries Lara's Manufacturing, Personality Gowns, Roots Clothing and Supergear Clothing.

The shares have been suspended on the JSE.

Ernst & Young trust director Lloyd Spendiff, who has been appointed provisional liquidator for Lara's together with Deloitte's Michael de Villiers, said yesterday they were trying to negotiate with workers and unions to finish work in progress for the benefit of the creditors. B/Day 23/3/90

He added they had received a number of inquiries about the purchase of the company

Senbank senior GM Estienne du Toit, whose company has a notarial bond on the stock of Arontex, said the liquidators were controlling the stock on Senbank's behalf.

Jeff Liebesman's FSI rumoured to be on the trail of Wooltru

BARRY SERGEANT

ANALYSTS and dealers believe Jeff Liebesman's FSI is stalking Wooltru, the blue chip in the retailing sector.

FSI director Ivan Posniak told Business Day that FSI was looking at acquisitions "big and small, each day of the working year".

Posniak said yesterday that FSI "was not looking at" Wooltru, but added "there was no one who would not like to have Wooltru".

Market sources are convinced that the energetic Liebesman is looking for a quality acquisition. They say that expansion into direct retailing is not an impossibility, with FSI's interests in Edworks, JD Group and Homemakers.

Market analysts say that if FSI is indeed stalking Wooltru, it would be near to a case of David stalking Goliath. Perhaps the best measure of relative size is market capitalisation, with FSI at R450m and Wooltru at R1,5bn.

Analysts say that on the face of it, FSI would have to come up with half of Wooltru's market capitalisation, or R750m, to secure a controlling stake of 50% plus one share. A premium would doubtless be in order.

For a possible predator such as FSI there is a handy feature of Wooltru's capital structure. Its main classes of capital, ordinaries and "A" ordinaries, are capitalised at R613m and R894m respectively.

According to the latest Wooltru annual report, the voting rights on the "A" ordinaries remain suspended unless annual dividends are less than 5c a share. The latest annual dividend was 112c.

How FSI would acquire the shares is another question as the ordinaries are 81,7% held by nominee companies, pension funds and life offices.

What funds FSI could utilise in such a bid is unclear. This week's balance sheet shows more than R500m debt, and a gearing ratio of 57%. Further debt is held in subsidiaries and associates. Posniak said that if FSI made a further acquisition, and gearing increased, it would be a paramount objective to reduce gearing to below the 60%-level.

□ A Wooltru source, who preferred not to be quoted, said he found the mooted situation "interesting".

Hyperette sales treble to R26m

W/E Argus 24/3/90 184

BUSINESS PERSONALITY OF THE WEEK

Making millions — what a pleasure!

By TOM HOOD
Business Editor

THREE simple trade secrets lie behind the success of the country' largest direct-selling clothing business

They are enthusiasm, hard work and quality of products

So says Roger Howes, founder and executive chairman of It's a Pleasure International (Pty) and its manufacturing arm, Paroda

From six workers in 1967, when Paroda started making high-quality lingerie, the business has grown into a manufacturing and selling empire with more than 4 100 employees and fashion consultants — a number expected to grow to 6 000 in the next two years

Turnover, which took three years to reach R7 million, is now above R50 million, including export sales to Britain and the United States

Business is now organised from a 10 000 m² building in Epping — the former Cape Steel factory — one of the largest clothing operations on one floor.

Success, however, also needs a dedicated work force — the workers have twice showed unusual loyalty in an industry dogged by high labour turnover

First time, when cash-flow problems brought temporary judicial management 10 years ago, very few left to seek jobs elsewhere and those who stayed agreed to forego annual bonuses until financial problems were sorted out

Second time, when four factories in Cape Town's "clothing belt" were consolidated at Epping a year ago, all but two employees were prepared to go with their jobs.

The change was made less painful because the moves were organised in a military-type exercise and a number of perks helped, including free buses to the station and subsidised meals

The result is almost a third of the 600 in the clothing factory belong to the 10-Year Club

If Cape Town's clothing trade ever had — to coin a phrase — a dyed in the wool man who began at the bottom, it's Roger From school he entered the stocking industry as a £2-a-week management trainee at his native Coventry, in the English Midlands

"In the factory they didn't know what to do with me so on the first day they gave me a broom to sweep the floor," he recalls

"The broom got caught in

(See page 3)

Roger Howes . . . a dyed-in-the-wool man.

W/E Argus 24/3/90 184

BUSINESS

What a great pleasure

(From page 1)

the back of a stocking machine 20 m long and all the stockings dropped off One of the tradesmen was so annoyed he hit me for six — it was rough justice in those days with no fines or trade unions"

But young Roger worked his way up through the business and became head of quality control

At the age of 25 he was sent to South Africa to a factory but when the UK parent company was taken over by Courtaulds, the textile giant, he left and joined Wiel and Aschiem becoming a director and broadening his experience in marketing and sales

After four years, he decided to start his own business, which was Paroda. They established a national brand of lingerie in three years and turnover topped R7 million

He next decided to go for direct selling to the public, linking up with a direct-selling UK company, Salamande But his partners, hit by financial problems, pulled out at the last minute and he was forced to go it alone.

Luckily, they still agreed to train several local people and the business was a success, trading as Party Plan.

Problems defending that trade mark forced the company to change to It's a Pleasure

The word International was added three years ago, reflecting the export business.

The business is moving more heavily into high-quality catalogues, which are now updated monthly.

"Normally a 10 percent response to a mail order catalogue is good We get virtually a 90 percent response when a consultant talks with the customer

Ten percent of sales are menswear.

COMPANIES

B/Day 26/3/90

Tollgate plans rights offer after poor results

184

CHARLOTTE MATHEWS

DISAPPOINTING results from Tollgate subsidiaries Arwa and Gants had a major impact on the group's results for the 18 months to December.

The directors plan a rights offer and the disposal of some non-performing divisions to correct the situation, they say in an announcement today

Duros subsidiary Tollgate Holdings, which has diversified interests in consumer goods, posted turnover of R1,1bn for the 18-month period compared with R204m in the year to June 1988. In the intervening period the company has been re-shaped.

Earnings of 23,5c (31,7c) a share on attributable profits of R10,9m, annualised R7,3m (R7,6m), were posted The number of shares in issue nearly doubled in the 18 months to 46,6m from 24,1m.

Tollgate's interest bill shot up to R56m from R2,6m which represented interest cover of 1,7 times against the previous 6,8 times. The directors said gearing would improve materially as a result of the corrective action planned in 1990.

A total dividend of 27,5c (20c) has been declared

Holding company Duros reflected turnover of R1,1bn for the 18 months to December against R6,8m for the year to June 1988. This translated into attributable income of R2,2m (R9,3m) and earnings of 7,6c (60,5c) a share. A dividend of 25c (23c) a share was declared for the whole period

Food group Gants Holdings, whose results were below expectations, showed a loss of R5,8m for the year to December compared witha profit of R7,7m in the previous year on a 9,4% improvement in turnover to R193,4m (R176,7m) On earnings of 2,2c (27,5c) a share, a dividend of 8c (13c) a share was declared.

Clothing group Arwa posted an attributable loss of R3,3m for the year to December against a profit of R7,3m in the 1988 year A loss of 12,2c a share was posted compared with previous earnings of 36,5c a share and no dividend was declared Turnover rose by 41% (no exact figure given) compared with a 97% improvement in 1988, but operating profit fell by 35% to R6,7m (R10,3m)

Clothing industry disappoints

ACHMED KARIEM

184

THE clothing industry was expected to record a growth rate of -1% this year, National Clothing Federation of SA (NCF) executive director Hennie van Zyl said. B|Day 28|3|90

In the latest issue of Clothing Industry News he said that November activity levels were 15-20% below levels attained in the early 1980s.

"Such a disappointing performance does not serve to strengthen the credibility of government's commitment to promote small business, combat inflation, promote competition and create jobs."

Van Zyl said the textile production price index had resumed its inflationary trend, with the November increase more than 22%. This meant the industry would have no option but to increase clothing prices.

The general decrease in the number of clothing manufacturers appeared more pronounced in the Transvaal, he said, adding the industry should not pin its hopes on a revival this year.

Sterling happy with outlook

BDay 28/3/90 ACHMED KARIEM (184)

FORWARD orders for 1990 and the strong possibility of establishing an export market pointed to a good year for menswear manufacturer Sterling Clothing, chairman Fred Haslett said in the company's annual report.

"Sales for the winter 1990 season are well up on last year and therefore I anticipate the first half to June 1990 to be ahead of the comparative period last year," he said.

The company has in its stable strong brand names such as Sterling, Riding High, Nico Arnaldi, Moustache and Dakota.

Each division is targeted at a specific segment of the menswear market.

The directors anticipate further internal expansion, but would consider suitable acquisitions.

Group turnover grew to R34,8m, which was 16% higher than the previous year.

"This improvement is particularly gratifying as government economic restrictions implemented during 1989 adversely affected consumer demand in the latter half of the year," said Haslett.

Police involved in Projec Investment probe

CHARLOTTE MATHEWS

THE Reserve Bank last night confirmed an investigation was under way into Projec Investment Holdings, whose shares were suspended on the JSE yesterday afternoon

Reserve Bank spokesman Pieter Troskie said the matter had been handed over to the police. BDay 28/3/90

According to the JSE statement, Projec was suspended at 2pm in terms of Section 17(3) of the Stock Exchanges Control Act 1985 pending clarity on its financial affairs. Projec MD Bernard Bester was overseas, an employee said yesterday, together with consultant Joe Caldeira. They were due back tomorrow

Projec entered the DCM sector of the JSE last July when it purchased canvas company Canvacor and renamed it. It also has an interest in a finance company and in a solid-pine business. Since listing the shares have been traded heavily. They were suspended at R10,98.

Auditors T J Lochner senior partner "TJ" Lochner said as far as he knew Projec was a sound company. He understood the investigation related to the shareholders rather than the company itself. He said the company had some offshore shareholders.

Projec was involved in negotiations to buy World of Music, but these had fallen through, WoM chairman Peter Cooke confirmed yesterday. (184)

Star 29/3/90

184

Traclo improves margins

Finance Staff

Transvaal Clothing Industry's results for the six months to December show a sharp improvement in the group's margins with operating profits up 24 percent at R1,45 million (R1,17 million) on an eight percent improvement in turnover to R18,88 million (R17,4 million)

Attributable earnings were accordingly nine percent higher at R320 000 (R294 000), which translates into a six percent rise in earnings a share to 1,4c (1,3c) despite a rise in the number of shares in issue

The company pays only one dividend at year-end.

The slowdown in growth was largely caused by a 55 percent rise in the interest bill, although an assessed loss in a subsidiary company resulted in taxation dropping and taxed profits improving by 17 percent to R427 000

According to the directors the balance sheet shows a meaningful reduction in current assets, reflecting good cash management.

Traclo profits eroded by high interest bill

(184)

AHMED KARIEM

FASHIONWEAR manufacturer Transvaal Clothing Industries (Traclo) recorded a 24% increase in trading profits for the six months to December 31

Operating profits increased by 24% to R1,45m (R1,1m) on turnover of R18,9m — only 8% up However, a higher interest bill resulted in pre-tax profits increasing only 2% to R0,69m (R0,68m)

After-tax profits reached R0,427m (R0,365m)

B/Day 29/3/90

Attributable income, after accounting for outside shareholders, increased by 9% to R0,32m (R0,29m) Earnings a share increased by 6% to 1,4c (1,3c)

Budget sparkle dims for jewellers

184

By Des Parker

DURBAN — The sparkle that lit up jewellers' eyes after the scrapping in the Budget of the 20 percent ad valorem duty on jewellery sales has dimmed with the discovery of a technical hitch in the law that is making them collect GST on sales to foreign tourists.

Sales are being lost, says Jewellery Council executive director Michael Goch, particularly to well-informed Taiwanese visitors who for several years have taken advantage of the cheap rand and the sales tax exemption to buy large quantities of jewellery in South Africa.

He says urgent representations have been made both to Inland Revenue and to the Department of Customs and Excise.

In terms of a 1985 amendment to the General Sales Tax Act, foreign tourists were exempted from paying sales tax on purchases of jewellery from jewellers licenced by Customs and Excise to sell to visitors to the country without charging ad valorem excise duty.

With the scrapping in the Budget of the duty on all jewellery transactions, Customs and Excise "VSJ licences" held by jewellers no longer are of any force in law.

However, in terms of the sales tax legislation, GST-exemption for tourists necessitated jewellers being licensed.

"As a result, there is technically a requirement for jewellers to charge GST and the Commissioner for Inland Revenue confirmed as much to us in a memorandum sent on March 16.

"We made urgent representations for an interim arrangement to be made, but in the meantime we have had to advise jewellers through the Jewellers' Association to continue collecting GST from tourists. I have numerous calls from jewellers, diamond dealers and others saying they have lost sales."

A Durban jeweller who asked not to be named estimates sales to foreign visitors make up 55 percent of his business. He has "five foreign deals cooking right now" which would fall through if the customers had to pay GST.

Mr Goch stresses that the problem has arisen from an oversight and it was not the intention of the Minister of Finance to penalise the jewellery industry.

The Sales Tax Act will have to be amended. However, drafting changes will take time and interim measures are required to deal with a very worrying situation".

It would be possible to introduce a temporary solution based on the British value-added-tax (VAT) system whereby tourists are refunded the VAT paid on jewellery purchases by customs and excise officials when they leave the country and the goods are exported.

Failure to sort out the problem soon could damage South Africa's reputation as a good place for tourists to buy jewellery.

Most countries exempt foreigners from paying sales tax on jewellery, Mr Goch says.

TGH shedding its hosiery interests

Star 5/4/90 (184)

Diagonal Street

ANN CROTTY

With Gant's attracting so much attention it seems that hardly anybody has noticed that Tollgate Holdings Group (TGH) has just about sold its hosiery operations out of Arwa — one of its other ailing subsidiaries.

The buyer is believed to be Burhose, which is wholly owned by Hunts — the holding company for FSI's industrial interests.

Announcement of the deal has apparently been delayed as the parties have to get clearance from the Competitions Board.

Burhose is estimated to have around 65 percent of the local hosiery market with Arwa the only other significant player. If these two are tied together then it is difficult to see how there can be any real competition in the market.

Presumably TGH will be able to make a fairly good case for the sale being something of a rescue operation and this may encourage a more sympathetic hearing from the Competitions Board.

The TGH/Arwa story reads like a case study in how not to grow into a conglomerate.

TGH acquired a 58,5 percent stake in Arwa from Mr Johan Claasen (at that time a controlling shareholder in Duros which is TGH's holding company) at the end of calendar 1988. The purchase was valued at R31 million and was paid for through the issue of 9 million TGH shares.

The deal was conditional on Arwa reporting earnings of not less than 38c a share (after extraordinary items) for the 12 months to end-December. Eps for that period were 36,6c before extraordinary items and 38,3c after extraordinary items — so the deal was sealed.

Mr Claasen had acquired Arwa for R8 million in 1986. A spate of acquisitions (largely funded by paper) boosted turnover to an estimated R113 million in 1989. The last deal was the acquisition of Berkshire's hosiery operations for R11 million — paid in shares — effective January 1989.

Within two years the group had grown beyond hosiery manufacturing to become a mini-textile conglomerate.

TGH's current plans appear to be aimed at undoing that two years work.

If they get the go-ahead to sell the hosiery operations to Burhose they will be left with Yarns, Fabrics, Leisure Wear and Ties which they will presumably try to sell off piecemeal.

There is no indication from Arwa accounts as to the size or value of the hosiery operations which include Arwa, Chenier and Berkshire but something in the region of R20 million-R24 million appear to have been paid for them during the acquisition spree.

As with Gant's, the sale of Arwa is being conducted under a cloud of dismal earnings and cash flow pressure. In financial '89 Arwa reported a loss of 12,2c a share (down from 36,5c earnings in '88). The balance sheet showed that long-term borrowings had shot up from R5,7 million to R50,2 million.

The hosiery and fabrics divisions were the major casualties. A fire and streamlining operations knocked the latter. The hosiery division suffered from tough competition (presumably from Burhose) and apparently had to sell off stocks at a loss. Despite this, additional borrowings were still needed to fund the heavy level of unsold stocks.

The share is currently trading at 330c compared with a net asset value of 144c at end-December.

Jewellery regains sparkle

184

Star 7/4/92

DES PARKER

DURBAN — A costly technical legal hitch following the Budget, which reversed the GST-exemption given to foreign tourists on purchases of jewellery, is being remedied, says Jewellery Council executive director Michael Goch

Although he had not been told how the new "interim" system would work, he had been advised by Government officials that they were "in the process of making provision for a system to be introduced which will allow the sale of jewellery to foreign tourists free of GST

"I believe it will be run along the lines that we proposedin that forms similar to the tourist declaration forms completed at the sale will be stamped by passport officers at the point of departure and returned to jewellers for submission to Inland Revenue," he said

The problem arose after the Minister of Finance in the Budget announced the scrapping of the 20 percent ad valorem excise duty on all sales of jewellery.

As a consequence, Customs and Excise licences issued to jewellers, enabling them to exempt foreign tourists from the duty, were no longer of any force in law.

"Consequently, we were faced with the legal position that jewellers had to resume collecting sales tax from foreign tourists, despite the amendment 1985 to the Sales Tax Act which provided the exemption," said Mr Goch

Gold mining heartened by jewellery demand

9/4/90 184

By Derek Tommey

The latest collapse in the gold price to $368 — $50 below its peak earlier this year — and its painful struggle to recover to $381 in Hong Kong on Saturday has left ordinary investors with little enthusiasm to increase their stake in gold shares

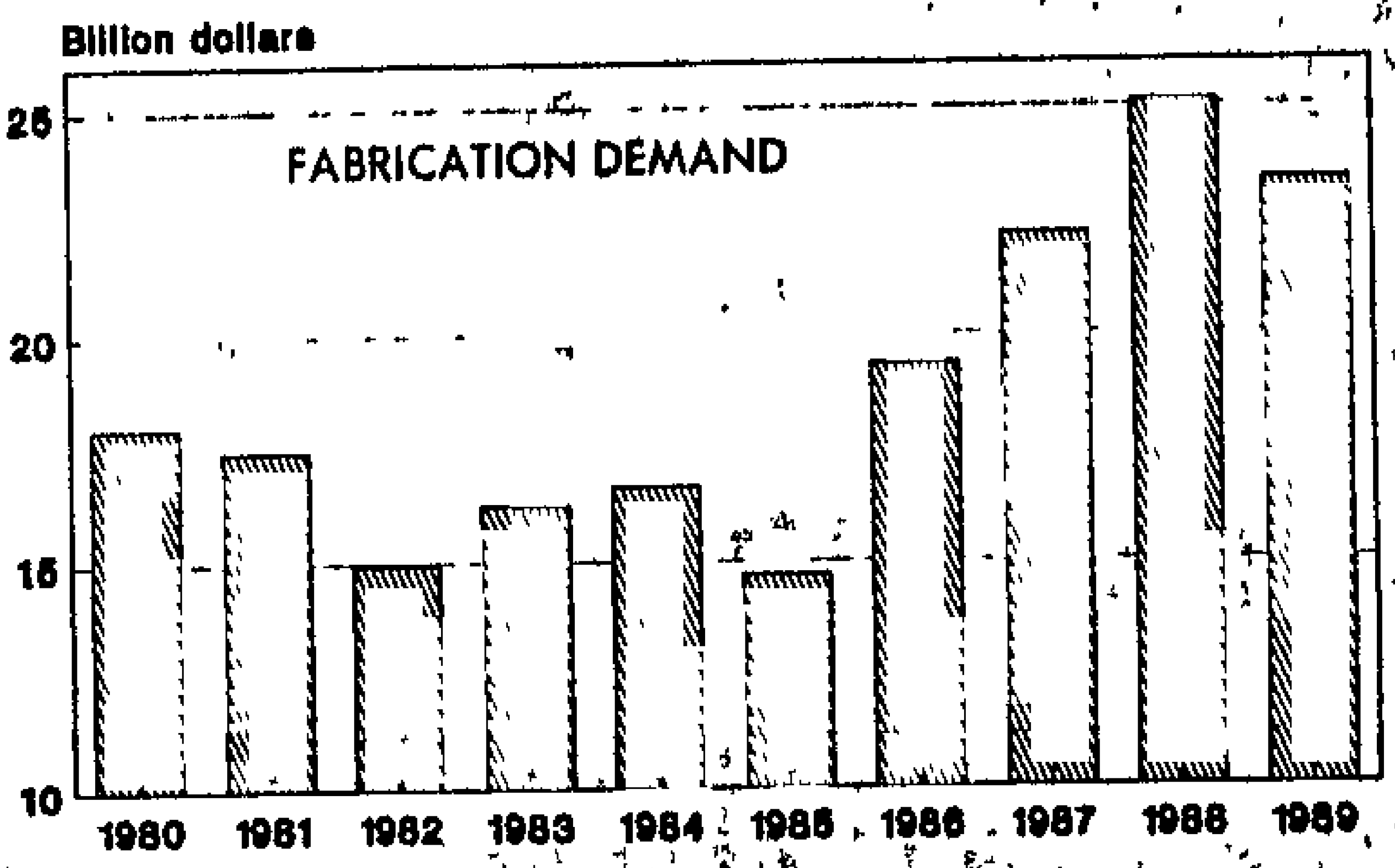
In fact, the failure of the gold price to show growth in the past 12 months (this time last year it was $385), the continued high level of inflation in SA and the more stable behaviour of the rand exchange rate taken together suggest any investment in gold shares at this stage is not a good bet.

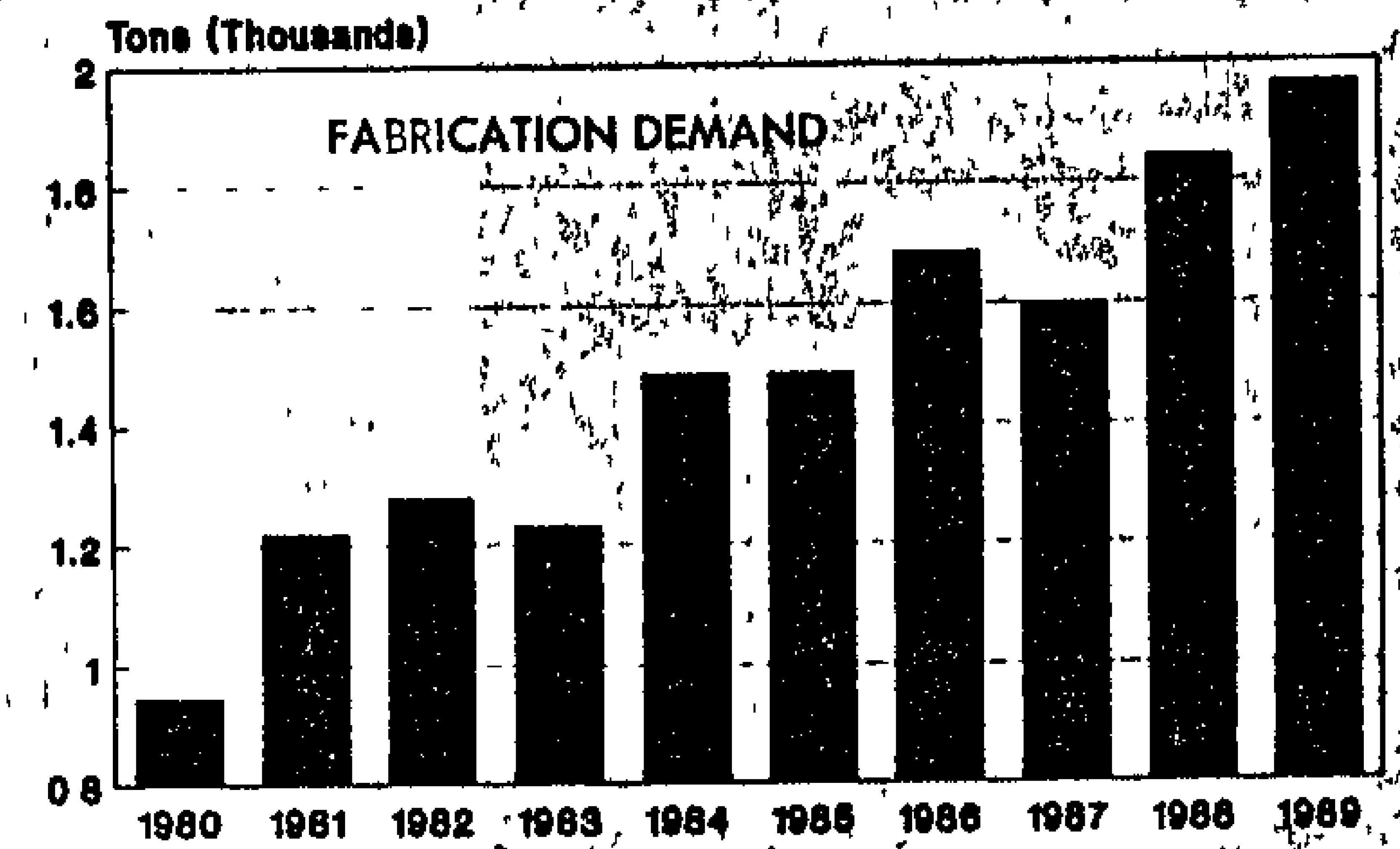
Yet in sharp contrast to the gloom surrounding ordinary gold share investors, officials at the mining houses seem reasonably optimistic about the outlook.

They are at least optimistic enough to be spending hundreds of millions of rand on preparing to open up to eight new mines, some of which are likely to cost R1,2 billion to R1,5 billion and will require a higher gold price than the one prevailing today. Recent supply and demand statistics tend to support their optimism m.

Figures show that in recent years there has been a strong increase in the amount of gold absorbed by the jewellery industry

In the past two years jewellery offtake is estimated to have risen 39 percent from 1 152 tons in 1987 and 1 484 tons in 1988 to 1 600 tons last year, which is almost double the 1983 figure





This pushed up the fabrication demand for gold from 1 596 tons in 1987 to 1 965 tons last year, a figure almost equal to new Western and communist mine production.

Providing there are no major wars, demand for gold for jewellery is expected to continue to grow at a fairly rapid pace. After 40 years of peace the West has become extremely wealthy

It is also a known economic fact that as disposable incomes grow, the amount people spend on luxury goods accelerates, which is what the jewellery industry has been discovering. All signs point to this trend continuing.

The economic and political revolution in Eastern Europe and to some extent Russia should accelerate wealth accumulation throughout the Northern Hemisphere and demand for gold jewellery should rise further. This is just as well.

Gold was running into a dead end Central banks have stopped buying it The rich inhabitants of troubled countries these days no longer keep their wealth in gold in boxes under their beds, but in US bank accounts

And speculators have been burnt so often that gold no longer has much attraction for them.

On the other hand, Metals & Minerals Research Services, a major US research organisation, while forecasting an 8,8 percent rise in new Western gold production this year, expects only a 4,3 percent rise next year and a 1,9 percent and a one percent increase in 1992 and 1993 respectively.

It estimates that free world gold production should rise from 1 823 tons this year to only 1 945 tons by 1993.

Set against the expected increase in jewellery demand, it seems that gold could be in short supply in two or three years' time, with jewellers having to rely on dishoarding to fill the gap.

It is this prospect that is giving the local mining industry, which has to plan five to 10 years ahead, sufficient confidence to proceed with its huge new ventures

COMPANIES

BD 9/4/90 (184)

Edgars' growth likely to be hampered by tight market conditions

SYLVIA DU PLESSIS

TIGHT conditions in the clothing, footwear and textile (CFT) markets during the next 12 months are expected to hamper Edgars' growth in the year to March 1991, according to analyst Aloma Jonker, who recently joined Mathison & Hollidge

While the retailer is relatively stable financially and able to weather the tougher conditions ahead, better earnings growth is expected only from 1992 and investors are advised to lighten their holdings in it, she says

In a report on the SAB-controlled group, Jonker says inflation in the industry has run at about 16%-17% over the past year, owing mainly to wage increases and import duties which allow local manufacturers to lift prices to the level of imports

"This has translated to a disparity of around 2% between the average consumer price index and CFT inflation Industry growth expectations are thus neutral for the year ahead," she says

The overall scenario is one of pressurised margins and decreased growth for at least the next year, she says

While a slowdown in sales around Christmas should see Edgars' turnover growth for the 1990 year dip marginally below that achieved at the interim stage (27%), "markedly" lower growth at this level is forecast during 1991

However, turnover growth should remain above the average consumer spending index (13,3%) expected for the year, and real growth of 2% is forecast for 1992 as the economy improves, based on inflation of 18% in those markets, she says On 1990 earnings growth — Edgars has yet to announce year-end figures — Jonker says this should be about 27%, down from the midway 32%

The conversion of debentures, expected to raise shares in issue by 18%, should stunt earnings per share growth even more, she says She forecasts this growth at about 7%. Slower economic growth and high interest rates for most of the year will see relatively low growth during financial 1991.

Jonker forecasts earnings for Edgars, with a group market capitalisation approaching R2bn, of 238c (221c) a share to March 1990, 284c to 1991 and 358c to 1992, with dividends of 91c (75c), 109c and 138c respectively.

Edgars Stores in liquidation bid

Star 18/4/90 (180) (184)

By Cathy Stagg

A two-night holiday at a timeshare resort, which "sounds too good to be true", according to an advertisement, resulted in Edgars Stores Ltd refunding R40 to 598 members of the Edgars Club and applying to the Rand Supreme Court for the liquidation of a close corporation

In papers, Mr C G G Morkel, Edgars' group legal consultant, said Dynamic Promotions CC of Sattara Avenue, Gallo Manor, owed Edgars of Crown Mines R23 920 for the ceded claims.

Edgars took over the claims on behalf of subscribers to its magazine, Edgars Club, believing its reputation "was being tarnished as a result of Dynamic Promotions CC's poor or non-existent service"

The CC placed an advertisement in the December 1988 edition of the magazine It offered a weekend or a four-night mid-week break at any one of a list of timeshare resorts for up to two adults and two children for a R40 membership fee.

Edgars Club members responded but no accommodation was made available and their money was not refunded Meetings were held and some people were provided with accommodation and a few were refunded their R40 payments — but 598 club members did not have their complaints attended to.

At one stage Dynamic tried to say the R40 was for a club membership registration and not for accommodation, Mr Morkel said, but Edgars disputed this. The accommodation offer was clear and this was why amounts of R40 were paid over by Edgars Club members.

Mr Justice H J Preiss granted a provisional winding-up order, returnable on May 8.

Unrest disturbs clothing sellers

8/BA1 11/4/90

184

ACHMED KARIEM

CLOTHING retailers are concerned about the unrest in the country and its effect on already dampened sales, says National Clothing Federation (NCF) economist Daniel Albert.

A soon-to-be-published survey by the federation shows retailers find the political climate more disturbing than the economic situation.

Retailers representing about 50% of retail sales in clothing and accessories participated in the survey. They were OK Bazaars, Truworths/Speciality Retail Group, Woolworths, Pepkor, Boymans, Edgars and Pick'n Pay.

Executive director Hennie van Zyl said the findings represented a summary of impressions from the stores.

Albert said the state of the economy would result in zero growth in clothes units sold in 1990 compared with 1989.

Research showed sales growth would come primarily from opening new stores — at the independent's expense.

"The unrest, stayaways, boycotts and protest marches have led to a decline in spending on clothing by both black and white consumers," he said.

Retailers were expected to increase clothing prices by 18% this year, about 3% above the inflation rate.

Burhose set to grab pantihose market

184

BDay 14/9

ACHMED KARIEM

BURHOSE SA, manufacturer of Cameo pantihose, is set to capture 99% of the pantihose market with its proposed purchase of the Arwa hosiery operation from Tollgate Holdings Group (TGH).

Burhose is wholly owned by Hunts, the holding company for FSI's industrial interests.

MD Alan Falconer said yesterday the deal depended on clearance from the Competitions Board, which is due to meet on Thursday. He refused to provide further details.

Market sources estimate the transaction will involve at least R30m.

There is some opposition among major retailers to the takeover

Checkers group MD Sergio Martinengo said he was against monopolies as they led to higher prices

Pick 'n Pay executive chairman Raymond Ackerman said he did not approve of takeovers because they inhibited competition.

TGH obtained a 58,5% share in Arwa from Johan Claasen, then controlling shareholder in Duros, for R31m in 1988.

The Arwa group, manufacturer of hosiery, fabrics, leisurewear, yarns and ties, reflected an attributable loss of R3,3m for the year to December compared with a R7,3m profit in 1988 Operating profit declined by 35% to R6,7m (R10,3m).

The total advertising budget within the pantihose sector was R1,8m in the 12 months to January, according to Adindex production manager David Pennels.

Arwa spent 24% while Burhose's main brand, Cameo, comprised 45% of the industry budget.

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184

BDay 14/9/90 ACHMED KARIEM

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Hymie Sibul relishes Garlick's challenge

Star 14/4/90 184

TURNAROUND KING: Hymie Sibul maintains there is still room for the department store concept.

HYMIE SIBUL knows he's taken on a big job trying to turn Garlicks around — but he's handled big jobs before.

In 30 years in the retail business Mr Sibul has a history of taking losers and turning them into winners

He did it for Wanda Furnishers — R8 million in the red before he took over — and for Dions, which lost R13 million before he came in and turned it into a winner

The challenge at Garlicks "fits in exactly with what I like doing, getting together a team that is going to turn this company around"

He emphasises that returning the historic Cape group to its rightful place in the market is going to be a team effort that will encompass everyone on the staff

"I've brought in four top retailing people to manage the operation and although I'll be in overall command from Johannesburg, the day-to-day management will be handled from Cape Town by senior manager John Lupton"

DICK USHER

Mr Sibul, who became chief executive of Garlicks following the buy-out by Durban-based Prefcor, has also brought experienced retailers on board in Allan Snyman, heading the operations division, Joe Greere, who heads group services, and Gary Spreckley as head of finance and administration.

"In addition, there are already some very good people on board Four people cannot run a business and we have identified people in the group who will be key players in the turnaround," he said.

"It's a very obvious turnaround situation in which the company has not been performing optimally but has great potential.

"We are hard-headed businessmen and if we had not believed in the future of Garlicks it would not have made a lot of sense to undertake this task"

Mr Sibul realises that, following the 1988 takeover battle and the closing of stores in Port Elizabeth and East London, staff morale had become shaky.

"We have to set that right, but it's not going to happen by talking about it," he said

"We know we are going to turn Garlicks around, but that does not necessarily allay staff fears — we will have to show results

"My experience is that when you are talking to people as a newcomer you are very concerned about their future, and we have to give them action."

He's not giving away secrets about how this is to be done.

"Any takeover and turnaround situation has its unique problems, but there are also common denominators and there is no problem at Garlicks greater than any I have seen before

Pulling people in

"We have to ensure that people are brought into our stores so that they can see we have a range of goods that will suit most pockets"

Unlike some people in the retail industry, Mr Sibul believes that there is still a place in the market for department stores

"A lot of market share has been taken away by speciality stores, but there are profitable department stores in South Africa and there is no reason why Garlicks shouldn't be one of them.

"We are going to be looking very closely at more careful and tighter use of space, with well-displayed and cleverly marketed goods."

Mr Sibul said that Garlicks' image as an up-market operation would not be tampered with

"We make no apologies for being up-market because that is our niche. But that does not mean that everything we sell is beyond the means of all but a small segment of the population

"We need to popularise, but not in the sense of lowering standards of service and quality of product, but in the sense of giving consumers what they want

"That's going to be one of the keys to our success," said Mr Sibul

Amrel promoted for its income benefits

(184) PIERRE DU PREEZ

STOCKBROKERS Mathison & Hollidge recommend investors keep Amrel shares on income considerations

The share price of the specialist retailing group involved in furniture, footwear and clothing sales, provides a reasonable return, though capital gains seem remote, says analyst Aloma Jonker in a research report.

If the price weakens, the share can still be considered a speculative buy for longer-term growth because of the relatively good quality of earnings, Jonker says

She says Amrel does not signal a re-rating as growth above the inflation rate can occur only in financial 1992.

The share is trading at around 825c.

The decline in earnings experienced by Amrel during the first half to end-September 1989, is expected to continue through to the second half to end-March, although the rate of decrease might slow Amrel achieved earnings of 241c (231c) in the year to end-March 1989.

Jonker expects total earnings for 1990 to decline by about 6%, slightly lower than the decrease experienced at interim mainly due to the sale of Smiley Blue, Goophees and Rock Bottom, which eliminated a loss during the second half. BDay 17/4/90

An 11% increase in earnings is forecast for 1991 because of the expected decrease in interest costs

"The group's current policy is to improve the quality of their earnings through a conservative expansion by creating adequate provisions. Recent tax changes should not have a material effect on earnings, as adequate provisions have been created," Jonker says

Cashflow should improve as the tight control over working capital is maintained

Clicks setting a remarkable pace

ST 19/5/90 (88)

By Tom Hood

Clicks Stores met its turnover target with a record-breaking R426 million for the year to end-February and is looking at sales of more than R500 million in the current year

Managing director Trevor Honneysett said the group's performance was all the more remarkable given the unstable trading environment last year

"Never before in our 21-year history have we had to contend with so many negative influences," he said.

These included high interest rates, continued inflation, diminishing disposable incomes, rising operating costs and ongoing political uncertainty.

In spite of this, profit before tax of R32,4 million reflected an increase of 26,4 percent in line with turnover

A change in year-end makes comparisons practically meaningless, although margins improved when compared with the 7,43 percent in the 12 months of the 1987-88 year

The results provide earnings of 81,82c a share and a final dividend of 22c, giving a total payout of 34c for the year.

Dividend cover is being increased to 2,4 times from 2,1 times to help finance growth

Mr Honneysett said the group's strong performance was due to several factors including successfully holding down operational costs, improved efficiencies, opening new stores and implementing an aggressive marketing and promotional strategy

Strict cash and stock controls resulted in net interest payable being extremely low — R250 000 and below the R390 000 for the previous eight months.

"In one of the toughest trading years we were able to open the highest number of new stores ever — 14 Clicks and 14 Diskom — and still substantially improve our cash position to the point where we have no gearing whatsoever," he said

PROSPECTS

"I am reasonably confident there will be a pick-up in retail spending towards the second half of the year due to interest rates coming off slightly and public confidence beginning to recover as the political environment becomes more stable

"Coupled with these factors, I see the group continuing to achieve satisfactory growth from the Clicks chain and from Diskom in particular."

More than R7 million has been earmarked for the development and refurbishment of present stores Clicks was expected to grow from 100 to 115 stores and Diskom from 35 to 50, bringing the total number of new stores to 30 in the current year

Ensign uncertain about future

B'Day 26/4/90 (184)

ACHMED KARIEM

ENSIGN Clothing directors are reluctant to predict results for 1990 because of broad changes on the political and economic fronts, chairman Ronald Roy says in his annual report.

Ensign is a Cape Town-based manufacturer of workwear and leisurewear.

He says stocks of raw materials have been reduced to R2,7m from R3,2m, with the result that the overall stock has been held to the 1988 figure.

"To some extent the achievement in reducing the raw materials stocks was offset by a rise in finished goods where market conditions required a higher level of stock support"

Trade debtors rose to R5m (R4,1m) in line with a 16,4% turnover increase, matching the inflation rate.

"However, a noticeable slowing down in receipts from debtors in the closing months of the year forced us to rely more heavily than planned on short term bank facilities."

Roy says Ensign has succeeded in obtaining an SABS mark for a range of overalls and worksuits.

Clothing industry faces cutbacks amid high costs

BDay 23/4/90 (184)

LESLEY LAMBERT

CAPE TOWN — Clothing manufacturers in the western Cape — the heart of the national industry — are being forced to rationalise their operations as reduced demand and sustained operating costs take their toll.

In a survey conducted by Business Day, it was determined that at least one major manufacturer, Rex Trueform, was considering retrenching staff, and a number of others were operating on a short-time basis. The result is that smaller intermediaries, which take up excess capacity from bigger companies, are struggling to find enough work to make ends meet.

While the clothing industry's industrial council reported that only one of its members had gone into liquidation this year, industry observers and a local liquidator said a number of smaller, unregistered companies closed their doors and stopped operating.

The problems faced by the industry are partly cyclical, partly inherent. Clothing manufacturers tend to be an early barometer of an economic downturn.

As consumer spending slows, major clothing retailers — Edgars, Foschini and Wooltru — reduce their stocks and either refuse late orders or make discounted payments.

Manufacturers claimed retailers had increased their margins from 125% to 145% by cutting the manufacturer's margins and increasing the cost to the consumer.

One manufacturer claimed a retailer had discounted payment for a late order by 10% — or R30 000 — last week. The order had been delayed for reasons of which the retailer was aware.

Increases

Another said his margin had been whittled down to 8%. Retailers argued that the more upmarket and fashionable the garments, with credit as an added factor, the higher the retail margins were likely to be.

This month has been critical for the industry. Apart from the effect of the economic downturn, productivity levels, which have generally lagged behind wage increases, have been further reduced by a succession of public and religious holidays which have resulted in three four-day weeks.

And, while the income of many manufacturers has been reduced, overhead costs have either remained constant or increased.

"All manufacturers have experienced tremendous cost increases in labour and fabric which they have not been able to pass on," said one manufacturer. "Working with the big retailers provides continuity when demand is strong, but when it weakens the price points become unrealistic."

In addition to this, manufacturers said problems with the supply of fabric were disrupting the production chain, often resulting in late deliveries for which manufacturers pay dearly.

To support the industry's claims of unsatisfactory service from textile manufacturers, the National Clothing Federation conducted a survey in February which showed that 35% of all confirmed fabric deliveries were running behind schedule. NCF executive director Hennie van Zyl claimed the fabric manufacturers had an historically dismal delivery record, in spite of the protection they had as a result of import duties on imported fabrics. He said some manufacturers were not as efficient in their order systems as they should be.

Industry leaders argued that unless manufacturers and retailers co-operated and worked towards higher levels of efficiency in their industry, they would not be in a position to compete in a changing world, especially one in which import barriers were relaxed.

Mooted Arwa sale probed

LIZ ROUSE

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THE Competition Board has announced it is to investigate whether Hunts is to take over Arwa Hosiery and to what extent the controlling interest will be.

In a statement on Friday the board said. "In particular, comments are invited in respect of the impact of the transaction on competition as well as on the public interest

BDay 23/4/90

"As far as the latter point is concerned, the presumption exists in the Act at present that the transaction must be regarded as being in the public interest unless information is forthcoming which shows that, on balance, the transaction does not serve the public interest."

Hunt's wholly owned subsidiary Burhose will capture 99% of the total pantihose market if the proposed purchase of the Arwa hosiery operation from Tollgate Holdings Group (TGH) gets approval.

A price of about R35m has been put on the deal.

Some major retailers have expressed opposition to the takeover, including Checkers group MD Sergio Maringengo and Pick 'n Pay's Raymond Ackerman on the grounds that a monopoly would inhibit competition and lead to higher prices

Burhose SA's brand names are Cameo, Escort, Activ Alive and Christian Dior According to MD Allan Falconer Burhose now holds 70% of the SA hosiery market of close to 80-million pairs of pantihose a year.

Score-Clicks boosts profit

184

24/5/90

Finance Staff

Score-Clicks Holdings lifted earnings per share to 30c (21c) for the year to February after solid performances by its two major operating divisions. The figures include only eight months of trading from Clicks Stores.

Turnover by Score-Clicks rose to R1,78 billion (R1,34 billion) and pre-tax income to R66,52 million (R46,68 million).

A final dividend of 8,18c (7,45c) has been declared, making a total of 12,18c (9,45c). Hi-Score Holdings, the ultimate holding company, posted earnings of 54c (43c) a share and a final dividend of 15c, making a total of 22c.

Specialty moves pay off

BDay 25/4/90

SYLVIA DU PLESSIS

RESTRUCTURING undertaken a year ago at Specialty Stores has paid off for the clothing and home product retailer in the year to end-February.

The group, which acquired all the assets of holding company Storeco and became the operating arm of the group last year, has posted a 57,5% rise in attributable income to R10,4m (R6,6m).

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This follows turnover which improved by 35,4% to R185,4m and operating income 39,2% up at R22,4m. Interest paid rose a slow 10% to R2,7m.

However, earnings were only 11% higher at 70,3c a share, based on a 42% increase in the number of shares in issue. A final dividend of 16,5c lifted total distribution to 25c.

Joint MD Stewart Cohen said the results were particularly commendable as trading conditions in the second half were generally regarded as having been slower than in the first.

Action taken a year ago to prepare for future growth included the raising of nearly R17m by way of a rights issue.

These funds had been applied to the profitable expansion of the group's divisions — fashionwear chain Milady's, specialty store The Hub and cash concept operations Mr Price and Footgear — without directors having to resort to increased borrowings.

Joint MD Laurie Chiappini said Specialty was on target to achieve further real growth in earnings in the current year.

Pyramid company Storeco reported earnings 11,6% higher at 140,7c a share despite the reduction of its interest in Specialty to 63,2%, and a total dividend of 50c.

FOSCHINI F/M 27/4/90 (184)

Changing fashion

Activities: *Retails clothing and jewellery.*
Control: *Directors 53,2% through Lewis Foschini*
Chairman: *S Lewis; joint MDs. C Hirschsohn, B Belcher*
Capital structure: *9,7m ords, 0,2m cum pref shares. Market capitalisation R698,5m*
Share market: *Price R72 Yields· 3,4% on dividend, 8,0% on earnings, PE ratio, 12,5, cover, 2,4 12-month high, R74, low, R50. Trading volume last quarter, 63 400 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm) ...	18,8	13,5	2,4	14,4
LT debt (Rm)	20,3	30,7	40,4	60,5
Debt equity ratio	0,39	0,33	0,27	0,39
Shareholders' interest	0,49	0,44	0,42	0,41
Int & leasing cover	7,7	9,1	11,4	7,5
Return on cap (%)	25	26	30	29
Turnover (Rm) .	330	407	529	661
Pre-int profit (Rm)	48,8	69,5	99,9	125,2
Pre-int margin (%) .	14,8	17 1	18,9	18,9
Earnings (c)	254	333	488	573
Dividends (c) ..	107,7	141,4	206,0	242,0
Net worth (c)	1 030	1 218	1 500	1 834

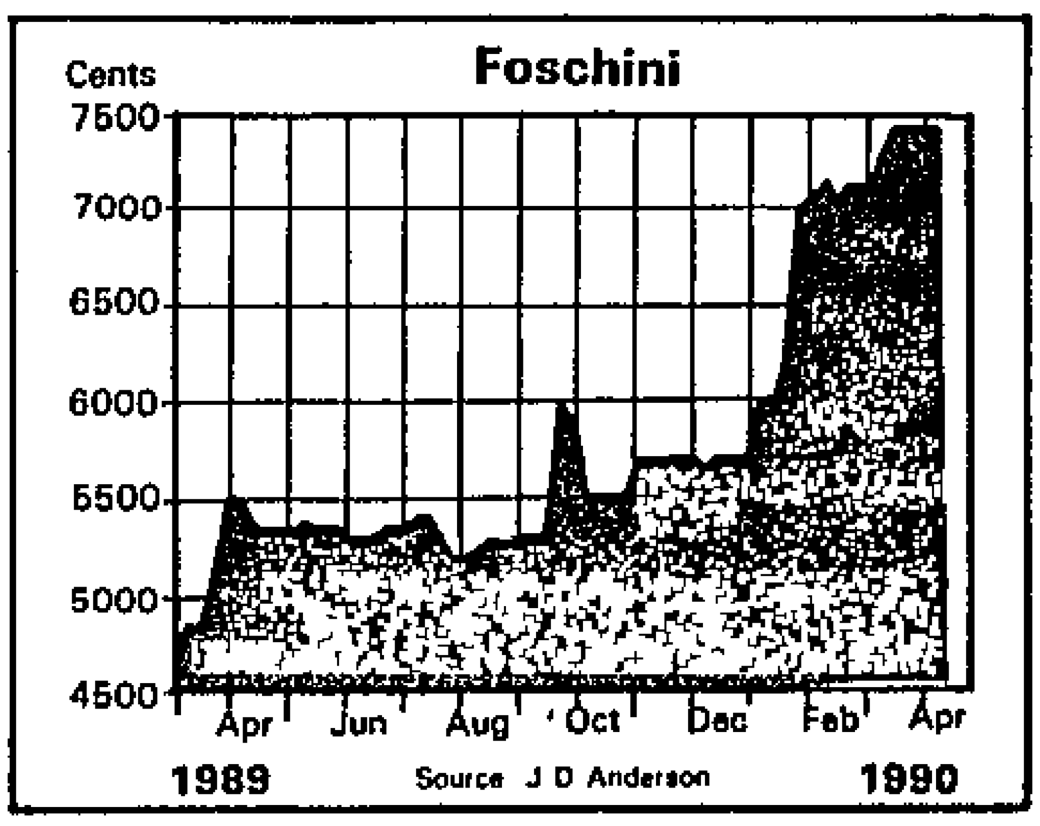

Foschini's Lewis ... moderate growth forecast

Analysts expected Foschini would record more than a 17,5% nominal earnings increase in 1989 But while the advance represents the company's weakest bottom-line performance since 1985, there are sound reasons for overlooking it. The bottom-line was affected by greater interest charges and not by any extraordinary trading deterioration

Turnover rose by 25% against the previous year's 30% — a sound performance in the context of the credit squeeze, higher duties and a tighter monetary policy. And the increase was achieved even though 1989 was a 52-week year against 53 weeks in 1988.

Operating profit also grew by 25% and joint MDs, Brian Belcher and Clive Hirschsohn, claim Foschini has the highest ratio of operating income to turnover of any SA retailer. The pre-interest margin of 18,9 was the same as in 1988 and was the highest ever achieved in a 52-week year

However, it was the cost of capital that hammered the bottom line. Interest payments rose to R14,3m from R6m largely because of increased borrowings. Long-term liabilities jumped by 50% to R60,5m while short-term loans rose by R12,2m to R14,4m These are acceptable increases in terms of the group's current financial structure in regard to both the current and debt.equity ratios The increased borrowings were unavoidable as Foschini has spent heavily on information systems needed to maintain the company's competitiveness.



Trading conditions were buoyant in the first half of last year but deteriorated with the credit squeeze in the second. In particular, the turnover of American Swiss, the subsidiary jewellery chain, was hit by the new credit agreement regulations Its sales rose by only 14% against 32% notched up by clothing retailer Markhams, 27% by the black chain Pages and just over 24% by the Foschini chain

Chairman Stanley Lewis expects "moderate real growth" this year, but the bottom line will remain affected by the debt burden particularly if further growth cannot be fully funded internally. But if the group is able to raise turnover by more than 20%, operating efficiencies should see earnings growth keeping pace.

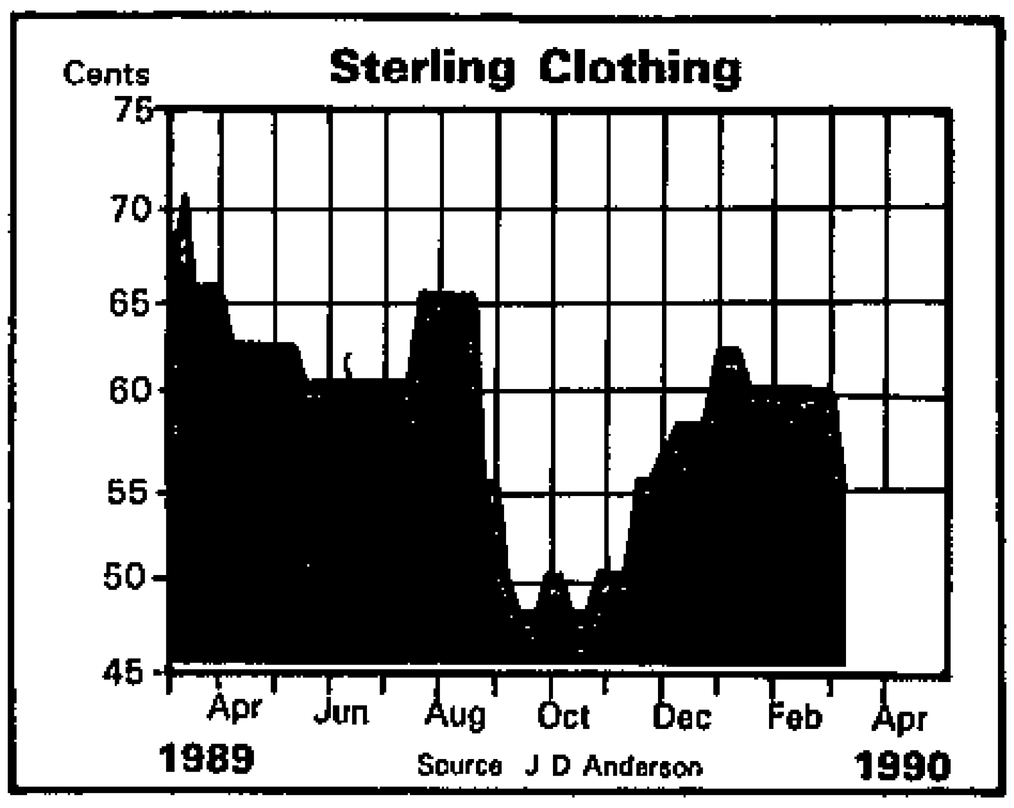
Gerald Hirshon

GF NAMIBIA F/M 27/4/90

Recovery potential

The flood which put large parts of the Kombat mine out of operation in November 1988 took longer to overcome than expected. Dewatering took more than a year to complete and the mine is only now back to its

FM 27/4/90 (184)



STERLING FM 27/4/90

Steady sales

(184)

Activities: *Manufacturer and distributor of men's clothing*
Control *Directors 18%, SA Eagle 18%*
Chairman: *F N Haslett, Joint MDs· M Barbieri and B J Desmet*
Capital structure: *19,4m ords of 7c each Market capitalisation R9,9m.*
Share market. *Price 51c Yields 12,9% on dividend, 28,4% on earnings, PE ratio, 3,5; cover, 2,2, 12-month high, 65c, low, 48c Trading volume last quarter, 188 700 shares*

Year to Dec 31	'87	'88	'89
ST debt (Rm)	3,19	2,11	4,81
LT debt (Rm)	0,68	0,35	1,26
Debt equity ratio	0,99	0,32	0,66
Shareholders' interest	0,31	0,44	0,40
Int & leasing cover	8,90	8,96	7,63
Return on cap (%)	28,4	29,6	27,1
Turnover (Rm)	25,2	30,1	34,9
Pre-int profit (Rm)	3,5	5,1	6,2
Pre-int margin (%)	14,0	16,9	17,8
Earnings (c)	10,3	14,2	14,5
Dividends (c)	3,8	16,9	6,6
Net worth (c)	26,0	39,2	47,1

The positive effects of Sterling's modest turnover growth and higher margins were checked by rising finance costs.

Declining consumer demand limited turnover growth to 16% in 1989, but margins improved and pre-interest profit rose 22,5%. Financial director Leslie Silpert expects margins to remain steady in 1990

Borrowings more than doubled, lifting interest payments to R0,8m (R0,5m). A suspensive sale for the purchase of plant increased long-term debt, the rise in short-term debt mostly represents a return to pre-1988 levels when the group's listing saw a dip in externally funded working capital requirements Silpert says year-end stocks rose because merchandise was made available earlier than in previous years

Debt equity and interest and leasing cover weakened, as did return on capital employed Silpert expects these ratios to improve this year.

Conditions in the clothing sector appear to be softening, but Silpert says Sterling's customer profile provides some insulation from declining demand. The group markets merchandise to individual stores rather than the chains Customers are widely spread throughout southern Africa and management says there has been no lengthening of the debtors book or increase in bad debts.

Attempts are being made to increase export sales Management wants to expand and Silpert says worsening economic conditions may provide opportunities for acquisitions in the men's clothing sector

Forward orders suggest the first half of 1990 will be ahead of 1989. Chairman Fred Haslett is confident the summer range will sell well and expects the group to show real growth in 1990. If so, the share offers an attractively high yield.

Pam Baskind

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Economic slowdown hits Romatex earnings

ACHMED KARIEM

ROMATEX earnings have declined by 27% to 69c a share in the six months to March, compared with last year's 94,3c, because of the slowing economy.

Chairman Jack Crutchley said a stable performance by a majority of the group's divisions failed to offset a severe decline in the floor coverings sector

Turnover declined by 1% to R350m (R353,5m), while operating profit dropped by 19% to R30,4m (R37,6m)

An interim dividend of 25c (28c) a share was declared, down by only 11%, which reflected the directors' confidence in the longer term outlook

Crutchley said the fabrics and Island View divisions were both areas of substantial investment.

"The industrials division results were adversely affected by those companies relying predominantly on the carpet industry, while the automative products companies continued to perform satisfactorily"

The group is one of SA's major manufacturers of floor coverings, fibres, textiles, foam and automative products and a leading bulk liquid storage operator

Though interest-bearing, short-term debt more than doubled, the debt.equity remained low at 21% and interest paid rose to R4,1m, covered 7,6 times.

Pre-tax profits dropped by 27% to R26,3m. In spite of lower taxes, taxed profits still dropped 24% to R17,4m

Capital commitments rose from R50m to R69m The directors said economic activity could deteriorate further but normal seasonal factors would ensure second-half profits were up on the first half

In the year to September 1989 Romatex earned 214,3c a share and paid 78c in dividends. Based on these figures, the current share price of 850c yielded 25,2% on earnings and 9,2% on dividends

This compared with actuaries index averages for the clothing and textile sectors of 16,9% and 5,7% respectively.

Bergers moves up-market

Star 27/4/90

By Derek Tommey

The Bergers Group has made extremely successful inroads into the middle-income clothing market in the past few years and is now to move up-market as well

Chairman Howard Mauerberger reports that his company has bought a controlling interest in the "smart set's" store chain, Hilton Weiner

Mr. Mauerberger says Mr Hilton Weiner will remain with the group and continue to focus on the merchandising aspects of the stores.

EXPORTING

The number of Hilton Weiner stores is to be increased from six to eight and the potential in offshore business from franchising and exporting holds the promise of exciting long-term future growth.

In the year ended December Bergers increased its turnover 33 percent to R83,5 million and its attributed earnings by 47,1 percent to R6,1 million, equal to 30,2c a share.

It is paying an annual dividend of 13c — up 37 percent from last year's 9,5c.

At the end of 1989 Bergers had 201 stores and expects to open another 20 stores this year.

Boymans passes final dividend

STAR 27/4/90 (184)

By Derek Tommey

Evidence is mounting to show that the economy could be in a major recession Boymans, one of the leading retailers of men's wear, which operates John Orrs, Levisons, Deans, Cyrils, John Scott and Woolfsons, has passed its final dividend.

Boymans paid an interim of 6,5c and a final last year of 8c

The chairman, Mr E Ellerine, reports that national clothing sales declined progressively in the 14 months ended February, with the downturn being particularly steep in January and February.

This and punitive interest rates reduced the taxed profit by 39,7 percent to R2,5 million from R4,1 million last year

Earnings a share fell 39,8 percent from 38,4c to 23,1c

Mr Ellerine says that clothing sales are expected to fall further as fiscal and monetary measures further dampen consumer spending

The group's financial position has also necessitated an asset reduction programme which will reduce short-term profitability

As a result of these moves it will be difficult for Boymans to repeat the 1989-90 earnings in 1990-91, he says

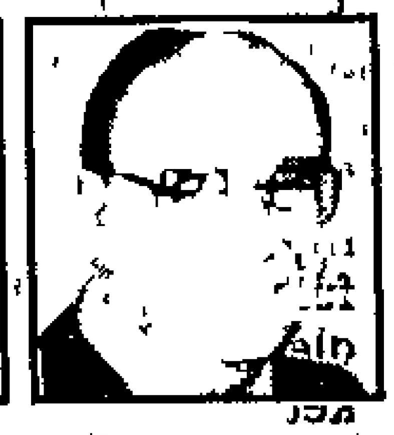
Expanding Pepkor eyes Speciality

Star 27/4/90

184

Diagonal Street

DEREK TOMMEY



The country's largest retailer, the Pepkor group, is looking to expand by way of takeovers and Speciality Stores must be on its list of possible purchases, said Pepkor's chairman, Mr Christo Wiese, last night.

He was reacting to market rumours that both Wooltru and the Pepkor Group were negotiating to take over Speciality Stores.

Speciality owns Milady's which has 105 stores and recently reported a 57 percent increase in income. But earnings a share rose only 10,9 percent owing to a large increase in the issued share capital.

Pepkor has almost 850 clothing stores in its Pep Stores group and another 45 food stores in its Shoprite group.

Pepkor's turnover in the 12 months ended February rose 24 percent to R1,5 billion and net profit before extraordinary items rose 17 percent to R67,8 million. Earnings amounted to 578,8c a share against 496,8c in the previous year.

Shareholders are to get a final dividend of 131c, an increase of 15,9 percent on last year's final of 113c, which makes the total dividend payment for the year 185c which is 17 percent more than the 158c received last year.

Subsidiary Pep Stores increased its turnover by 23 percent to R988 million in spite of declining consumer spending in the latter half of the trading period, reports Mr Wiese.

Operating profit was trimmed by non-recurring costs of establishing the Pep Stores and Ackermans retail divisions as autonomous business units, by tougher competition and by higher tax payments.

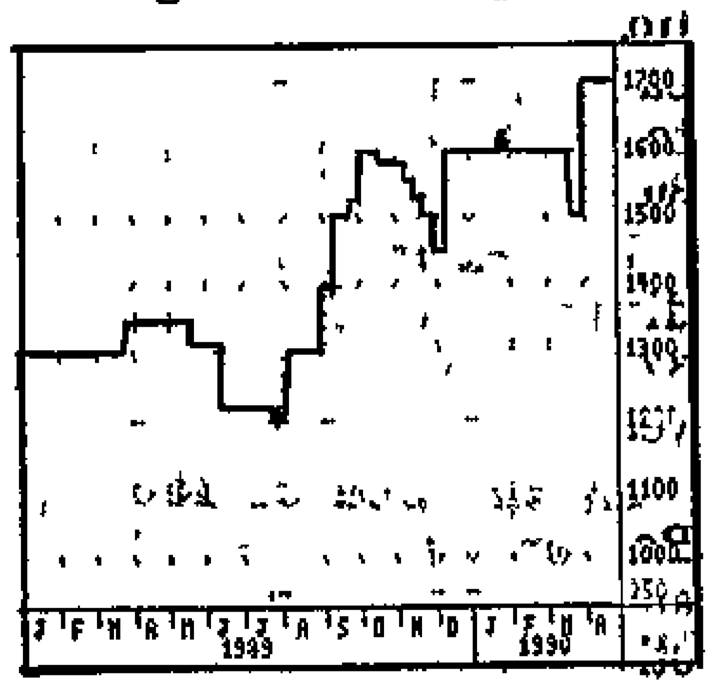
Net profit rose 8 percent to R79,4 million and earnings a share rose a similar amount to 174c.

Pep Stores has declared a final dividend of 42c making a 68c for the year, which is an increase of 17 percent on the 58c paid a year ago.

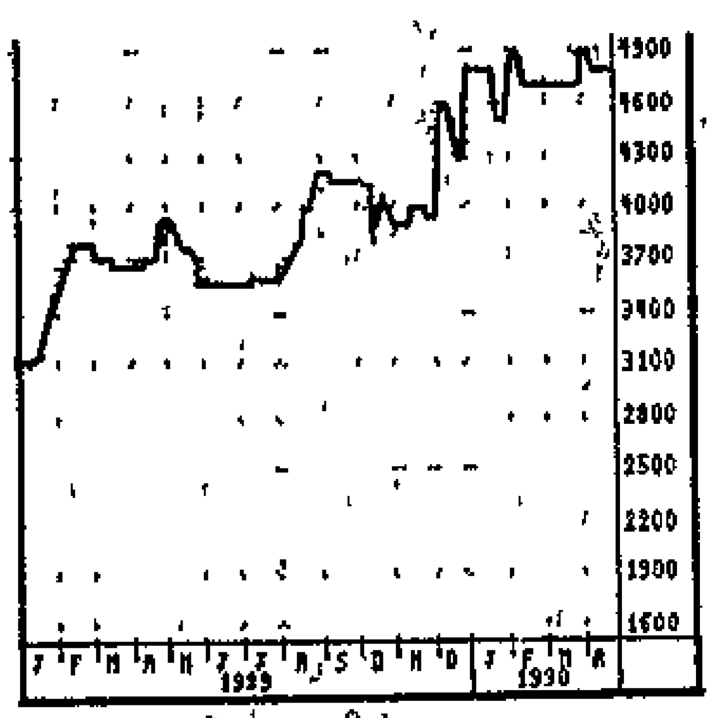
Mr Wiese said that in spite of difficult trading conditions he expected Pep Stores to increase its profits in the current financial year. Pep Stores is planning to open another 45 stores this year.

Sales by Shoprite rose 34 percent to R471,4 million and operating profit rose 24 percent to R13 million. Net profit rose 19 percent to R8,1 million equal to 27,5c (23,2c) a share. A final dividend of 7,5c has been declared making a total of 12c for the years - 20 percent more than the 10c paid last year.

Shoprite also expects the tough economic conditions to continue but it plans to open a further five stores and is looking to increased profits.



Pepstore share price



Pepkor share price

Traclo CE resigns and buys Cape operation

NEIL YORKE SMITH

TRANSVAAL Clothing Industries (Traclo) CE Ronnie Fivelman has resigned as an executive director of the group and is to purchase the Cape Town operation of Starter Clothing, it was announced yesterday BDm 2/5/90

Fivelman will remain on the Traclo board

The operating companies' joint MD Mike Destombes becomes Traclo CE and Lionel Lipkin continues as chairman. (184)

The disposal of Starter will have no immediate effect upon net asset value or earnings a share

ROMATEX F M 4/5/90

Still cyclical

(184)

Romatex has long had a history of showing severe swings in profits in line with consumer spending And it seems that attempts made recently, to build more stability into the bottom line, have yet to produce the benefits sought

Interim earnings slumped by 27% and reduced earnings are now forecast for the full year instead of the growth projected in the annual report published in October With turnover down by 1%, margins buckled and pre-interest profit fell by 19%; the interest bill more than doubled to R4,1m (R1,5m)

The floor coverings division has adopted a policy of focusing on what management believes are the more stable segments of the market. It, nonetheless, bore the brunt of the slowdown in consumption expenditure.

In the past two financial years the division's operating profit fell from R14m to R11,8m to account for 14% of the total Rennie says no improvement is expected during this year. Included in the division now are the yarns and fibres operations transferred from the troubled mills division

Profits also fell in the industrial division which provided 21% of group operating income in 1989 and which now includes the industrial fibres division.

It serves the automotive, upholstery, mining and construction sectors, the only component which held up was the automotive business

FM 4/5/90

(184)

The fabrics division and the Island View liquid storage facility maintained interim earnings in line with last year's first-half performance. Management is still expecting an improvement from these activities for the full year

Financial director John Rennie says the efforts to change the group's focus is continuing and benefits will accrue in time. Romatex is continuing to invest substantial amounts to achieve this and improve productivity.

Debt and interest payments have risen as a result Short-term debt rose to R34,8m from R15,3m at the September year-end

Rennie says capital commitments — now R69m against R50m of a year ago — will boost borrowings further by year-end and he expects a switch to longer-term debt Debt equity has risen from 0,01 in 1988 to about 0,21 and will evidently increase further

Some improvement at operating level may be seen in the second half Given the extent of the first-half slide, though, a drop in earnings for the full year looks inevitable At 850c, the share is close to the 12-month low of 825c, reflecting investor scepticism about recovery prospects

Pam Baskind

THREADBARE

Six months to	Mar 31 '89	Sep 30 '89	Mar 31 '90
Turnover (Rm)	353,5	392,8	350,0
Pre-tax profit (Rm)	36,1	40,6	26,3
Attributable (Rm)	23,0	29,4	17,1
Earnings (c)	94,3	120,0	69,0
Dividends (c)	28,0	50,0	25,0

Earnings leap for Monatic

Bus Day 8/5/90

184

ACHMED KARIEM

FASHION manufacturer House of Monatic posted a 72% increase in earnings to 21,5c (12,5c) a share for the year to end-February.

A final dividend of 5c a share will be paid which is in line with the directors' forecasts. The company does not pay an interim dividend.

Chairman Douglas de Jager said the 42% increase in turnover to R53,7m (R37,8m) was due to greater market penetration.

The directors said the 23% rise in operating income to R6,3m (R5,1m) had been influenced by certain once-off costs which were not specified.

De Jager said the company was not liable for tax for the year due to historically assessed losses. Therefore, the income statement reflected a 72,3% hike in attributable profits to R7m (R4,05m).

The board said it expected a massive increase in operating income for the year end-February 1991.

Unrest will dictate firm's prospects

184

ACHMED KARIEM

PROSPECTS for Progress Industries, the clothing and knitwear manufacturer based in Hammarsdale, would primarily depend on the unrest situation in Natal, CE Peter Jacobson said in his annual report

"The unrest has had a deleterious effect on all the employees of our group and absenteeism, particularly during night-shifts and weekends, has been extremely high, causing efficiency and productivity of our manufacturing units to be affected," he said

Competition from imports of finished garments and textiles would not be a problem of the same magnitude as a few years ago, because of government's commitment to improving the balance of payments.

B/Day 31/5/90

Sales

Import replacement had led to growth in demand that would enable the textile and clothing industry to have a "soft landing" during the current downturn

"The present slowdown of sales at retail level is reflected in the reduced increase of our group's turnover during the first two months of 1990"

The group had installed additional plant in the knitwear division and new plant had been ordered for the textile division.

Wage negotiations had been successfully concluded for 1990 with both the SA Clothing and Textile Workers Union and the Textile and Allied Workers Union

231 city clothing workers to lose their jobs

MGW'S 9/5/90

1841

By DICK USHER
Business Staff

THE Cape's vital clothing industry is coming under increasing pressure as the economic slowdown starts to bite.

One major indicator of the bite was the disclosure that leading South African manufacturer Rex Trueform plans to retrench 231 workers.

The South African Clothing and Textile Workers' Union announced last night that it had declared a dispute with Rex Trueform over the proposed retrenchments

The union said that information the company had given was insufficient to justify the large number of workers proposed for retrenchment.

Mr Stewart Shub, company chairman, said the need to reduce staff was directly related to the slowdown

Mr Colin McCarthy, director of the Cape Chamber of Industries and secretary of the Cape Clothing Manufacturers' Association, said his industrial relations adviser been dealing with an increasing number of firms seeking advice on retrenchments and short-time

LAGGED BEHIND

Most of these were in the clothing industry, but the engineering industry was also being affected.

Another leading Cape Town manufacturer, Ensign Clothing, is also being affected by the slowdown

At his company's annual meeting yesterday chairman Mr Ron Roy reported that although turnover for the year had risen, profits had not kept pace, particularly in the second half of the year.

A marginal increase in income to R1,7 million clearly reflected the adverse effects of rising input and labour costs, coupled with mounting customer resistance to price increases

Mr Roy Dalle Vedove, chairman of the Cape Garment Manufacturers' Association, largely made up of cut-make-and-trim operators, was not available for comment

STAR 9/5/90 (184)

Govt's Lifo 'take' higher than expected

By Derek Tommey

Early indications are that the Government will get a much bigger tax take than it has forecast from the changes in the Lifo reserves announced in the March Budget

In his Budget speech the Minister of Finance, Mr Barend du Plessis, said that the Lifo reserves of companies had to be reduced by 10 percentage points a year during the next 10 years

The cash which is being generated by the reduction in the reserves is subject to tax.

This tax is estimated to amount to R50 million this year and to R500 million over the next 10 years

However, a survey of just four companies showed that they had between them Lifo tax liabilities approaching R100 million

One of them is OK Bazaars which has, as a matter of prudence, transferred R45,9 million from shareholders' funds to deferred liabilities to meet the Lifo tax, the managing director, Mr Gordon Hood, reported yesterday

Another is Checkers, also a major retailer, which will have a Lifo reserve tax liability of some R30 million, Mr Donald Masson, head of Tradego, said yesterday.

Two sizeable manufacturing companies also admitted that their Lifo tax liability could be about R10 million.

Edgars has transferred R20 million from reserves to deferred tax to cater for the changes.

It is clear from these examples that the tax liabilities of the dozens of large public and private companies must handsomely exceed the R500 million estimated by the Treasury

Companies likely to be hit the hardest by the new provision include the oil companies which, however, do not publish their accounts and also the major manufacturing groups

Some accountants believe that the Treasury probably had no idea of just how large the Lifo reserves in South Africa were when it decided to introduce the new measure.

However, although the tax should help the Minister of Finance meet his Budget targets this year, it seems that most firms are not greatly worried about it

One reason is that the heaviest burden will fall on the largest companies — and these are best placed to meet the tax Another is that as the years pass by the actual amount to be paid in real terms will shrink in line with the increase in inflation In 10 years' time the payments will probably be insignificant.

Edgars outruns troubled industry

STAR 9/5/90 (184)

By Ann Crotty

In the 12 months to end-March 1990 Edgars managed to lift earnings by 26 percent to 243c (192,2c) a share, but chief executive Vic Hammond warns that "the soft landing is not so soft anymore"

Unless there is a dramatic change in current conditions, the remainder of calendar 1990 will see little joy for corporate SA

High-flying companies that have been turning in per annum earnings growth of 30 percent plus over the past three or four years are now hoping for unchanged real earnings for the remainder of 1990 and into 1991

On the basis of inflation forecasts, this points to nominal earnings increases of around 15 percent — and that's for the strong performers

This is particularly the situation in the retail sector Mr Hammond points out that spending on clothing, footwear, household textiles and accessories (CFTA) is expected to drop by two percent in real terms during the 12 months to March 1991

"I am hoping that Edgars will show a two percent real increase in sales but I'm not saying that this will produce a real increase in bottom line profits — I hope we can match inflation"

If, by being four percent ahead of the industry, Edgars can only just pip inflation on the profit line, then prospects for earnings performances from its competitors certainly look bleak

Financial 1990 saw another sterling performance from this blue chip performer

Despite the fiscal and monetary measures taken to curtail consumer spending and the major social upheavals which weakened second half trading conditions, the group managed to increase sales by 24 percent to R1,9 billion (R1,5 billion).

In real terms Edgars' sales were up by nine percent compared with the two percent increase in CFTA sales nationwide This means that Edgars has again significantly lifted its market share

Consumer demand

A quarterly break-down of sales figures for the industry show the extent of the fall-off in consumer demand in recent months

In the September quarter, nominal sales were up 19 percent; in December, Christmas spending lifted this to 23 percent, then came the serious knock, in the March quarter CFTA sales were up by only 13 percent.

Mr Hammond explains that the March quarter was significantly affected by general boycotts as well as disturbances throughout the country

Edgars managed to outperform the industry figures In the September quarter it increased sales by 22 percent; by 30 percent in the December quarter and, by 20 percent in the March quarter

Helped by the leverage impact of the increased sales as well as increased productivity, operating margins for the year were up to 14,5 percent from 13,2 percent.

This meant that the 24 percent sales increase was converted into a 36 percent hike in operating profit to R287,8 million (R211,9 million)

The interest bill shot up 82 percent to R44,7 million (R24,6 million) This was attributed to the heavier interest costs on an increased level of borrowings

Financing needs associated with the group's strong growth and the investment in improved store assets and technology all contributed to the increase in borrowings from R144 million to R241 million.

An additional aggravating factor was that changes at the Receiver's office resulted in tax cash payments being much more in line (time wise) with the actual generation of the associated profits.

Heavier tax

This had an adverse impact on Edgars' cash flow. Financial director Kevin Brewer pointed out that it resulted in Edgars having to make actual cash tax payments of R119 million during financial 1990 compared with R55 million in financial 1989

Without this and, without the need to transfer R20 million from reserves to deferred liabilities (to cover the change in the Receiver's lifo policy), management would have been able to hold gearing at around 45 percent As it was gearing moved up to 64 percent.

The group's attributable earnings increased to 30 percent to R123,5 million (R95,2 million) A final dividend of 66c (53c) a share has been declared bringing the total to 93c — 24 percent ahead of the previous year's 75c.

The balance sheet shows current assets (stocks and debtors) rose by 33 percent — from R909,6 million to R683,2 million — which is well ahead of the increase in turnover

Management stresses that the stocks are current and that debtors collections remain firm — allaying fears that the group will be left holding redundant fashion stock or that the current conditions have led to a signficant increase in bad debt.

There was little change in the divisional contribution at pre-tax profit level Edgars contributed about 76 percent, Sales House accounted for around 20 percent and, Jet chipped in with four percent.

BDay 9/5/90

Good all-round performances help boost Lenco

(184)

LESLEY LAMBERT

CAPE TOWN — Fast-growing clothing, textile and packaging company Lenco Holdings reported 30% growth in attributable earnings to R27,8m as a result of improved trading performances in all operating divisions

The company's parent, Lenco, recently sold 16,5% of its shares to the Rembrandt Group and was involved in the creation of Combined Packaging, a R100m-a-year plastics packaging giant.

Lenco Holding's earnings growth for the year to February 1990 was based on 37% growth in turnover to R283,9m and 42% growth in operating income to R42,8m. Earnings a share grew 27% (to 45,8c) and a dividend of 9c, up 29% on the previous year, was declared

Lenco MD Doug de Jager said all operating divisions had exceeded internal growth targets, with particularly good performances from packaging subsidiary Elvira, footwear subsidiary Amshoe and House of Monatic which reported yesterday.

In March, the newly created Combined Packaging became the parent company of Elvinko and the flexible plastic operations of Rubenstein Holdings The subsequent acquisition of the Kohler Rigid Plastics division considerably increased this group's size.

De Jager reasons to view the current year with confidence included that order books were full in the clothing subsidiaries

Star 9/5/90

Lenco looks to shareholders

184

By Tom Hood

Lenco Holdings plans to raise about R31 million from shareholders to eliminate its debt, said managing director Douglas de Jager yesterday

The Cape-based clothing, footwear and packaging manufacturer will offer shares at 250c against the JSE's current 260c, which is a 12-month high

After some major acquisitions, borrowings jumped to R34 million at end-February from R10 million a year ago

At the same time, net asset value has soared to 147,2c from 110,4c a share

Turnover for the year surged by R75 million (42 percent) to R284 million, while pretax profit rose 31 percent to R42 million

Finance costs more than doubled to R7 million and the tax bill rose R2 million to almost R8 million

However, earnings improved by R4 million (27 percent) to R18 million, equal to 45,3c (35,6c) a share

Shareholders will get a 29 percent rise in dividend, which is up from 7c to 9c a share

EDGARS FM 11/5/90 (382)

Fashion changes (184)

Trading became progressively tougher for Edgars as its trading year progressed, culminating in a sharp sales decline with the unrest in March. But though sales have recovered somewhat since then, CE Vic Hammond fears national sales of clothing, footwear, textiles and accessories will shrink by 2% in calendar 1990 reversing 1989's 2% rise

Edgars has been preparing for the downturn, Hammond adds, and expects to increase its market share again this year. He expects the group to raise its turnover but

STRONG IN ADVERSITY

Year to	Apr '89	Mar '90
Turnover (Rm)	1 599	1 962
Pre-tax profit (Rm)	187,3	243,1
Attributable (Rm)	95,2	123,5
Earnings (c)	192,2	243
Dividends (c)	75	93

FM 11/5/90 (184) (382)

warns squeezed margins and high interest rates will lead to earnings growth lagging inflation

Despite the year-end problems, increases in sales, operating profit and earnings were only slightly lower in the second half than in the first Nonetheless, second-half increases were well down on the heady rises of the previous year's second half.

Sales in the latest full year were 24% higher, but operating profit rose 36% Interest paid increased 82% and earnings on a fully diluted basis — all outstanding debentures were converted earlier this year — rose 26% to be almost matched by a 24% dividend hike

Gearing rose to 0,64 (0,45) with an increase in credit sales to 70% because of tighter economic conditions, expenditure on improved store assets and technology and a transfer of R20m from reserves to deferred tax following the announcement of the withdrawal of the tax benefits of the lifo reserve The directors are confident gearing will not increase as improved data systems speed collections

Sales growth was slightly faster in Sales House than in Edgars chain, but Sales House's profitability declined in relative terms Jet Stores improved its performance from a low base, but directors say it has a way to go

Contributions to group earnings were little changed — 76% from Edgars chain, 20% from Sales House and 4% from Jet Edgars chain, which has the most white customers, was least hit by unrest but did not escape softer white consumer spending trends

The group continued to upgrade its stores, pushing for higher earnings per metre in preference to opening new outlets Floor space was increased by only 3%, this year the increase is projected at 6%, but the main thrust will continue to be towards qualitative improvements for the next few years

The share fell back in February after a strong rise in December-January, and could weaken further if investors take fright at poorer results from retailers At 3 225c the share yields 2,9%

Teigue Payne

Focus's earnings hampered by interest bill

BDay 11/5/90

SYLVIA DU PLESSIS

AN INTEREST bill which increased 12-fold and losses from discontinued operations hampered earnings growth at speciality retailer Focus Holdings in the year to end-February

Organic sales growth and the acquisition of the Cashworths and Smiley Blue stores helped boost turnover by 134% to R49,8m, while operating profit rose 61% to R3,5m (R2,2m)

But interest of R1,17m and an extraordinary item of R369 000 representing losses from discontinued operations related to acquisitions contributed to a below-inflation rise of 7% in earnings to 9,1c (8,5c) a share.

This growth was in line with expectations after management's revision in December of their original projection of 13c a share

Directors said at the time this would not be achieved because of prevailing economic conditions and rationalisation benefits of the Cashworths acquisition taking longer to accrue than expected.

Commenting on results, they said all chains in the clothing, bedding and linen group were well-positioned to expand in the future.

Focus announced earlier this year that its year-end had been changed to July 31 Consequently, financial statements will be published for the 17 months to end-July 1990

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Picprop sheds two assets

Star 14/5/90

1824

Picardi Properties (Picprop), a JSE-listed subsidiary of investment holdings group Picardi Holdings (Pichold), has disposed of two of its operating activities, Logans Sports and Revelation Luggage.

The company has also declared a special dividend of 70c a share.

Picprop chairman Dr Theo Rood said the assets and liabilities of Logans Sports had been sold to a management syndicate consisting of Mr D Stewart, Mr E Logan, Mr E Kruger, and Mr B Ffoulkes, with effect from January 1 this year.

Revelation Luggage Holdings and certain of its subsidiaries was acquired by Mr Zhaun Amid and Mr Nicky Sevim, with effect from April 1, 1990.

Following the disposal, Picprop is expected to have investments of R16 million in preference shares, and R6,5 million in cash. — Sapa.

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Star 14/5/90

184

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Export blow for Rex True

Star 15/5/90

184

By Neil Behrmann

LONDON — A major British buyer of Rex Trueform suits has suffered severe losses in its latest financial year because of the crippling UK retail recession.

The company, Next, a major high street retail chain has been affected by poor management decisions during the past few years and the surge in UK interest rates.

As a result of store closures, 'Next for Men' shops are expected to order less Rex Trueform goods this year.

In the year ended January 1990, turnover dipped by 16 percent to £949 million and operating profit fell 61 percent to £36 million.

After exceptional items relating to store closures and staff redundancies, a profit of £62 million in the previous financial period was converted into a loss of £47 million in the latest period.

"The rapid expansion of the group in the late 80's has put a significant financial, managerial and operational strain on the business," says David Jones, chief executive of Next.

"We suffered not only from a downturn in consumer spending, but also from problems in our merchandise ranges."

The second half performance was a significant improvement on the first half, says Mr Jones, but it has not resulted in any improvement in profitability.

Due to a rapid increase in the number of branches and selling space in 1988, average sales per square foot was seriously eroded. This coupled with intensive competition (leading to higher markdowns), the high cost of rents and occupancy costs, has had a detrimental effect on profitability this year.

Mr Jones says that to increase cash resources, the company will sell non core businesses.

He expects another poor year in 1990, however, particularly since UK base lending rates are 15 percent.

B/Day 16/5/90

Cutrite sees profits rise by 21%

AHMED KARIEM

STEADY demand for merchandise from the manufacturing companies of Cutrite Investments in the year to February resulted in a 21% increase in taxed profits to R2,8m (R2,2m).

Earnings a share increased to 16,7c and a final dividend of 3,5c was declared bringing the total for the year to 6,5c (5,5c).

Both divisions, Cutrite Apparel Manufacturers, aimed at the growing black consumer market, and Diva Fashions, which focuses on quality high fashion for men and women, performed solidly, resulting in a 22% increase in turnover to R39,1m (R32m).

Financial director Hymie Feinberg said the results were satisfactory despite a squeeze on group profits in the second half of the financial year, due to an increase in the interest burden, labour demands, a drop in consumer spending and difficulties experienced with materials.

Spending

184

Although long-term liabilities had doubled to R1,5m (R756 000), Feinberg said the loan was repayable over five years at a very attractive rate.

"The widely reported consumer boycotts, unsettled trading conditions, high interest rates and other factors dampening consumer spending have as yet not prevented group expansion, resulting in our confidence that interim results to August should be relatively satisfactory."

Feinberg said the group's performance compared with those of other listed companies in the clothing, footwear and textiles sector showed that Cutrite had effectively controlled its current asset ratio and percentage profit on turnover

Afrikaans men spent most on wives' clothes — survey

184

AFRIKAANS speaking men spent three times more on women's clothing last summer than did their English-speaking counterparts, a national survey by Research Surveys (RS) found. B10ay 22/5/90

But they spent only twice as much as English-speaking men on frilly underwear for their wives or girlfriends, and 70% of purchases of women's intimate wear were made by men over the age of 35

RS director Binky Kellas said yesterday the relatively large amount of money Afrikaans men spent on women's clothing meant one of two things

Either Afrikaans wives were financially less independent than their English-speaking counterparts, or Afrikaans men were "true romantics who like to surprise their wives with an intimate gift."

The survey — conducted for the local clothing industry — also found that white men spent more than three times as much on clothing for their wives as they did for their children — least of all for their daughters.

In contrast, black men were "obviously crazy" about their children — particularly their daughters — when it came to buying clothing. For every R10 the average black man spent on ladieswear, he spent R7 on girlswear

FM 25/5/90 (184)

MERITEX FM 25/5/90

Wearing thin (184)

Activities: *Manufactures underwear and other basic garments*
Control: *Directors 59,7%*
Chairman and MD: *E Gordon*
Capital structure: *15,7m ords Market capitalisation R9,4m*
Share market: *Price 60c Yields 1,3% on earnings, PE ratio, 7,50 12-month high, 130c, low, 60c Trading volume last quarter, 293 000 shares*

Year to Jan	'88	'89	'90
ST debt (Rm)	1,5	1,8	10,3
LT debt (Rm)	3,6	3,5	2,8
Debt equity ratio	0,19	0,35	0,82
Shareholders' interest	0,52	0,49	0,40
Int & leasing cover	9,4	25,7	1,9
Return on cap (%)	23,0	18,0	7,6
Turnover (index)	100	122	152
Pre-int profit (Rm)	5,4	5,8	3,1
Pre-int margin (index)	100	88	38
Earnings (c)	18,6	27,0	0,8
Dividends (c)	6	7	—
Net worth (c)	80	99	100

Intuitively, one would have thought it unlikely that a company manufacturing something as basic as underwear could experience a virtual wipe-out of earnings Unless, of course, you add a combination of production bottlenecks, problems with a new computerised control system and labour disputes into the equation

To put all this into perspective, domestic sales remained buoyant with growth averaging between 30% and 40% in each of three main divisions. Exports, however, declined by 14% to give an overall sales increase for the year of 24% — still two percentage points better than the 1989 improvement which yielded a 45% increase in earnings

Clearly, then, the problem revolved around margins which collapsed under the weight of abnormal cost increases, unprofitable exports (which may be discontinued) and the write-off of redundant stock This affected cash-flow seriously at a time of heavy capex and other expenditure, resulting in a substantial debt build-up with attendant servicing costs, which took a further toll on profits

To round off the picture, it is worth recording that the extent of the earnings decline was exacerbated by the fact that 1989 earnings were, in a sense, artificially high — the effective interest rate on borrowings that year was only 4% and there would, in any event, have been some drag on the income statement this past year as the situation normalised As it is, however, a combination of a four-fold increase in the average interest rate to 16,8% and a leap in borrowings to R13,1m (1989 R5,3m) resulted in a tenfold increase in the interest charge from R226 000 to R2,2m

The annual report has quite a lot to say about excessive stocks and the effect this had on the balance sheet But while it is true that stock per se increased by 29% over the year, representing a disproportionate increase relative to sales, once debtors and creditors are taken into account, it turns out that the net increase in working capital was only 22%, or two percentage points less than the turnover gain So at least the problem is no worse than it was last year

A year ago, chairman Edward Gordon indicated that a 62% increase in stocks (which in turn led to a 44% increase in net working capital) had been part of a deliberate policy designed to minimise production dislocations It now seems this policy is deemed undesirable and the latest report talks of a return to normality as regards stocking by June this year

It is difficult to comment on the relative level of stocks since the group does not disclose turnover — how sensitive can underwear sales be, for heaven's sake? What can be said, however, is that last year's additional investment in working capital at R3,7m would have been a heavy burden even without the collapse of cash-flow This much is evident from the fact that it would have absorbed 57% of 1989's R6,5m cash flow which, accordingly, would still have been insufficient to fund capex (R3,5m) and amounts owing in respect of tax and dividends unpaid at the end of the previous financial year (R3,3m)

As to prospects, Gordon expects a return to "meaningful" profits this year Full recovery, however, is likely to take longer since there is still a residue of the problems which affected last year's results to be overcome before the group can reach its full earnings potential A slump in the share price from 127c, when the *FM* reviewed the 1989 annual report, to the current 60c suggests that investors are not exactly holding their breath

Brian Thompson

F/M 25/5/90 (184)

F/M 25/5/90 (184)

PROGRESS INDUSTRIES

Jumpers jump

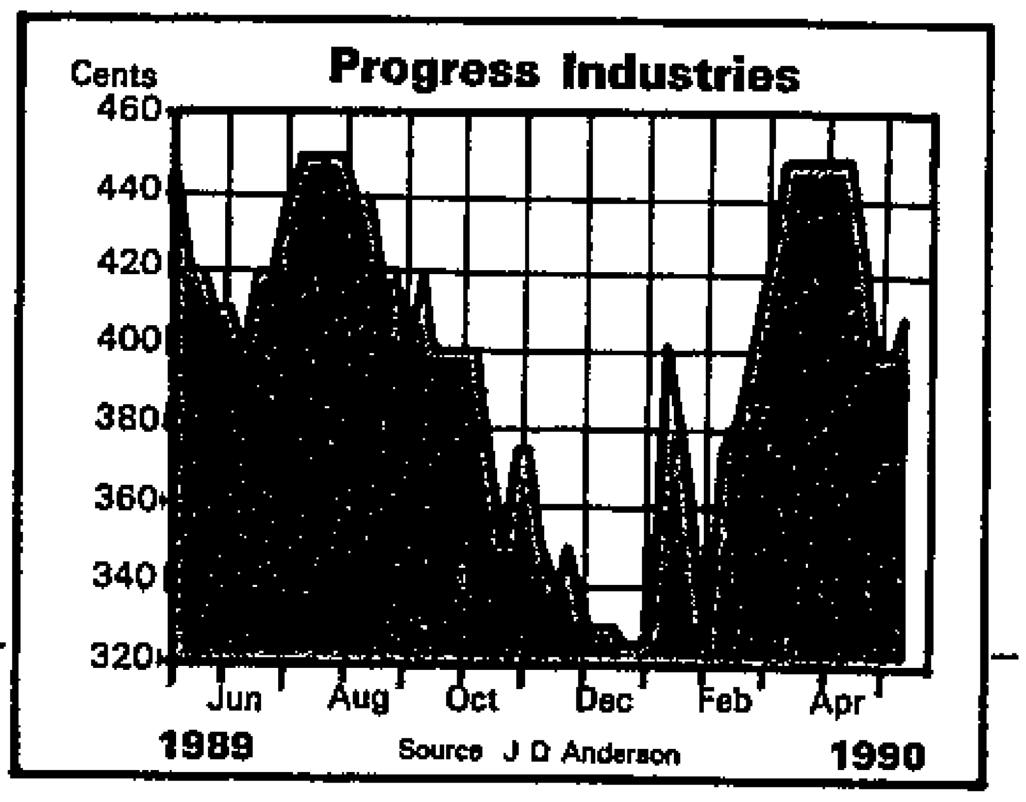
Activities: *Manufacturers of knitwear, clothing and knitted fabric.*
Control. *Directors 54%*
Chairman: *David Aronovsky, MD Peter Jacobson*
Capital structure: *2,8m ords Market capitalisation R11,9m*
Share market: *Price. 425c Yields 11,3% on dividend, 45% on earnings; PE ratio, 2,2, cover, 4 12-month high, 460c, low, 320c. Trading volume last quarter, 73 265 shares*

Year to	'86	'87	'88	'89
ST debt (Rm)	0,9	1,0	1,0	1,1
LT debt (Rm)	3,9	5,3	9,9	8,1
Debt equity ratio	0,37	0,43	0,61	0,42
Shareholders' interest	0,48	0,49	0,43	0,45
Int & leasing cover	5,9	7,9	5,5	4,2
Return on cap (%)	15,3	21,6	18,3	21
Turnover (Rm)	31,6	42,5	50,8	65,3
Pre-int profit (Rm)	4,1	6,5	7,6	10,3
Pre-int margin (%)	12,8	15,2	15,0	16,0
Earnings (c)	71	107	158	191,7
Dividends (c)	24	36	42	48
Net worth (c)	444	515	631	774

Violence in Natal's black townships hit Progress's labour force and slowed the clothing company's performance last year, but did not halt growth Question is, will the deteriorating situation clobber this year's production just as demand is sliding with the declining economy?

But while management was struggling with absenteeism at the Natal factories, high productivity at the new Swaziland knitwear factory, which opened last year, helped to keep production at acceptable levels Because of its good performance, Progress says it was able to increase turnover in the sweater division by 33% However, this was hampered by problems with delivery of local raw materials leading to the decision to import a large portion of yarn this year No doubt that will lead to the usual squabble between local textile makers and clothing companies, particularly if demand for local materials and yarns is clipped by recession

The productivity contribution of the Swazi factory is highlighted by the trading performance, turnover increased by 28% while the pre-interest profit was 35% ahead. But while the apparel division was doing well, the textiles operations in violence-hit Natal struggled. Its turnover rose by a comparatively meagre 20% simply because production faltered periodically The apparel division which produces clothing under the brand names St Geran, Street Talk, Blanc Bleu and Code One increased turnover by a healthy 36% The division also produces merchandise for large retail groups with their own house brands



Emphasis this year is likely to be on increasing capacity in peaceful areas, so this year the Swazi knitwear operation's capacity will be expanded, while expansion of the Natal textile mills is likely to be deferred That does not mean textiles will be ignored as the company hopes any expansion can be introduced to coincide with economic revival

In the meantime, present soft economic conditions in the retail sector have taken their toll on Progress's turnover with lower growth in the first two months of 1990. However, Progress should see continued demand for its products in the tough months ahead helped by government's discouragement of imports and less competition for the local industry *Heather Formby*

Kappa sells retailing arm

Star 25/5/90 By Ann Crotty (184)

The retailing arm of Kappa has been sold to one of the major listed retailing groups.

Last September, Kappa management bought itself out of the FSI group — after spending a relatively brief time as part of that large conglomerate

The sale of the retail division of Kappa (the company has two other divisions — wholesaling and mail-order) is believed to have been done at a price considerable above R2 million

No details of the purchaser have been given other than that it is one of the country's major clothing retailers with a network of around 150 stores. This suggests that it could be Pepkor, Wooltru or Foschini.

Pension funds put R50-m into Golden Walk

St 30/5/90 (184) (880)

By Roy Cokayne

A consortium of 20 pension funds has invested R50 million in Debruynplan (Pty) Ltd's R140 million Golden Walk shopping and office development in Germiston

The investment in Golden Walk, the second major development outside Pretoria by Debruynplan (Pty) Ltd, was organised by Dr Peter Penny of Herbert Penny (Pty) Ltd

A spokesman for Debruynplan (Pty) Ltd, the property development arm of the Debruyn Group, said the investment represented a nod of approval for the company, particularly as the pension funds had expressed the desire to be involved from the outset in their future developments

Debruynplan (Pty) Ltd managing director Mr Henri de Bruyn said Golden Walk was the most exciting project developed by the De Bruyn Group in its 104-year history

"No wonder investments are streaming in," he said

The spokesman said Debrynplan (Pty) Ltd had arranged a short-term bond from Syfrets Bank and a long-term bond from Syfrets Participation Mortgage Nominees to fund the development and started negotiating with potential investors only recently when the development was nearing completion

"The complex is about 90 percent completed and the key tenants — the OK, Pick 'n Pay and Woolworths — are all open The development, including four cinemas will be finished within the next two months

The Golden Walk centre is owned by Astra Property Holdings (Pty) Ltd, which is a wholly-owned subsidiary of Debruyn's Beleggings (Pty) Ltd Astra Property Holdings (Pty) Ltd is being converted into a share block company, Astra Shareblock Company (Pty) Ltd, to accommodate the investors

Pepkor venture is paying off

(184)

By Jabulani Sikhakhane

Attempts by the Pepkor Group, to broaden ownership of the group and encompass people from whom it draws its custom, appear to be bearing fruit

The company's recent venture with black shareholders on the Reef, Pep Reef, has posted outstanding results for the year ending February 1990 After tax profits increased 407 percent to R142 000 on a turnover was up 169 percent to R3,768 million.

The number of trading outlets doubled from three to six, this being financed from the company's own resources and the issue of shares.

Directors warn that further expansion plans in the forthcoming year, coupled with anticipated difficult trading conditions, are expected to add further pressure on margins

Pep Reef was formed in 1989, with a black majority shareholding, following the success of Pep Peninsula which boasts 30 stores, to give the black community an opportunity to share in Pep's success.

Pepkor Group directors believe that by spreading share ownership through all levels of society, a wider distribution of wealth is achieved and it also serves to demonstrate the value of the free enterprise system to people who have sometimes had cause to doubt it

The years ahead may well see an expansion of Pepkor's partnership philosophy into neighbouring countries and perhaps, even further afield

Garment industry sent reeling by squeeze

Star 31/5/90

By Des Parker

Garment factory workers are being squeezed out of their jobs in an industry whose leaders warn is being priced out of the market

Sadek Vahed, vice-president of the National Clothing Federation and chief executive of Durban-based AM Moolla group, one of the largest clothing manufacturers in South Africa, says between 1500 and 2000 people have been put out of work in the industry in the past six months as massive price hikes by retailers crimp the end of the garment pipeline.

Two weeks ago Mr Vahed's group laid off 140 workers employed making trousers for the men's market He stresses that the number is only two percent of the 7000 people the group has in its 10 factories and that other manufacturers have had to be far more ruthless

But the layoffs are the thin end of a wedge that already has seen some 20 small factories around the country close in recent months and a reduction in cut, make and trim operations in Durban and Cape Town.

Mr Vahed, who as a member of the State President's Advisory Council and with a seat on the board of First National Bank, is one of Durban's best-connected business leaders, reckons the clothing sector's demise is symptomatic of what ails the entire economy.

"The whole economy, and maybe the clothing and footwear sectors in particular, are going through a very bad patch which I don't see us coming out of for nine to 12 months," he says

"It is not only the credit squeeze which is hurting us but the whole inflationary spiral, wages, imported and local raw material costs, the heavy import duty and surcharge structure

"The housewife sees the price tag on an item a year ago at R19,99 and now it is not R24,99 or even R27,99, but R34,99," he says.

"Her response is. 'I can't afford that' and instead of buying three she makes do with two or even one.

"And where that really hurts the manufacturer is that he achieves his economies out of increasing his volume of production".

CLOTHING AND TEXTILES FM 1/6/90 (184)

Cottoning on to increases

For the past 16 years the price of cotton to SA's textile mills has been set by agreement between the Cotton Board (acting for the cotton farmers) and the textile mills Now, for the first time, no agreement has been reached.

Cotton has a 33% share of local textile production, way ahead of its nearest competitor, polyester, with 21% So the downstream implications of the latest 36% cotton price hike on clothing prices will be significant

The increase couldn't have come at a worse time for the clothing industry The latest business conditions report of the National Clothing Federation (NCF), yet to be published, predicts that manufacturing volumes will decline by 2% this year Fabric cost increases were running at 19,7% in February But the latest cotton price increase, which will lead to a 30% increase in cotton fabric prices, could push this index up to 25%.

Says the federation's vice-president, Sadek Vahed "Not only have we had to cope with fabric price increases, but also with an increase in unrest, especially in Natal, which has affected sales volumes and production On top of that, wage increases have averaged about 24%"

Up to 20 small clothing factories have closed down, or are about to, and 2 000 workers have been retrenched from the industry, adds Vahed

The Cotton Board has set the cotton price at R4,82/kg, which is 36% above last year's price of R3,55 The mills say the increase is too much to absorb at once

But, in terms of the existing cotton marketing agreement (CMA) between the board and the mills, the board annually sets a price based on an average between the previous November and March world prices This is regarded as the price for the coming year

This means that in some years, mills enjoy lower prices than the yearly average, but, in other years, not Last year, the price increased by only 1,4% — from R3,50 to R3,55 And, for most of the year, local mills benefited from paying SA producers well below world prices which averaged around R4,50/kg

This year, world prices seem to have peaked at R5,12/kg, but the mills are expecting prices to drop later in the year But, while they expect world prices to fall, in terms of their standing agreement mills will be expected to take up at least 80% of the local crop at the new prevailing price

Frame chairman Mervyn King, an outsider to the industry until two years ago, is the most vociferous critic of the board and the CMA He argues it goes against current free market thinking in government circles "We are obliged to take a high proportion of the local crop even if farmers don't produce the cotton qualities we require There's an excess of coarser cotton and a shortage of finer cotton produced in this country

"We also need greater efficiencies by cutting down on warehouse space and by only buying raw materials when we need them on a just-in-time basis The CMA is a nice, cosy arrangement for the farmers and the board, but it makes it difficult for us to control our own raw material stocks"

However, it's only because Frame has cotton stocks available that it can refuse to pay the Cotton Board price at the moment Smaller mills are being forced to accept what they describe as a "unilateral" price

According to Textile Federation executive director Brian Brink, the mills would accept an increase of up to R4,65/kg, which would still be an increase of more than 30%

But Cotton Board GM Johan Gillen points out that last year, the average world cotton price was R4,50/kg — so local spinners enjoyed a discount of almost R1/kg "The agreement price is supposed to be related to the world price And, by setting the price at R4,82, we have already come down 30c from the price farmers would be entitled to on the open market To come down further, even to R4,76, would be ridiculous"

Gillen says farmers are already disillusioned with the agreement, which hasn't worked to their advantage The agreement runs out on June 30, which means it will only be applicable to the crop until the end of March 1991 He says it won't continue in its present form "The new agreement will have to be in line with current thinking, which means fewer controls"

But Brink charges the board has already instituted controls beyond its mandate "It has imposed import quotas on lint and seed, originally as a temporary measure, but it has continued this It now proposes to buy up cotton lint from the ginners and sell it centrally to the spinners — a move we're resisting," he adds

The cotton price hike has also come at a time when polyester prices have increased at 10% or less — well below inflation

Mike Smith, MD of SA Nylon Spinners — the main producer of synthetic fibre, says the cotton price increase will be a positive factor in helping synthetics increase its market share But, he adds, "price is just one factor Fashion is a major factor and it has helped cotton grow its market share"

In some ways, the cotton spinners are shedding crocodile tears According to textile industry consultant Joop de Voest, the price increase had been anticipated and was partially reflected in the January increase in the cost of cotton yarn Clothing manufacturers expect the balance of the price recovery to be shown in the prices to be set later in June

However, consumers have often proved immune to clothing price increases "Viscose prices have increased by more than 30% a year but it's been increasing market share," notes De Voest in support of this contention

Stephen Cranston

ADSPEND

Up, up and away . . .?

Advertising expenditure, known as adspend, is a traditional barometer of confidence in the economy, as it tends to rise and fall with the economic indicators

This year, however, unlike the rest of the economy, it seems to be showing real growth In the first quarter of the year adspend grew by 19,8% over the first quarter last year and the growth seems to be accelerating After a flat February which only grew by 15,5%, March-on-March growth was 21,2%

The biggest winner overall is television, which grew by 29,7% in the first quarter compared with 17,3% for print

In March, cinema increased its revenue by 42,8% over March 1989 after a slow start to the year It grew 15% in the first quarter NuMetro has increased the number of its screens at Hyde Park in Johannesburg and

Downturn hits clothing industry

By DICK USHER
Business Staff

6/6 NEWS 2/6/90 (184)

EFFECTS of the economic downturn are starting to bite in the clothing industry and for the first time in many months employment in the Western Cape has dropped

And the number of factories working short-time is growing, according to the secretary of the Cape Province Clothing Manufacturers' Association, Mr Colin McCarthy.

National Clothing Federation vice-president Mr Sadek Vahed warned from Durban that about 20 small clothing factories around the country had closed already this year and 1 500 to 2 000 people had been put out of work in the past six months as huge price hikes by retailers crimped the end of the garment pipeline

Some cut, make and trim operations in Cape Town and Durban have been reduced to working only two or three full-day shifts a week

Mr Roy Dalle Vedove, chairman of the Garment Manufacturers Association, said that because of changes to the Insolvency Act many employers who went out of business did not register their closure or negotiate retrenchments

"They simply close or cut numbers so that they have five or less employees and do not have to register.

"So it's difficult to say accurately how many firms have gone out of business, but there have been three official closures of our members this year

"And I do know that everyone's turnover is reduced substantially"

Mr McCarthy said the drop in employment was marginal at this stage but was significant because figures had been climbing steadily until that point.

"There is a lot of short-time being worked and I'll be canvassing the industry so that we can get the full picture.

"But it's reached the level that the Cape Chamber of Industries is holding a seminar to advise employers on procedures to follow when short-time becomes necessary," he said.

And as the job-squeeze tightens, industry leaders have warned it is being priced out of the market by soaring overheads

Mr Vahed, a member of the State President's Advisory Council and a director of First National Bank, believes the clothing sector's demise is symptomatic of what ails the economy

"The whole economy, and maybe the clothing and footwear sectors in particular, are going through a bad patch which I don't see us coming out of for nine to 12 months," he says

"It is not only Chris Stals's (governor of the Reserve Bank) credit squeeze which is hurting us but the whole inflationary spiral — wages, imported and local raw material costs, the heavy import duty and surcharge structure

"All imported fabrics are subject to a minimum 20 percent and a maximum 100 percent duty, depending on price area To that you can add the flat rate of surcharge 7,5 percent, giving a minimum markup on the import price of 27,5 percent

Falling sales hit clothing

By DON ROBERTSON

FOOTWEAR and clothing manufacturers face falling sales and factory closures as a result of the sharp decline in consumer spending caused by political unrest and the economic slowdown

At least 25 small clothing manufacturers and two shoemakers have closed in the past six months with footwear manufacturers reporting a monthly decline in orders of 18,5% for the first quarter

The fall in footwear orders comes at a time when imports of shoes have fallen to their lowest in many years

Last year imports fell by 20% — and are still dropping But lower imports have not helped SA manufacturers

Attitude

(184)

Bolton Footwear deputy chairman Brian Puchert says manufacturers with strong brands are able to withstand the worst effects of the downturn

Bolton, which has several top brands, has not felt the pinch as severely as some manufacturers Those with a large black market are among the worst hit

Mr Puchert says "Retailers, instead of ordering ahead, are adopting a wait-and-see attitude"

National Clothing Federation (NCF) vice-president Sadek Vahed is worried about the collapse in demand S/Times 3/6/90

"We will have to tighten our belts or more companies will go to the wall"

The closure of 25 factories has already cost between 1 500 and 2 000 jobs and more are expected to follow

Mr Vahed says production costs have risen annually by an average of 20% for the past three years

He blames a 45% increase in the cost of labour in the past two years, a 70% lift in SA-made fabric prices and a 30% rise for imported fabrics

D Day 4/6/90 (184)

Romatex investors unimpressed

ANALYSIS: STEPHEN RICHTER

INVESTORS were clearly unimpressed with the latest interim figures from Romatex as the share price touched new yearly lows recently

Romatex was trading as high as 1 125c in August 1989, but as the textile industry slowed down, clothing and textile shares came under pressure Romatex was no exception

The share is now trading at 12-month lows

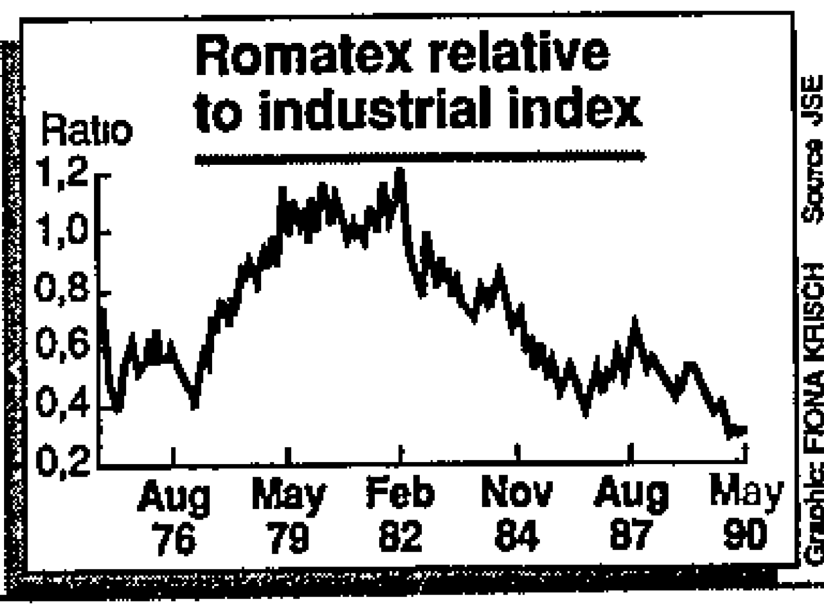
The economic slowdown made things tough for the group Pre-interest profit covering the six months ended March 1990 fell 19% to R30,4m, but a sharply higher interest bill of R4,1m (R1,5m), resulted in pre-tax profit declining 27% to R26,3m Earnings per share fell a similar percentage to 69c (94,3c), but the dividend was reduced only 11% to 25c

Turnover for the latest interim period declined 1% to R350m Financial director John Rennie said this drop in turnover was not entirely because of economic conditions, as operations sold in 1989 accounted for R36m of the R354m turnover covering the six months ended March 1989. Turnover from this source is not included in the latest earnings report.

The substantially higher interest charges were explained by the increase in short-term interest bearing debt to R34,8m (R15,3m) at the interim stage The group began a capital expenditure programme which amounted to R61,4m for the 12 months ended September 1989, and management expected capital expenditure for the current financial year to at least be equal to that

Given the fact that during financial 1989 net borrowings jumped from R1,9m to R41,6m, representing 15% of shareholders' funds, investors may be worried that the group's spending plan could be getting out of control

Rennie said group policy allowed for interest-bearing debt as a percentage of shareholders' funds to reach 55% before alarm bells began to ring in the group's boardroom He anticipated this figure to be about 30% at the end of this year, and would not exceed 40%



The group's floorcoverings and industrial activities are finding found it difficult to maintain profitability in the current economic environment

Investors are unconvinced that earnings will turn the corner soon, and therefore the share price has been under pressure Taking a long-term view of the situation, the performance of Romatex on the JSE is even more discouraging

The accompanying chart shows the relative performance of the Barlow-controlled group against the industrial index since November 1974 Previously, when the relative strength ratio dipped to a reading of 0,4, buying interest emerged for Romatex and the ratio bounced back

During the past few months this ratio has moved below the critical 0,4 level, seemingly indicating that long-term oriented investors are also avoiding the share

The share seems suitable only for patient investors willing to ignore the current gloom evident in the textile industry.

Filati profit reduces accumulated loss

B/Day 4/6/90. (186)

PIERRE DU PREEZ

DCM-listed knitted garment manufacturer Filati Holdings has turned a loss of R134 375 in the 1989 financial year into a R9 325 profit in the year to February

As the company had an accumulated loss of R91 371 at the beginning of the year, the 1990 profit brought down its accumulated loss to R81 849

Filati posted a profit of R179 325 after taxation but an extraordinary item of R170,000, representing costs incurred by the closure of the Atlantis factory and consolidating production in Epping, eroded most of the gains made.

A 3% rise in turnover to R9,4m (R9m) contrasted with a 23% slide in operating profits to R582 454 (R757 428)

Earnings of 1c (4,8c) a share were achieved but the dividend was passed for the second year

Directors said a larger number of orders had been placed during the year than before but the company did not have the production infrastructure to satisfy demand However, the second half of the year showed significant improvements

On future prospects, they said new senior and second-tier management had been recruited locally and overseas

In addition, overheads were being reduced

At a price of about 15c, the share is on an historical price earnings ratio of 4,2% and an earnings yield of 24%, against sector averages of 8,9% and 11,3% respectively for the DCM .

BDay 5/6/90 184

Adonis is looking good

ACHMED KARIEM

KNITWEAR manufacturer Adonis expects its unit volumes to increase 20% in 1990

Chairman Joe Bencen said yesterday he was confident shareholders would be happy with the interim results to be released soon

An increase in sales was because of steady demand from all its divisions — Adonis, Dino Milano, Lyle and Scott, and Christian Dior, he said

The increase in demand was in line with the company's predictions

Most of Adonis's annual turnover is derived from winter sales, according to the annual report Adonis, geared towards upmarket male clients, used mainly imported pure lamb's wool and local acrylic/wool mixtures

The share price (220c) is currently trading at its highest this year, after its low of 180c in January

Arwa hopes to be back in profit

Star 5/6/90 (184)

By Tom Hood

Arwa, the listed hosiery, textile and clothing group, expects to be back making profits again by the end of the year, when the directors would consider resuming dividend payments, the chairman, Mr Johann Claasen, said yesterday at the annual meeting in Cape Town

This depended on the disposal of the loss-making fabrics division, which was under negotiation, he said

Almost R4 million of net profit was lost on cancelled orders of R16 million after disruptions caused by a fire at the knitting factory in Laudium and relocation of operations to Clayville

The group ended its financial year with a R3,3 million net loss after a R7,3 million net profit for 1988

Earnings a share dropped from 36,5c to a loss of 12,2c and no dividend was paid (8,3c paid in 1988).

Mr Claasen said markets have declined substantially but all businesses were on target for the year except for the fabric division.

He disclosed in his annual report that "due to undisciplined financial expenditure and sacrificing profitability for market share," two operations did not perform as expected.

"Corrective action was taken at senior level and the group has now reverted to a much more conservative and disciplined approach."

When a shareholder questioned this statement, Mr Claasen said the company's gearing increased considerably and had a material effect on profits

"Excessive spending in terms of operations and capital expenditure was not fully agreed to by the board. The previous managing director and financial director at that stage have left the services of the company."

Interest paid by the group soared to R7,3 million from R2,8 million as borrowings increased to R44,5 million from R1,9 million

Shareholders agreed to pay R375 000 as directors' fees.

Filati eyeing niche markets overseas

B Day 7/6/9

PIERRE DU PREEZ

184

DCM-listed knitted garment manufacturer Filati Holdings was looking at overseas markets to ensure continuing growth, chairman Alan Tamaris indicated yesterday

Tamaris added that although the knitwear market in Europe remained tough, Filati was eyeing certain niche markets on the international front

He said "Things are starting to happen at Filati We must, however, first start making a profit Establishing a reputation for reliability with our customers remains paramount."

Filati Holdings was listed on the DCM in 1987. In its first reported results the Cape-based manufacturer was pushed into the red by its woven division

A loss of 7,2c a share was recorded after deducting the R619 000 loss incurred by the non-performing woven division

But results for the year to end-February 1990, might have signalled a turnaround. A loss of R134 375 in the 1989 financial year was transformed into a profit of R9 325.

Filati Holdings is currently priced at about 15c It is trading on a p.e of 15% and earnings yield of 6,7% against averages of 9,1% and 11% respectively for the DCM sector

FIM 8/6/90 (184)

ARWA FIM 8/6/90 (184)

Over the cliff

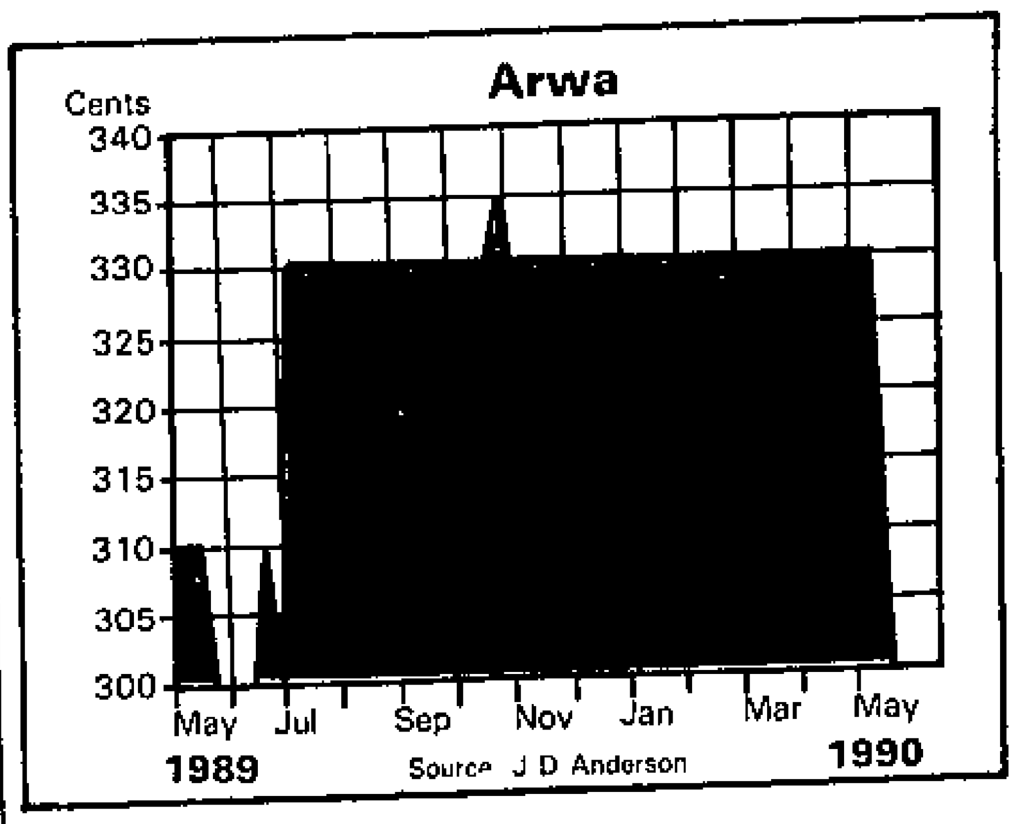
Activities. *Manufactures hosiery, textiles, yarns, ties, leisure wear*
Control: *T G H Group*
Chairman· *J L Claasen*
Capital structure: *23,1m ords Market capitalisation R69,4m*
Share market *Price 300c 12-month high, 335c, low, 150c Trading volume last quarter, 13 200 shares*

Year to Dec 31	**'87**	**'88**	**'89**
ST debt (Rm)	6,0	24,3	6,5
LT debt (Rm)	2,8	5,7	50,3
Debt equity ratio	0,68	1,62	2,68
Shareholders' interest	0,43	0,27	0,20
Int & leasing cover	4,8	3,3	0,9
Debt cover	0,64	0,29	nil
Return on cap (%)	20,1	16,7	nil
Pre-int profit (Rm)	5,8	10,3	6,7
Taxed profit (Rm)	4,8	7,0	(2,8)
Earnings (c)	28,5	36,6	(12,2)
Dividends (c)	7,0	8,3	—
Net worth (c)	72,4	88,3	89,0

The disastrous results tabled in the 1989 Arwa annual report, when coupled with the interim results, must rank as a prime example of management myopia, ignorance or neglect When viewed together with the 1988 report, the latest one is an astonishing document

Both profitability and the balance sheet structure deteriorated markedly As late as the end of July, when the interim report was signed, management appeared to have no idea about the slide

The mid-August press announcement



Arwa's Claasen . . . rose tinted myopia

reads as follows " all subsidiaries performed in line with expectations, the major capex programme has been completed . benefits of increased capacity and updated technology will only start impacting fully on group earnings in the second half of the year, the board remains confident the previously stated objective of 25% growth in earnings per share, on the increased share capital will be achieved ."

According to the 1989 annual report, "during the second half of the year, due to undisciplined financial expenditure and sacrificing profitability for market share, two operations did not perform as anticipated During October 1989, corrective action was taken at senior level The effect of the fire (in March) at the Fabrics knitting premises and the relocation of operations to Clayville was totally underestimated Unforeseeable delays occurred excessive costs were incurred which led to a material cancellation of orders the board conservatively estimates almost R4m of net profit was lost on cancelled orders of R15,9m "

Chairman Johan Claasen says in his review that 1990 will be a year of recovery and stabilisation for the group It will be interesting to see whether this turns out to be optimism or realism To achieve this, either operating income will have to increase substantially or the interest bill must be reduced Last year, net interest paid absorbed 109% of operating income

With the debt equity ratio at 2,68, it is difficult to see how the interest charge can be cut without going to the market for more permanent capital (which would dilute EPS) or selling part part of the business (which would reduce the asset base and hence earnings capacity)

I am told that EPS is expected to be about 30c this year and, at end-April, the group was ahead of budget Given the events of the past year, investors might view this statement with some scepticism, particularly if they also happen to be shareholders in the holding company, TGH

Arwa was a main contributor to that company's poor results and a major reason for its high debt.equity ratio It would not come as a surprise if, in the restructuring being planned for TGH, the stake in Arwa is sold.

Gerald Hirshon

GLODINA FM 8/6/90

Getting soaked (184)

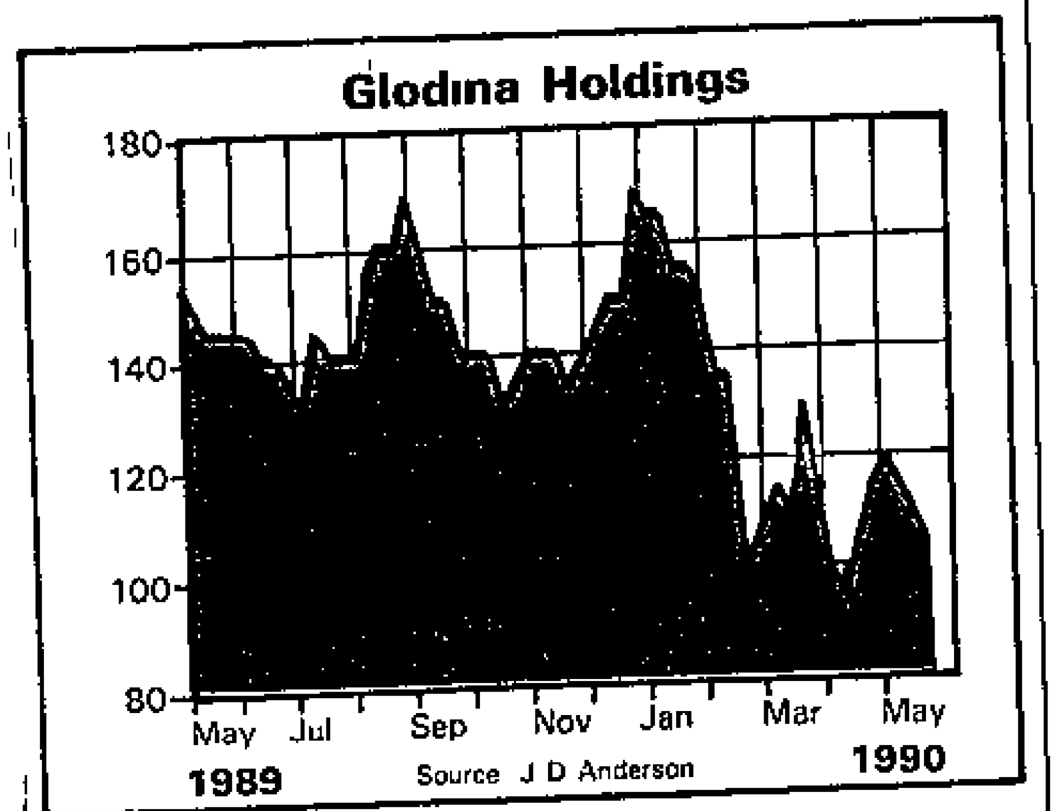
Activities *Manufacturer of terry towelling products*
Control. *Balladon family*
Chairman: *A Balladon, MD Emanuel Luiz*
Capital structure· *19,5m ords Market capitalisation R20,5m*
Share market: *Price 105c Yields 11,9% on dividend, 30,3% on earnings, p e ratio, 3,3, cover, 2,5 12-month high, 170c, low, 95c Trading volume last quarter, 418 583 shares*

Year to Dec 31	'87	'88	'89
ST debt (Rm)	5,4	17,4	18,3
LT debt (Rm)	3,7	7,3	4,7
Debt equity ratio	0,37	0,87	0,67
Shareholders' interest	0,54	0,32	0,37
Int & leasing cover	9	2,1	3,6
Return on cap (%)	21,2	13,4	12,0
Turnover (Rm)	50,9	62,7	75,1
Pre-int profit (Rm)	9,6	8,9	8,5
Pre-int margin (%)	18,9	14,2	11,4
Earnings (c)	35,9	38,5	31,85
Dividends (c)	14 4	16	12,5
Net worth (c)	131,9	152,7	173,2

Though turnover at towelling manufacturer Glodina increased 20% to R75m, pre-interest profit fell 4% to R8,6m MD Emanuel Luiz attributes this to violence in Natal, which has affected the Hammarsdale factory where the Glodina Black Label range of towels is produced Glodina is not the only company to be affected A few weeks ago, Progress Industries reported the same problems and others are in the pipeline So it is easy to understand Luiz's reluctance to make any firm predictions for the current trading year

Glodina is, however, still going ahead with its capital expansion programme of which R816 000 has been contracted, R750 000 approved and R1,2m proposed This means the high gearing of the company is unlikely to fall by much, though Luiz believes new machinery will improve efficiencies and lead to cost savings which, in turn, will help offset a greater interest burden

During the last financial year, total borrowings fell 7% to R23,2m but high interest rates took their toll and net interest rose 90% to R2,4m Lower interest rates expected in



FM 8/6/90 (184)

the latter part of the year could also help to improve the situation

With a more stable political climate, Luiz believes the group will start showing investors a good return But right now shareholders are likely to be less than enthusiastic about the dividend of 12,5c (16c in 1988) and earnings down from last year at 32,85c (38,5c)

This could be remedied by higher productivity and aggressive marketing in the overseas and black markets Glodina has entered the black market with its Black Label range of towelling and sees this as a growing area It has identified an export market in Europe and 5% of the Hammarsdale factory's capacity has been allocated for this purpose

Heather Formby

Multiple shifts needed, says industrial chief

184

MN 6a5 11/6/90

By DAVID YUTAR, Labour Reporter

MULTIPLE-SHIFTS in industry could advantage employees and business, provided trade unions are consulted, according to Mr Colin McCarthy, executive director of the Cape Chamber of Industry

Mr McCarthy, also secretary of the Cape Clothing Manufacturers' Association, was reacting to the SA Chamber of Business's (Sacob) campaign to persuade more employers to introduce extra shifts

Surveys by the Federated Chamber of Industries showed 70 percent of South African manufacturing companies worked only one shift a day

Sacob claimed the multi-shift system would create thousands of new jobs as well as help industries to better use expensive machinery and increase output and profits.

But Mr McCarthy warned that whatever the advantages of the multiple-shift system, a large segment of industry, particularly labour-intensive industries such as clothing, would not be able to introduce the system without first getting trade union support

In labour-intensive industries such as the clothing industry, where 90 percent of employees were women, union resistance was based partly on the social implications the system would have for women and the possible disruption of family life, he said

"One gets the impression a large proportion of the South African working population — if the trade unions are correctly mirroring them — do not like working multiple-shifts

"But there certainly are industries — mainly the capital-intensive ones — that are using it, and particularly those with a history of multiple-shift working elsewhere in the world

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association agreed there would be problems in trying to apply the system in the clothing industry, but in the long-term the systen could not be overlooked if South Africa wanted to be "iternationally competitive".

The Cape Chamber of Industry's deputy-director, Mr Colin Boyes, said companies that had introduced multiple-shifts had shown the cost-effectiveness of production was greatly improved

However, Mr Boyes foresaw an "inertia" to the system "because of the deeply ingrained South African tradition of the nine-to-five working day."

Infash share earnings decline

B10 14/6/90 **EDWIN UNDERWOOD** (184)

INDEPENDENT Fashion Holdings (Infash) experienced a 3,5% decline in earnings a share for the year to end-February — mainly due to the issue of new shares

Although net taxed income increased by 10,2% to R992 000, a 15% increase in the weighted number of shares in issue caused earnings to drop from 11,4c a share to 11c On a fully diluted basis, earnings fell to 8,9c.

The Johannesburg-based fashion group acquired clothing retailer and wholesaler Dressking last year for R600 000 and 3-million new Infash shares.

No dividend has been declared as the directors consider it prudent to retain funds within the company.

Turnover rose 105,2% to R27,6m (R13,4m) but high operating expenses and rationalisation costs restricted the rise in operating profit to R2m (R1,7m) to 15,2%.

Financing costs rose 222,9% to R762 000 (R236 000) after a jump in long term debt to R1,6m (R345 000).

Tollgate may try again to sell loan-burdened Arwa

184

LIZ ROUSE

THE sale of Arwa Group by Tollgate Holdings might well be on the cards again

However, it has been firmly established from industry sources that Hunts' subsidiary, Burhose, which earlier proposed a takeover, is not a prospective buyer.

Arwa has issued a cautionary notice, published today, which cites negotiations in progress.

The Tollgate 87,7%-held subsidiary, which manufactures hosiery, textiles, yarns, ties and leisure wear, proved to be a drain on Tollgate last year

It ran up a net loss of R3,3m in the year to December 1989 and borrowings shot up to R44,5m from R1,9m

Net interest paid absorbed 109% of operating profit

However, Arwa chairman Johan Claasen said in the annual report that 1990 would be a year of recovery and stabilisation for the group

Earnings were expected to be about 30c this year and at end-April the group was reportedly ahead of budget

Nevertheless, analysts have speculated that it would come as no surprise if, in the restructuring being planned for Tollgate, the stake in Arwa (with its large loan burden) is sold

FSI's industrial and distributing group, Hunts, proposed a takeover by Burhose of Arwa earlier this year.

But the Competition Board stepped in to investigate the takeover and to establish the extent of the controlling interest

Comments were invited in April by the board "in respect of the impact of the transaction on competition as well as on the public interest"

The board investigated the proposed takeover by Burhose as this would mean that the Hunts subsidiary captured 99% of the pantihose market

Some major retailers opposed the takeover on the grounds that a monopoly would inhibit the business and lead to higher prices.

But if no other buyers emerge at prices which Arwa believes adequate (a price of R35m was put on the proposed Burhose takeover), Arwa could well sell off the hosiery operations and cease operations.

That would also create a Burhose monopoly.

From a public interest point of view, the closure of the Arwa factory would be a vital blow for the small OFS town, Parys

The factory is the town's largest single employer — 800 workers would lose their jobs.

The question is — has Tollgate found another buyer for a company with a R44m debt?

Arwa shares have pulled up from a year-low of 150c last month to 300c currently

There were no deals yesterday

Zaid Kimmie

Economics III

Econometrics Assignment 1

SA BIAS FM 15/6/90

Growth tilt (184)

Activities: *Holding company with interests in SA Bias Industries and Merhold.*

Control: *Seabrooke family via Sabvest 50,1%.*

Chairman: *C S Seabrooke.*

Capital structure: *19,2m ords. Market capitalisation· R83,52m.*

Share market: *Price 435c. Yields 6,9% on dividend, 22,6% on earnings, p.e ratio, 4,42, cover, 3,28 12-month high, 560c, low, 390c Trading volume last quarter, 579 370 shares.*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	4,1	13,1	2,4	1,3
LT debt (Rm)	3,0	4,7	11,3	12,5
Debt equity ratio	0,25	0,33	0,22	0,16
Shareholders interest	0,64	0,57	0,68	0,70
Int & leasing cover	5,9	12,1	23,4	19,4
Return on cap (%)	5,9	12,1	22,1	24,2
Pre-int profit (Rm)	10 3	14,8	20,9	27,5
Earnings (c)	37,0	65,2	78,0	98,4
Dividends (c)	11	21	25	30
Net worth (c)	183	351	316,2	391

Good performances by SA Bias Holdings' two subsidiaries pushed earnings and attributable income for the holding company up 26% to 98,4c and R18,9m in the 1989 financial year Its industrial company, SA Bias Industries, contributed 61,5% while financial group Merhold contributed the remaining 38,5%

Industries' attributable income for the year grew 22% to R13,1m, of which R11,6m went to SA Bias. Attributable income of the industrial company is expected to increase 15% to R15,1m in 1990 (representing R13,5m flowing to the holding company) Merhold's attributable income increased 27% to R8,5m in 1989 with R6,5m going to the holding company (see page 82) and a further 18% increase to R10m in 1990 is predicted Of that, R7,8m is expected to flow to SA Bias plus a preference dividend of R700 000.

All activities now take place in the two autonomous subsidiaries rather than inside the holding company which previously operated in a number of areas Other interests, including Houston Industries, were sold prior to 1989 Executive chairman Christopher Seabrooke believes this has benefited the group because expansion is now focused through two divisions The holding company does not plan to expand its interests but hopes to grow through acquisitions by the two divisions

Newly named SA Bias Industries, previously SA Bias Binding Manufacturers, is

FM 15/6/90 (184)

again on the acquisition trail It bought the Kirton group in February for R11m, Webbing Products for R1m and has established a R5m partnership with the Barbour Campbell group of Ireland in the field of thread manufacture

Even though earnings have been held back by a weak economy and higher tax charges for the industrial company, Seabrooke nevertheless expects the current year's growth to at least match inflation That implies earnings in the region of around 113c and a total dividend in the 35c area

Heather Formby

SA CLOTHING IN TATTERS

THE clothing industry has gone into a nosedive in the face of the economic downturn, political uncertainty and rising prices.

The parlous state of the R3,3-billion industry which employs 130 000 people is confirmed by the National Clothing Federtion (NCF) which says sales are expected to fall for the rest of the year. S/Times 17/6/90.

Production is expected to decline by 2% this year after modest increases of about 3% in the previous two years and 6% growth in 1986.

By DON ROBERTSON

In recent months 25 small factories have closed with a loss of about 2 000 jobs and more retrenchments are likely.

Production output at R3,3-billion in 1989 was marginally better than the R2,8-billion in the previous year. Central Statistical Services figures show that the number of garments produced last year were 182 million compared with 175 million in 1988. In 1984, however, 215 million garments were made.

Erratic

NCF economist Daniel Albert says that production late last year was down to levels of 10 years ago.

Clothing's seasonal fashion means that retailers cannot accumulate stock, and production volume levels follow demand closely

"The erratic nature of the SA economy of late is mirrored in the erratic levels of clothing production," says Mr Albert.

"The industry's ability to carry a large number of skilled and semi-skilled workers when demand is low is also limited."

The social and economical consequences for SA and the industry are serious.

Tight margins and rising input costs, particularly in the price of fabric, are taking a heavy toll in the form of rising prices. The cost of labour has risen by 45% in the past two years, while local fabric prices have risen by 70%.

(184)

Clothing prices have risen from an annual increase of 16,1% in November last year to 18,4% in February. The consequence is huge consumer resistance But the industry can no longer absorb cost hikes, says Mr Albert.

A recent report on manufacturing industries by the Bureau for Ecomonic Research at Stellenbosch University pointed to a huge deterioration in the clothing industry over the next year

Allwear posts R2,8m profit

BDay 19/6/90 EDWIN UNDERWOOD (184)

RECENTLY restructured clothing manufacturer and retailer Allwear Group has achieved a net profit of R2,8m for the 14 months to end February 1990. Despite poorer trading conditions, directors expect the results to improve in the current year.

The profit translates into earnings of 53,6c a share, up 6% from last year's 50,6c a share.

The recent share consolidation increased ordinary shares from 2-million to 4,6-million, resulting in a static dividend of 16c a share being declared. The group has announced that in future accounts will only be published for operating company Allwear and not for pyramid company Allwear Group.

Director Johann Cilliers said the absence of a tax provision was due to "fairly large foreign exchange losses inherited from Veka's operations". The tax benefit was expected to last another 18 months. The year ahead was going to be tough as the retail industry was overstocked and interest rates were high.

Manufacturers slam rise in cotton price

C/Mt Times 19/6/90

184

By AUDREY D'ANGELO
Business Editor

THE retail price of cotton clothes may be pushed up by as much as 30% as a result of a decision to raise the price of cotton lint by 33% this season, Seardel executive director Mike Getz said yesterday

Critising the Cotton Board for setting it at this level, the chairman of the Cape Garment Manufacturers Association, Simon Jocum said it could lead to retrenchments as a result of falling sales

He urged the Cotton Board to think again about such a high price rise at a time when the economy was in a downturn

But the chairman of the SA Textile Manufacturers Association, Roland Hammerle, said the price of R4,72 a kg was below the price on international markets It was a compromise reached after lengthy negotiations between the cotton producers and spinners

Brian Brink, executive director of the SA Textile Manufacturers' Association, said the international price set in England had soared to R5,40 a kg. This is significantly higher than the price we have agreed on, but that is as much as our industry can pay

"The farmers, who were paid R3,55 a kg last season, are getting less than they asked for and we are paying more than we wanted to."

Brink said the spinners felt they should ~~be given~~ some price advantage for a product grown in this country rather than paying the international price But the international price had been used as a reference for the passed 15 years and this had worked reasonably well.

Jocum said, "a rise of this magnitude is really bad news It will cause consumer resistance and business is bad enough as it is.

"I think the Cotton Board is being unreasonable and if it had the power to reduce the price it should do so right away in the interest of the consumer and of saving jobs"

Getz said a 33% rise in the price of lint meant an 18% rise in the price of pure cotton fabrics This would mean a rise of 8% or 9% in the factory price of a garment.

"The retailers' mark-up averages 80% — the stores giving credit charge more and outlets like Pep Stores less"

"This means the garment will cost 15% more than last year Add to that the inflation in the pipeline of the textile industry which, historically, has been 15% a year, and you have a 30% rise in the retail price of the garment."

Getz said this would mean a rise in demand for clothing made from synthetic fibres This would push up their price too

Arwa in R42-m cash deal

Har 20/6/90 (184)

By Ann Crotty

Arwa is selling all of its assets for R42 million cash — equivalent to 181,6c a share — to a company headed by Johan Claasen, who will be severing his links with Duros (holding company of Tollgate Group Holdings).

Yesterday Arwa was trading at 300c on the JSE.

Mr Claasen has resigned all his directorships in Duros and its subsidiary and associated companies, including Arwa of which he was chairman. He has also sold his 5,89 million Duros shares at 650c a share to the new controlling consortium of Duros and institutional shareholders.

Although the deal price is significantly below the share price, according to the announcement it represents a premium of 37,6c on Arwa's consolidated net asset value per share of 144c at end-December 1989.

The transaction will result in Mr Claasen's company holding the assets and Arwa sitting with cash of R42 million.

If the cash had been in Arwa for the 12 months to December 1989 and been invested at 17,4 percent, earnings per share would have been 15,8c. By contrast, in that period the assets produced a loss of 12,2c a share for Arwa.

Mr Claasen may be able to make the Arwa assets perform better when he is not distracted by a wide-ranging portfolio of interests.

Arwa chief leads R42m buyout

184

ACHMED KARIEM

THE assets and liabilities of Tollgate Holdings' (TGH) subsidiary Arwa have been sold for R42m to Arwa chairman Johan Claasen in his capacity as trustee of a new company which has yet to be formed. B/Day 20/6/90

The announcement today has put an end to weeks of speculation about the fate of Arwa, 87,7% held by TGH.

The only asset of Arwa following the sale would be R42m in cash or 181,6c a share, a 26% increase of 37,6c a share over the consolidated net asset value a share of 144c at December 1989.

Arwa is to become a cash shell and its JSE listing will be suspended for six months.

Claasen has resigned all his directorships in Duros and its subsidiary and associated companies.

A consortium of Julian Askin, Mervyn Key, Hugo Biermann, Lawrie Mackintosh

☐ To Page 2

Arwa

B/Day 20/6/90

and Claasen paid R45m for control of Duros, the 65% holding company of TGH in March.

The Duros chair is jointly occupied by Key and Askin, the TGH executive chair by Askin, and Claasen is the TGH CE, SA operations.

Claasen has sold his remaining 5 890 000 shares in Duros for 650c a share to a new controlling consortium of Duros and institutional investors.

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Claasen said yesterday a scaling down of operations would occur because of the economic conditions in SA, this would benefit Arwa and workers in the long run.

A SA Clothing and Textile Workers' Union (Sactwu) spokesman said the 700 workers were working a three-day week at present.

Arwa is one of the major employers in the Free State town of Parys.

Arwa sold for R42m

CAPE TIMES 20/6/90 184

Own Correspondent

JOHANNESBURG — The assets and liabilities of Tollgate Holdings' (TGH) subsidiary Arwa has been sold for R42m to Arwa chairman Johan Claasen in his capacity as trustee of a new company which has yet to be formed.

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Gold closes at day's lows

LONDON — Gold bullion came under slight pressure towards the close as New York values slipped on light selling interest, dealers said

Gold closed at the days low of $347,50/$348,00 an ounce, after trading in a narrow $1,25 range during the session On Monday the market finished at $349,25/$349,75

Dealers said turnover and interest for gold remained minimal, but underlying support at $346 had stood up well

However, one dealer said gold's tone remains bearish, with some investors anticipating further selling.

Platinum also remained quiet and was fixed at $478,15 an ounce, down $0,10 on its morning fix and little changed from Monday's $477/$478 close

Silver was last quoted at $4,84/$4,86 an ounce, matching its opening and previous close

● **In Zurich**, gold closed $0,40 lower at $348,70/$349,20 an ounce

● **In New York**, gold closed at $348,25/$348,75 — Reuter

Arontex share dealings investigated by the JSE

Star 21/6/90

By Sven Lunsche

The Johannesburg Stock Exchange yesterday called for returns from broking firms of all deals in the shares of Arontex Holdings in the two weeks before the company's provisional liquidation in the Pietermaritzburg Supreme Court on March 20

The company was finally liquidated in April

Arontex shares were suspended the day after the provisional liquidation but it appears that word of the pending crisis at Arontex became known a week earlier.

On March 15 the share price fell from an already low 13c to 4c and the day before the suspension more than 1,2 million shares were traded, compared with a previous monthly volume of 140 000 shares

The companies liquidated were garment manufacturer Arontex Holdings and four major subsidiaries. Lara's Manufacturing, Supergear Clothing, Personality Gowns and Roots Clothing, all of which traded in Port Shepstone

Liabilities of the main operating firm, Lara's Manufacturing, were put by the court at R18,6 million with realisable assets of about R4 million.

After the liquidation former directors of Arontex — including chairman Trevor Aron — were summoned to give evidence into reasons for the group's failure and to try to ascertain the movement of some of the stock.

Other subpoenaed witnesses included former financial director Alan Gitsham and company drivers, who were called in to try to resolve the stock question

Separate claims against Mr Aron, totalling R257 000, arising from the liquidation of Durban-based Taron Properties, of which he was the sole director, were withdrawn last year

In a report this morning Mr Aron said he had never sold any of his 5,1 million shares in Arontex, but former director Selwyn Kowolski indicated he had sold 100 000 of his 1,2 million shares before the suspension.

The JSE said it had considered the returns and "in accordance with normal procedure" had forwarded the documentation to the Registrar of Companies.

JSE probe into Arontex Holdings deals

B Day 21/6/90

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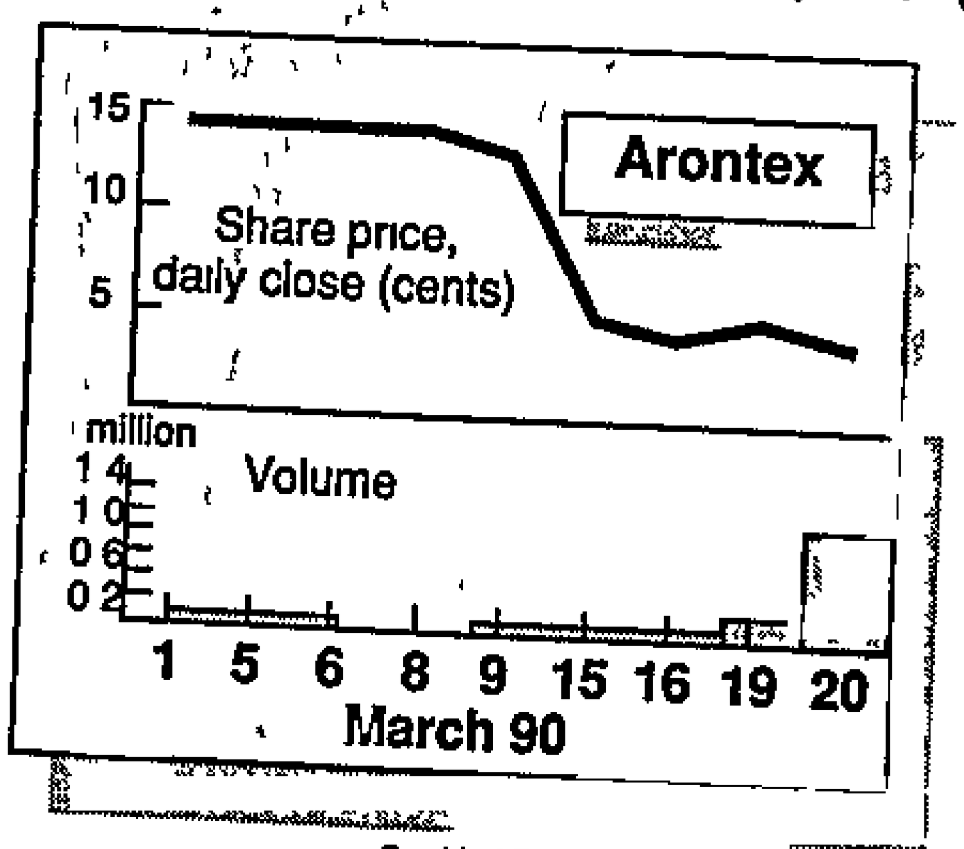

Graphic LEE EMERTON SOURCE JSE

ANDREW GILL

THE JSE announced last night that documentation regarding deals in the shares of the now-liquidated clothing company Arontex Holdings had been forwarded to the Registrar of Companies

The announcement said the trading period under review was from March 7 1990 to March 20 1990 Market sources said it could indicate suspicion of insider trading, but JSE equity market GM Richard Connellan refused to comment

Arontex shares were suspended on the JSE on March 21 after it had been provisionally liquidated in the Natal division of the Supreme Court on March 20

During the period under scrutiny, more than 1,2-million Arontex shares were traded, compared with an average monthly trade of 141 862 shares

Arontex sources said a major shareholder had sold his shares during this period

Former director Selwyn Kowolsky said he had sold 100 000 of his 1,2-million shares at 4c a share before the suspension

The share was suspended at 4c a share after reaching a high of 40c last June. Its fall followed bad performances from various Arontex subsidiaries.

Former Arontex chairman Trevor Aron commended the JSE's move, saying he had never sold any of his 5,1-million shares During the period in question they were all pledged to one of its creditors, Senbank

ATLANTIS BUYERS' CO-OPERATIVE

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Adonis income jumps 142%

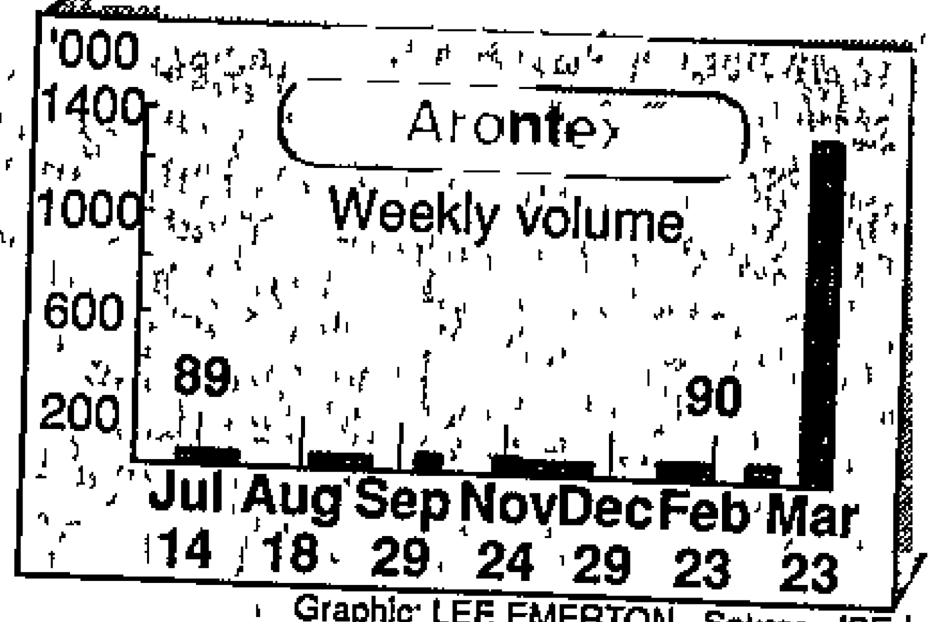
B/Day 22/6/90 ACHMED KARIEM (184)

EXCELLENT winter sales resulted in knitwear manufacturer Adonis posting a 142% rise in attributable income for the six months to end-March.

Adonis manufactures quality knitwear under its own labels of Adonis and Dino Milano, and Christian Dior and Lyle & Scott under licence

Operating profit increased by 70% to R2,1m (R1,2m) and with a 56% increase in interest paid, pre-tax profit rose to R1,9m from R1,2m Attributable income jumped to R638 000 from R264 000 and earnings a share rose 70% to 28c (16,5c) A dividend of 10c (9c) has been declared

Total earnings for the financial year were expected to exceed 1989, said financial director Steven Chaitel.



Graphic LEE EMERTON Source JSE

Probe into Arontex

184

ANDREW GILL

AN EXAMINATION of Arontex Holdings's share register has shown that a director sold sizeable amounts of his shares in March. B Day 22/6/90

The examination followed Tuesday's announcement by the JSE that it had sent to the Registrar of Companies documentation relating to deals in the shares of Arontex Holdings for the period from March 7 to March 21.

During the last week of trade before the suspension of Arontex on March 21 more than 1,2-million Arontex shares changed hands. Arontex was provisionally liquidated on March 20.

Investigations into the transfer of Arontex shares during March disclosed that one of the company's directors, Jorin Ryckebusch, sold 800 000 shares, and Martine Yvonne Roessel (not a director), sold 380 000 shares to Kayemess Nominees

☐ To Page 2

Arontex

B Day 22/6/90

(Pty) Ltd

Both Ryckebusch and Roessel were registered at the same postal address in Port Shepstone Ryckebusch currently holds 8 000 shares in Arontex.

The deal occurred after March 15, according to McGregors's ("Who owns Whom") database A McGregors spokesman said Kayemess had no more than a 0,2% holding in Arontex at that date

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☐ From Page 1

Kayemess's 1,2-million shares represent more than 10% of the issued shares of Arontex No more than 200 000 shares changed hands in any Arontex deal during the year to March 16

Jan van Blerk, a spokesman for Arontex's liquidators Metrust, said shareholders were still not sure whether they would get anything for their shares because the company had been finally liquidated but details had not been finalised

FM 22/6/90

FM 22/6/90 (184)

EDGARS (184)

Gaining share

Activities. *Retails clothing, footwear, accessories and home textiles through three national chains Edgars, Sales House and Jet*
Control· *SA Breweries through Edcon, which together hold 64,9%.*
Chairman: *J M Kahn, MD V B Hammond*
Capital structure: *50,8m ords Market capitalisation R1,6bn*
Share market: *Price 3 150c Yields 2,6% on dividend; 7,7% on earnings, p e ratio, 13,0, cover, 2,6 12-month high, 3 900c, low, 1 950c Trading volume last quarter, 136 100 shares*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	3,4	28,8	20,8	40,3
LT debt (Rm)	43,4	63,2	121,9	201,2
Debt equity ratio	0,21	0,34	0,41	0,62
Shareholders' interest	0,45	0,40	0,38	0,36
Interest cover	4,4	6,1	8,6	6,4
Return on cap (%)	16,0	20,7	26,2	26,8
Turnover (Rm)	930	1 178	1 599	1 982
Pre-int profit (Rm)	100,6	140,3	211,9	287,8
Pre-int margin (%)	10,8	10,8	13,3	14,5
After tax profit (Rm)	32,1	58,1	95,2	123,5
Earnings (c)	96	139	221	243
Dividends (c)	40,0	53,5	75,0	93,0
Net worth (c)	398	485	632	746

A year ago, when commenting on Edgars' 59% earnings rise, chairman Meyer Kahn expected 1990 growth to be well down His predictions were accurate, as slower growth was recorded for the year to end-March.

Still, at 30%, the growth in attributable earnings is quite an achievement, considering the difficult trading conditions EPS were diluted by conversion of 7,7m debentures in April

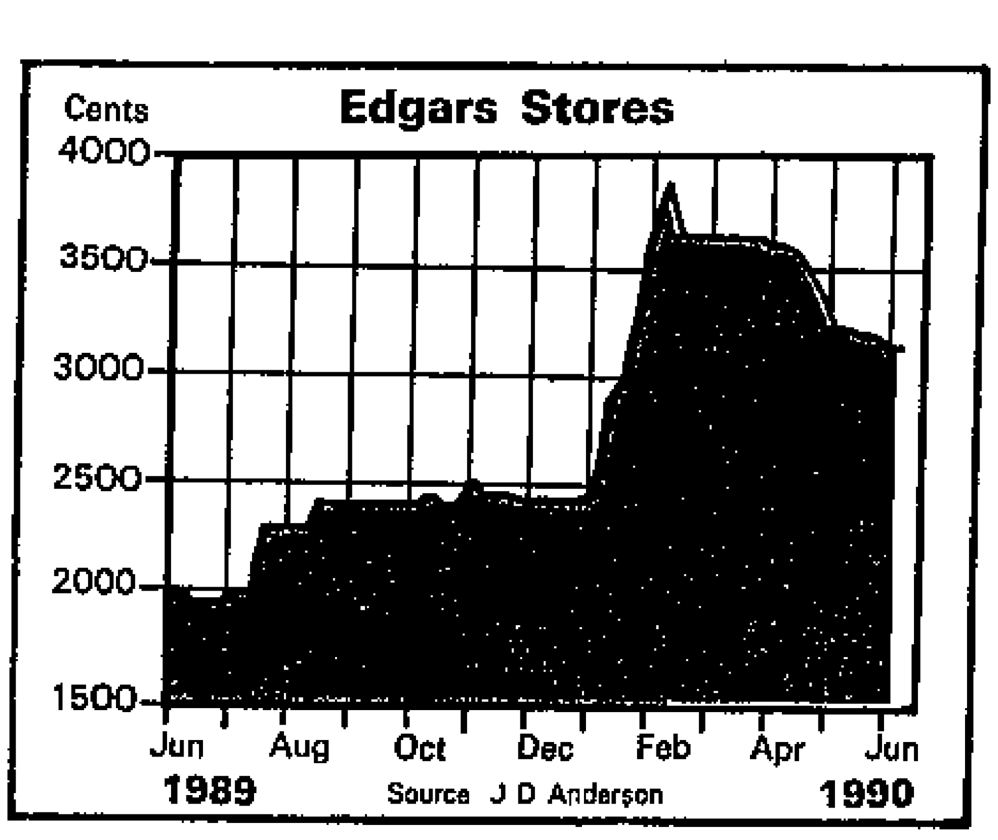
Government's strategy to reduce inflation through a reduction in consumer demand met with some success Interest rates remained high for the year, putting pressure on credit demand and consumption With an actual decline in inflation lagging the measures and with the ruling interest rate structure, real disposable income was hit hard Private consumption expenditure growth shrank from 4,8% in 1988 to 2,9% in 1989

In the semi-durables sector, growth in clothing, footwear, household textiles and accessories (CFTA) was reduced to 2,2% against last year's 9% Inflation for the CFTA sector was 17% for the year, so nominal sales growth was 19,2%.

Against this background, Edgars did well, with nominal sales growth of 26% and real growth of 9% Clearly, the group has grown at the expense of its competitors. In fashion retailing, Kahn says, "success depends heavily on correctly anticipating the needs and tastes of all our customers within the ever-changing fashion trends." Buying is probably the most important function in the industry and Edgars showed keen insight in this regard

Interestingly, in a period of high interest rates, the group's two chains with a large credit base, Edgars and Sales House, saw the best turnover growth Edgars, which targets the upper and middle income market, gained 0,5% in market share to 10,5% on the back of greater promotional expenditure, more productive use of existing space and shrewd buying. Turnover was up by 24% to R1,3bn, but margins were under pressure from higher promotion costs.

Sales House markets high quality branded fashion to blacks Sales growth, up 27% to R344m, was a little ahead of that for Edgars, understandable given its much lower base. However, interest costs, promotions and bad debts squeezed the operating margin and after-tax profit grew 14% The final quarter of the year saw serious deterioration in the socio-political environment, which dented the chain's performance. The fledgling cash-based chain, Express, managed by Sales House, was particularly badly hit by these developments, but remains a good growth area



Edgars' Kahn ... more fashionable than some

While Jet's turnover growth was a rather low 15% to R268m, strict cost controls, better merchandising, more cost-effective use of space and new technological resources gave rise to a major turnaround After-tax profit rose by 150%

Trading conditions this year are hardly better, if not actually worse. Interest rates remain high, with little respite in sight PCE growth is forecast to decline further to 0,5% and consumer confidence is still wilting

"The continuing squeeze on consumer spending will impact on the CFTA market and a cause for contraction in real terms this year," says Kahn "Nevertheless, the group expects to increase market share still further and to reflect an improvement in EPS."

Large, strong groups can survive a downturn far better than small, weak ones and Edgars may well be able to gain market share this year The market will be shaky for most of the year, though, and Edgars is unlikely even to repeat the 1990 performance

Longer-term, the group should be in a very sound position Serving virtually the entire community but with a strong foothold in the emerging upper- and middle-income black sector, Edgars should be able to take full advantage of growing demand in a new SA

Gillian Findlay

guered wood division can be achieved soon

Pam Baskind

FM 22/6/90 184

TGH/ARWA 184

Sale mooted

FM 22/6/90

Duros and its subsidiary TGH are set to start selling off acquisitions made during their take-over spree launched in early 1988

The first transaction is likely to concern Arwa, whose sale could be announced this week A cautionary announcement referring

TGH's Claasen . . . back to Arwa?

to Arwa was published last week and on Monday TGH's share price jumped 16% to 330c.

The price may have increased because of an article in the London *Sunday Telegraph*, which spelt out the intentions of the consortium that now controls the group This was apparently the first news London investors had on the subject

However, investors may have got wind of a deal in which TGH will sell its 59% stake in the debt-burdened Arwa. Sources reckon the most likely buyer is Johan Claasen, who headed TGH during much of its expansion If so, then Claasen may fund the purchase of Arwa's assets and liabilities with his remaining 5,89m Duros shares

This would extend the rationalisation that started when Murray Louw and David McCay sold their Duros shares to Claasen — who was then chairman of Duros — and left the group Assuming Claasen now disposes of his Duros shares at a price in line with the 650c price at the time of the previous deal, rather than the present market price of 750c, the transaction could be worth some R38m

Claasen, who was previously the controlling shareholder of Arwa, would be resuming control of a business which currently has a debt:equity ratio of about 2,7 and held interest-bearing debt of roughly R57m at the December 31 balance sheet (*Companies*- June 8)

The sale would thus remove Arwa's hefty borrowings from the TGH balance sheet, while also bringing cash into the group In total, it could mean a debt turnaround of close to R100m. TGH's balance shows long-term liabilities of R113m

If the Arwa deal comes off it is unlikely to be the end of the mooted rationalisation. Other potential candidates include Budget Car Hire, the bicycle interests of Deale & Huth, and bigger fish such as Gant's — provided buyers can be found

Gerald Hirshon

Claasen comfy in a 'tights' deal

S/Times 24/6/90

(184)

PANTYHOSE manufacturer Arwa has disposed of its assets and liabilities to former major shareholder Johan Claasen for R42-million.

Mr Claasen will be the trustee for a company — yet to be formed — to house Arwa.

The listing will become a cash shell worth R42m, and will be suspended pending the acquisition of other assets

Mr Claasen has resigned all his directorships in the Duros and Tollgate groups, as well as the chair of listed Arwa. Effective from July 1, 1988, Tollgate became the major shareholder of Arwa after Mr Claasen's trust sold its 58,5% stake More than 9-million Tollgate shares were issued to the seller — 80 Tollgate for 100 Arwa The same offer was made to Arwa minorities This valued the deal at nearly R32m on the market prices of the day of announcement — November 21, 1988

A week later, Arwa announced the purchase of Berkshire's hosiery division for R11m. It was settled by the issue of 3,8-million shares of 290c each and placed on Berkshire's behalf. The Berkshire deal raised Arwa's tangible net asset value by 15% to 108c.

Arwa's socks were well up at that time, even as recently as the announcement of the interim results to June 1989 when it comprised Arwa and Berkshire hose, Hang Ten and Cravateur ties.

Earnings climbed by 21% to 20,2c a share in spite of the share dilution The tightly held scrip kept the share price buoyant.

The directors said although the cost of funding expansion had been incurred in the first six months, the benefits would show only in the second half. Earnings were destined to grow by 25% a share and a dividend of not less than 10,5c would be paid

Runs in the pantyhose business came to light as a 33c-a-share trading loss in the six months to December, giving a deficit of 12,2c for the year — and no dividend

Yet the share price held up, trading no lower than 300c until Wednesday's announcement spurred a bidder at 180c. If the deal is passed, the Arwa cash shell will be worth a litle more than 180c a share.

So, Mr Claasen sold 58,5% of Arwa for R32m in July 1988 — hypothetically valuing 100% at R54m. He has now bought 100% of Arwa's enlarged assets for R42m

Minorities who retain the 80 Tollgate for 100 Arwa have seen the value of their swop fall. Arwa shares were worth R290 a 100, but 80 Tollgates are worth only R240 today Those who stuck with Arwa have done even worse after the deal which prices it at only 180c a share.

Mr Claasen has sold his 5,89-million Duros shares for 650c — 100c below market price, but grossing him R38-million to add to the R45-million he realised in March

Thorny

The proposed deal resurrects a thorny issue — only a simple majority vote is required for a company to dispose of its entire business and assets. Minority shareholders have no say. A majority by special resolution — 75% of shareholders — should be made necessary.

The original price paid by Tollgate for Arwa was arrived at by a merchant bank, so the arm's length nature of the deal was visible. That bank no longer exists, but traded as Duros Merchant Bank.

You're all right Johan, but what about the Arwa minority?

Premiums set to soar

S/Times 24/6/90

(58)

BRACE yourselves — short-term insurance premiums may rise by 20%

SA Insurance Association (SAIA) chief executive Rodney Schneeberger says premiums paid for fire insurance declined by 2% last year — an unprecedented occurrence

Motor-vehicle thefts and accidents are increasing and the average claim from accidents is R4 500 because of rising prices of vehicles and spares. The mean cost was R1 800 a few years ago

A tornado and several fires this year have drained the coffers — the evidence is clear from the falls in net premium income in the results of listed companies

Mr Schneeberger says the position is so worrying that the SAIA council approached the Registrar of Insurance The outcome was that SAIA members — representing all short-term insurers — agreed to refrain from rate cutting.

The SA Insurance Brokers Association (SAIBA) will urge its members to support attempts to stabilise the short-term market "in the long-term interests of consumers", says Mr Schneeberger.

Brokers should not shoulder all the blame — their commissions are directly linked to premiums and decline in line with them. Mr Schneeberger agrees that insurers "weren't saying no soon enough" to brokers doing business at low rates

He believes it is imperative that premiums be raised to ensure financial stability and ultimate protection of the insuring public.

Companies are financially secure provided action is taken in time to prevent any worsening in liquidity and other important ratios Many people remain underinsured, either because they lose touch with high prices or try to keep expenses down

This is shown by the Welkom tornado in March when the total amount of insured damage was R80-million — much lower than initial estimates.

There have been 3 154 claims so far — 2 591 for domestic damage totalling R55-million, and 563 others for cars, shops and commercial risks accounting for the balance

Mr Schneeberger reports a surprisingly large number of uninsured or underinsured risks.

He recommends that buildings as well as contents be fully insured Bonded property has to be, but when bonds are fully repaid, home owners tend to forget that insurance is still necessary.

DIAGONAL STREET

By Julie Walker

A student's 75c Digoco shares tumble and the firm is off-line

A READER who holds 3 000 Digoco shares, for which he paid 75c and upwards before the company was listed, is worried because it has not reported since coming to the JSE more than a year ago

Digoco, in the mining exploration sector, has a February yearend. But it has yet to release figures for the interim to August 1989 A company is supposed to report within six months of the yearend or half-year at the latest.

The share price has fallen to only 4c, having traded at 20c on listing

Volumes have been high — more than 1,36-million shares changing hands in an average month There are 50-million shares in issue

The reader, a student, says he borrowed money and solicited his friends for theirs because he thought Digoco's prospects were good.

Digoco is playing possum The telephone and fax numbers seem to be disconnected.

The JSE can request the company to provide results, but faces a dilemma when no response is forthcoming. Suspension or delisting of the shares usually harms minorities more than the directors — witness Projec Holdings

Perhaps Digoco chairman Jannie Nel can be raised through the medium of Business Times.

Smart Centre to replace Frasers on JSE

(184)

Star 26/6/90

Finance Staff

In a major step in the restructuring of Tradegro it was announced today that shares of Frasers and Frasers Consolidated (Frascon) will be delisted from the JSE on Friday and retail chain Smart Centre will be listed on Monday.

Frasers and Frascon were voluntarily liquidated in an earlier deal.

In terms of the deal shareholders of Frasers will receive 84 shares in wholesale group Metro Group, eight shares in building materials supply company Cashbuild and 200 shares in Smart Centre for every 100 Frasers shares held next Friday.

Frascon shareholders will receive 41 Metro shares, three Cashbuild shares and 98 Smart Centre shares for every 100 Frascon shares held.

Frasers and Frascon shareholders are also eligible for cash payments of 133,862c and 70,987c respectively for every share held on Friday.

Smart Centre, which operates mainly in the black market, will be listed on the Retailers and Wholesalers sector.

Clothing firm Hicor to seek JSE listing

PIERRE DU PREEZ

UNLISTED clothing retailer and manufacturer Hicor plans to apply for a main board listing soon, financial director Johan Cilliers said yesterday. (184)

The group more than doubled its turnover for the year to end February, from R60,6m to R128m. Earnings per share also increased by 42% from 6,4c to 9,1c despite significantly higher finance charges.

However, these figures were not strictly comparable as there had been restructuring during the year.

"An overall improvement in performance of about 35% in the group would probably be a more realistically comparable figure," Cilliers said. 6B(Day 28/6/90

Margins stayed more or less the same for the period under review.

The group would concentrate more on retailing than manufacturing in the current financial year.

"We are planning to open another 12 to 20 additional shops within the next 12 months," Cilliers said.

Real growth in earnings per share remained Hicor's aim despite an expected increase in the tax rate. A realistic goal for turnover in the current financial year would be about R160m, he said.

Police teargas Edgars protesters

Star 29/6/90 (184)

By Musa Mapisa

Two men were arrested after police baton-charged and fired teargas at protesting Edgars employees at Edgardale in Crown Mines, Johannesburg, yesterday

Shop stewards claimed 13 people were injured in the clash, but police said no injuries had been reported.

Shop steward Jimmy Rapholo said about 300 protesters assembled outside the Edgars group head office to protest against management's unwillingness to meet their demands

The company is negotiating with the Federal Council of Retail and Allied Workers

Mr Rapholo said police arrived and ordered the demonstrators to disperse

"About a minute later police baton-charged the workers," he said

A police spokesman said police charged the workers after they refused to disperse

Two men were arrested after objects were thrown at police

B Day 27/6/90

Delswa posts disappointing earnings

ACHMED KARIEM

DELSWA, outerwear and sportswear manufacturer, posted disappointing earnings for the year to end-April due mainly to lost production and poor trading in one of its divisions.

Attributable earnings slumped by 24,3% after a few years of record profits. The share price declined from a peak of 227c last July to a low of 155c this month.

Delswa has declared a final dividend of 5,5c, bringing total distribution to 9c (12,5c) on earnings of 39,6c (52,3c) a share.

Operating profit dropped by 5% to R8m from R8,4m. A 70% increase in the interest bill to R2,6m (R1,5m) reduced profits before tax to R5,3m (R6,9m). Profit after taxation declined by 25,6% to R2,7m from R3,6m.

184

Abhold set for a R100m takeover

ACHMED KARIEM

CLOTHING and knitwear company Abhold looked set to take over the R100m SA interests of a Swiss-based knitwear company, sources said yesterday.

184

Abhold made the largest gain of 16,7% (20c) to 140c in the clothing and footwear sector this week after a cautionary announcement that it was involved in negotiations

B Day 29/6/90

It is believed that the transaction would be carried out via the issuing of shares. Abhold has a market capitalisation of R20,7m

Shares dropped to a low of 110c earlier this month after a high of 270c in August last year.

Abhold was incorporated on the DCM in July 1987 under the name Jaqmar Holdings, but later moved to the main board.

The Aboo family of Louis Trichardt acquired the company in July 1988 The name of Jaqmar Holdings was subsequently changed to Abhold in November 1988.

Also in 1988 it acquired Tecomt and its subsidiary companies.

In March 1989 the group announced it was to acquire Big Time Stores, the country district-based retailers of food, clothing, accessories and footwear.

However in June 1989 shareholders were advised that the acquistion agreement had been cancelled

Abhold's large customer base includes leading chain stores such as Edgars, Jet, OK Bazaars, Truworths and Pep Stores.

FM 29/6/90

ARWA/TGH/DUROS FM 29/6/90

Claasen's full circle

Why has Johan Claasen just paid TGH R42m cash for a group with a net asset value (NAV) of R20,5m (*Companies* June 8) and interest-bearing debt of R56,8m? Like a gypsy peering into a clouded crystal ball, the answer is not immediately apparent

Claasen consummated the deal by selling his remaining 5,9m Duros shares at 650c a share to the Duros controlling consortium led by Mervyn Key and Julian Askin

For Claasen, it was full circle. He first bought control of then ailing Arwa in 1986 In 1987 the company was listed and he was appointed to the boards of the Duros/TGH group From R3,9m, attributable profits rose to R7,3m in 1988, in which year he sold his 58,5% to Duros/TGH (184)

The 1989 accounts show an attributable loss of R2,8m, a debt.equity ratio of almost three, a fall of more than 50% in shareholders' interest since 1987, and zero debt cover

There are a number of reasons why Claasen reckons it worthwhile to buy back the group Since his original acquisition, the group has diversified both vertically and horizontally There are now six separate entities which make hosiery, fabrics, textiles, yarns, ties and leisurewear on which, says Claasen, about R26m capex was spent last year on expansion and modernisation

These expenditures, reasons Claasen, will not recur for a long time Stocks, far too high at year-end, will be run down to realise cash This, in turn, will ease the debt situation Moreover, he says, he still has great support from the trade and finance houses

The listed Arwa has become a cash shell, its only asset being R42m Claasen says the name goes with his operation and the shell is obliged to drop its use immediately

While he has walked away from the listing with the group's total assets and liabilities, there has been a loud silence from the Duros/TGH consortium on the position of minority shareholders Before the Claasen deal, the Arwa share price was firm at 300c Now R42m cash is NAV of 181c a share, at which the share is "bid" in the market

Perhaps they should not be too upset After all, before Claasen's buy, NAV was just 89c a share And with last year's deterioration in performance and interest-bearing debt equivalent to 245c a share, it is a matter of opinion whether more can be done with the cash in the shell than with the credit in the company (184)

Claasen knows the Arwa operation better than anyone He has turned it around before As it is now a Pty operation, the market will be none the wiser about his progress Maybe anonymity was an important reason for paying that premium

Gerald Hirshon

MANUFACTURING – CLOTHING

1990

JULY – DEC.

Trimtex profits decline 38% as interest bill rises

ACHMED KARIEM

A HIGHER interest bill and the economy's general slowdown resulted in Trimtex reporting a 38% decline in attributable profits to R1,8m (R2,9m) for the year to March 8/D 4/1/7/7 D

The clothing industry products supplier's earnings of 10,6c (17,1c) a share have been posted and a dividend of 4c (6c) declared

Operating profit has dropped by 7% to R4,6m (R4,9m) despite a 15% increase in turnover to R40,2m (R35m) (184)

CE Issy Goldberg says profitability has come under "significant pressure" during the past six months.

Investment in new plant has led to a 40% rise in interest-bearing liabilities to R8,1m (R5,8m), and finance costs have soared by 100% to R1,9m (R962 000).

Specialty targets R1-bn turnover

STC 2/7/90

(184)

DURBAN — The Specialty Stores group is expecting turnover to rise to R1 billion within five years

Disclosing details of the group's long-term strategy at the AGMs of Specialty and its parent Storeco in Durban on Friday, chairman Dr Nic Labuschagne said that at current operating margins, (which were expected to rise) operating profits should exceed R100 million by 1994 from the present level of R22 million

Dr Labuschagne noted that the compound growth in profits for the past five years had averaged 48 percent per annum, a performance well ahead of the rest of the retail sector.

In that five-year period the group had disposed of its interest in the John Orr department stores, sold certain properties, changed its name from John Orr Holdings to Storeco and listed its trading subsidiaries as Specialty Stores Limited.

He referred to the recent suspension of Specialty and Storeco shares and said the group had entered into discussions with another company with a view to further enhancing the future of the group.

As the discussions contemplated a value for the group well in excess of the then-market price it had been necessary to suspend the shares to protect shareholders

"The group is well funded, with shareholder funds of R61 million and gearing of 36 percent and is adequately structured to achieve the five-year growth plan"

Dr Labuschagne said the R1 billion sales target would be achieved by steady and continued expansion of existing operations.

Milady's, with 141 stores, had the ability to double its size. The Hub, which still traded only in Natal, had the potential to expand nationally, he said

Mr Price, the group's off-price clothing operation, had grown in the last 12 months from three to 14 stores and would reach 50 stores in three years — Sapa

(184)

The House of Monatic gears up for exports drive in 1990

B/Day 3/7/90

Own Correspondent

CAPE TOWN — Clothing manufacturer The House of Monatic has increased its exports to Britain and continental Europe in the current year, says chairman and CE Douglas de Jager.

It now intends to extend its exports into the EC "step by step" in years to come, De Jager said yesterday.

House of Monatic and Rich Rags were reverse-listed into cash shell Budget Footwear in March 1989 after Budget's footwear interests were sold to Amalgamated Shoes.

De Jager said the group would still give priority to local customers.

"We are aiming at exporting 15% of total production.

"We do not want to export a larger proportion than this because it is the domestic market which provides us with a reliable base."

In the annual report De Jager says that orders for next summer "have been extremely buoyant, which must suggest that retailers see customer confidence continuing.

"Monatic is in the happy position of knowing the plant is full, and indeed oversold in certain areas beyond the end of the new financial year."

Market demand "virtually forced Monatic to commence installation of a new trouser line in February this year," he says.

This was after orders in excess of capacity had been farmed out to a CMT (cut, make and trim) manufacturer for some months.

But, says De Jager, unreliable deliveries from local fabric manufacturers have forced Monatic to take on the expense of holding R21m in stock and to import about 30% of its needs.

"One of the crucial ingredients in Monatic's success story has been its ability to deliver to customers timeously.

"We believe that the company is one of the most efficient in the industry in this regard.

"In order to achieve this Monatic obviously requires timeous delivery of its fabrics. The company has found that the local raw material manufacturers have not been able to attain the same levels of quality and delivery reliability as their overseas counterparts."

De Jager says that, historically, the clothing industry has been burdened by long outstanding debtors' books.

"Manufacturers have supplied finance to retailers and as a result the image of the industry as a whole has suffered in the minds of the investing public."

Worker action spreads over pay negotiations

Star 5/7/90

By Brendan Templeton and Shareen Singh

Major industrial sectors are bracing themselves for a growing wave of industrial action as annual wage negotiations deadlock.

At least 25 000 workers have already gone on strike and about 472 000 are in dispute or deadlock

- The catering sector has at least 13 000 workers . ike at OK Bazaars and Southern Suns.
- About 5 400 liquor workers of the National Union of Wine, Spirits and Allied Workers' Union have voted for strike action.
- A strike is looming at Checkers after workers started a strike vote last week. The SA Commercial Catering and Allied Workers' Union (Saccawu) said ballot results received so far showed overwhelming support for strike action.
- Saccawu is also involved in disputes at Edgars, Metro Cash and Carry, Frasers and Fairways.
- The National Union of Mineworkers (NUM) and National Union of Metalworkers (Numsa), have expressed dissatisfaction with final wage offers.
- 3 000 Cobra Watertec workers in Springs and Krugersdorp downed tools yesterday over wage demands.

Numsa has already declared a dispute with the the Steel and Engineering Industries Federation of South Africa (Seifsa) The negotiations with Seifsa involve more than 200 000 Numsa members.

Wage talks between the 250 000-strong NUM and the Chamber of Mines have reached deadlock

● See Page 5.

TGH/DUROS FM 6/7/90

Raising cash (184)

Taken together with the sale of Arwa, the rights offers in both Duros and Tollgate Holdings (TGH) have brought about an important swing of about R170m from liabilities to assets for the group Just as significant is that slightly more than half of this has been funded from the UK

When Julian Askin and Mervyn Key originally bought control of Duros for R45,5m, by paying Johan Claasen R45,5m for 7m of his 12,9m shares, payment of R26m came through the financial rand from London through Askin and Hugo Biermann

Though the rights issues raised R45m for each of Duros and TGH, a nominal total of R90m, the effective amount drops to just over R70m because of Duros's 60% stake in TGH According to Key, joint chairman of the consortium with Askin, R42m of this figure has been contributed from offshore sources to follow the Duros rights and a further R20m to take up rights in TGH So far, therefore, almost R88m (£13,5m) has come from abroad, and not all of it from Askin and Biermann

Askin, Key says, placed a large part of the rights issues with London institutions "to generate a spread of interest there."

Now, with R70m proceeds from the rights

FM 6/7/90 (184)

issues and the sale of Arwa for R42m cash on the one side, together with the elimination of R57m debt on the other, the SA group's gearing has changed dramatically. At last count, the group's interest-bearing debt was roughly R320m (*FM* March 30) This is now reduced to a more manageable R150m Moreover, there is the probability that even more liquidity will be created in the group as more assets are sold

Key is silent about the immediate prospects of such sales Some time ago, Gants was a take-over target and negotiations for the sale of Budget Rent-a-Car to Delta fell through at the last moment. Neither is up for sale now Key reckons that Gants is making a "meaningful" recovery and could become an important profit contributor soon. Avis previous MD Tony Langley, credited with taking that operation to number one, has just been appointed MD of Budget He has a long-term brief to take the company up to the top slot — profitably

But there are other candidates such as bicycle retailer Deale & Huth, agricultural equipment distributor Norths and certain assets in the original bus company, Tollgate, which could be sold. In the meantime, Key says rationalisation within the group is proceeding apace

With a December year-end, it will be some time before the group as a whole will report to the market Before it does there are likely to be more major disposals and, possibly, an offshore acquisition Then there is the question of what is to be done with Duros, once a merchant bank, but which exists now only as a holding company In all probability it will be collapsed into TGH Whether the revamped group's aerodynamics have improved remains to be seen *Gerald Hirshon*

Union to discuss strike at Edgars

Star 7/7/90

ABBEY MAKOE

A legal strike is looming at Edgars after two unions, Fedcraw and Saccawu, clashed head-on with the group over wages this week.

The unions demanded a R180 across-the-board increase, and a minimum salary of R900. Edgars group offered a R155 increase across-the-board, and a minimum salary of "not less R700" for new staff members and R800 for current employees.

Unions also demanded recognition of June 16 and March 21 as paid holidays, but Edgars offered to add an extra day to annual leave, which employees could choose to use as they liked.

However, Edgars agreed to pay its employees by the 30th of every month Workers had before been paid on the "sixth of every new month".

Among the the unions' grievances is the existence of two medical aid schemes. One is said to cater for whites, coloureds and Indians and the other for blacks

Fedcraw's general secretary, Nat Kettlele, said his union members would be meeting over the weekend to determine whether to develop the "without prejudice" talks or to "embark on a legal strike".

Saccawu could not be reached for comment at the time of going to press.

LENCO FM 13/7/90'

Turnround specialist

Activities: *Investments in clothing, footwear, rigid plastic packaging and property*
Control: *Lenco Investment Holdings (Pty) holds 56,6%* (184)
Chairman: *D B de Jager; MD, G D de Jager.*
Capital structure. *39,9m ords Market capitalisation R89,8m*
Share market: *Price 225c Yields 4,0% on dividend, 20,1% on earnings, p/e ratio, 5,0, cover, 5 12-month high, 270c, low, 160c Trading volume last quarter, 1,07m shares*

Year to Feb 28	'88	'89	'90
ST debt (Rm)	7,0	21,8	6,0
LT debt (Rm)	10,8	21,9	28,3
Debt equity ratio	0,40	0,16	0,42
Shareholders' interest	0,32	0,42	0,47
Int & leasing cover	3,2	8,9	5,7
Return on cap (%)	12,0	22,4	24,4
Turnover (Rm)	120,0	207,5	283,9
Pre-int profit (Rm)	11,6	29,9	42,3
Pre-int margin (%)	9,7	14,4	14,9
Earnings (c)	21,2	35,6	45,3
Dividends (c)	5,0	7,0	9,0
Net worth (c)	72,6	88,7	141,2

Much financial footwork and many intricate deals have created the group In the process, turnover has grown to R280m in 1990 from just R1,3m in 1986. EPS have shown similar exponential growth.

CE Douglas de Jager has proved adept at making loss-making ventures profitable He began with Elvinco Plastics (rigid plastic packaging), which he pocketed in 1985 He did it again with House of Monatic (HoM), which avoided liquidation when Rembrandt bought it from the Back family. It then passed through the hands of both Rembrandt and Pep Neither could turn it around but it has been profitable since De Jager acquired it from Pep in 1987

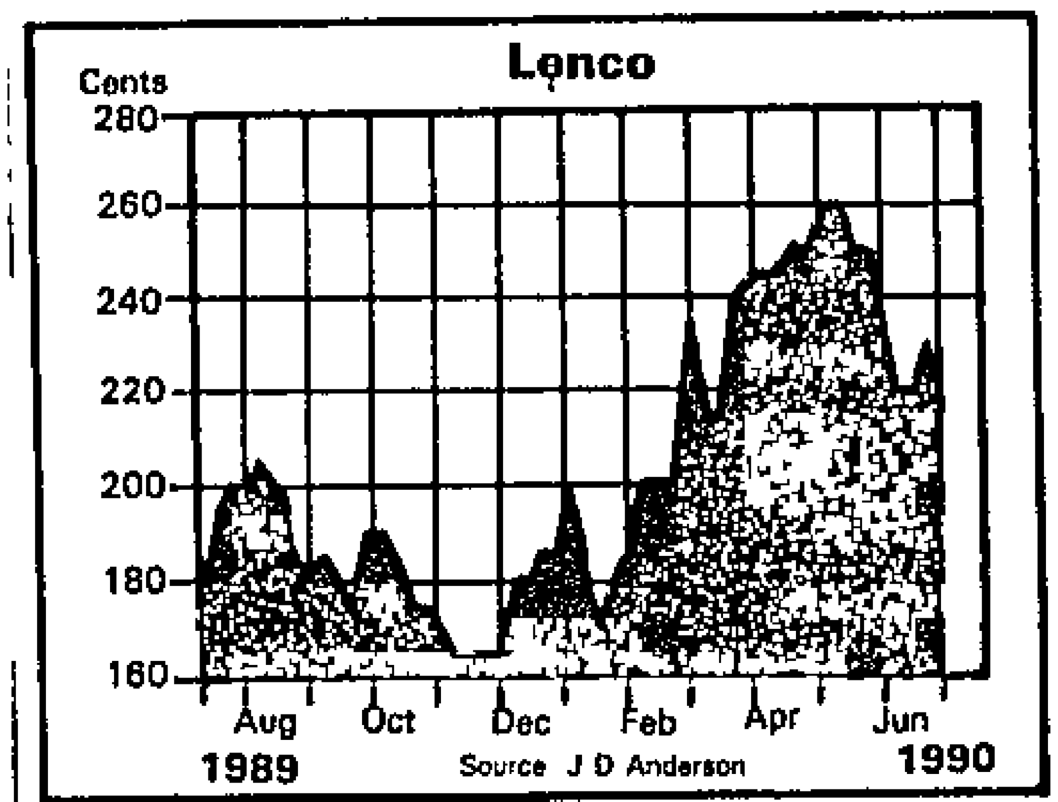
When De Jager merged Budget Footwear with Jaguar Holdings, Lenco obtained control of the new Amalgamated Shoes (Am-

FM 13/7/90 (184)

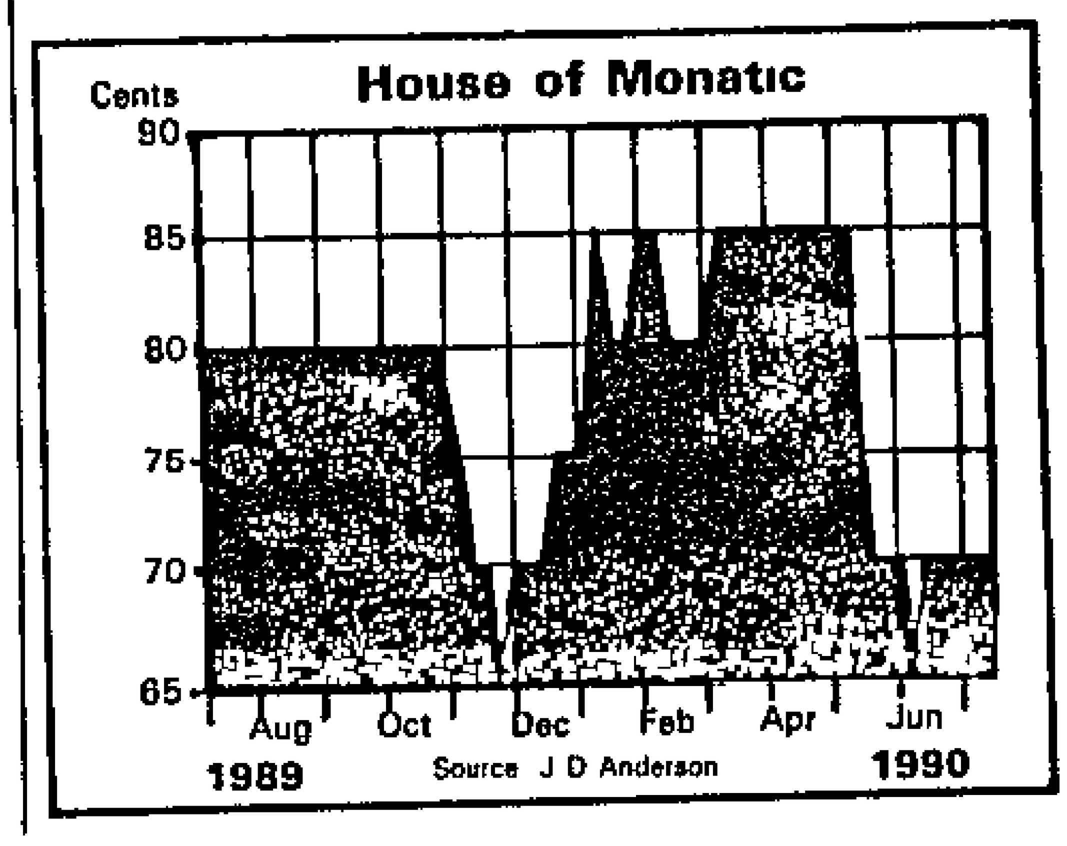
shoe) This left Budget as a cash shell into which HoM was reversed

Last year's earnings came from Amshoe (52%), HoM (30%) and CMI (18%), which, until year-end, controlled Lenco's foundation stone — Elvinco Three significant events have, however, since taken place

☐ First, Combined Packaging (Compac) has been created. In December, Lenco and Rubenstein Holdings (Ruhold) entered into agreements with creditors of the provisionally liquidated flexible packaging manufactur-



er, Alfa Manufacturing Later, De Jager negotiated the takeover of Kohler's rigid packaging division from Holdains Then he reversed Elvinco's rigid packaging interests into Kohler' and Ruhold's flexible packaging interests into Alfa, whose name was changed to Compak, now one of the largest packaging companies



☐ Second, a joint controlling interest of 16,5% of Lenco has been sold to Remgro out of the ultimate pyramid Lenco (Pty) for R15,9m. Aside from permitting the De Jager family to capitalise on its efforts, this link gives the group additional lustre

☐ Third, a R31m rights issue virtually eliminated debt, bringing a big interest saving and, more significantly, substantial capacity for further development and expansion

De Jager is optimistic about Compak's prospects With full order books for HoM beyond financial year-end, he is even more so, though there is a caveat· HoM's tax holiday is over. A dark also cloud hangs over Amshoe. unrest in Natal will hit its Durban-Maritzburg factories

Even so, an investment in the ungeared Lenco, covering such natural growth areas as clothing, footwear and packaging, could be rewarding long term *Gerald Hirshon*

Fraud charges for counterfeiters

By Zingisa Mkhuma

Police have completed an investigation into the manufacture of alleged fake Gucci, Dunhill and Chanel clothing, and have sent the docket to the Attorney-General for his decision on prosecution

An attorney for Dunhill and Gucci, R A Isaacs, said they had discovered the large-scale T-shirt and sweatshirt counterfeit operation at the beginning of the year.

Mr Isaacs said people should not be tricked into buying T-shirts and sweatshirts as Dunhill and Gucci products, because the two companies did not make them

"This incidence of counterfeit clothing was fairly widespread around the PWV area as police had boxes of the fake items."

He also said wearing counterfeit clothing was not an offence if one bought in good faith The only people who were in trouble were manufacturers and retailers of these counterfeits.

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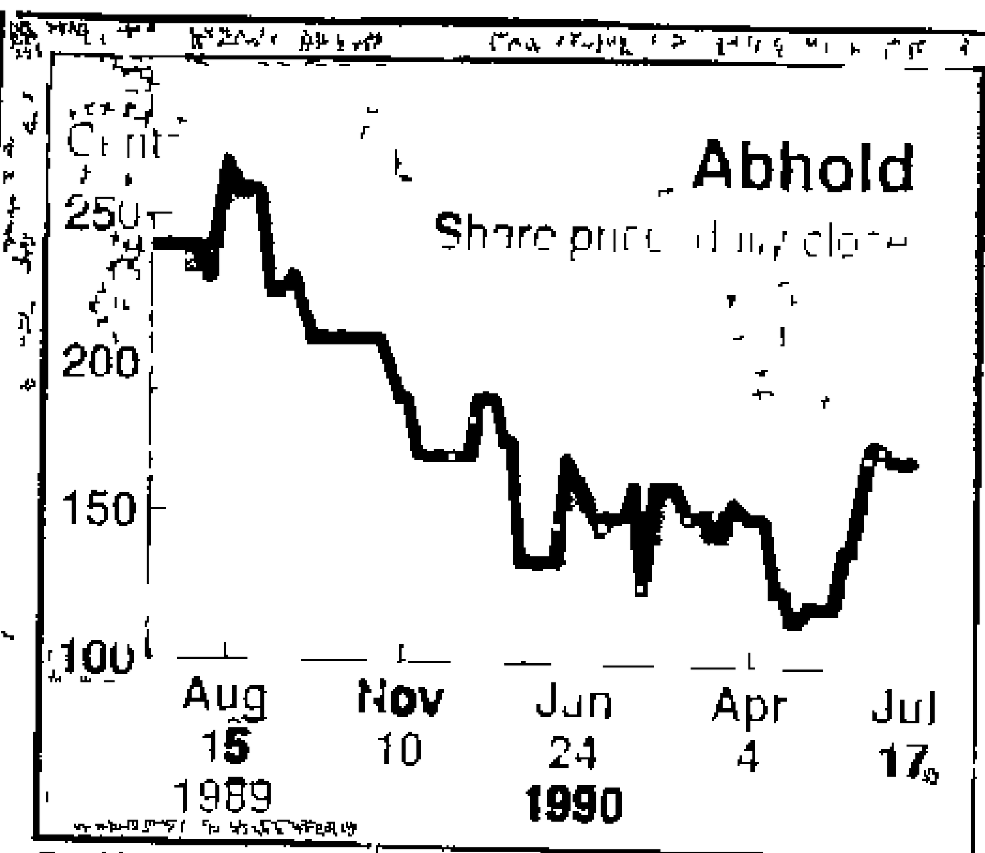
Star 17/7/90



Graphic: FIONA KRISCH Source JSE

BDay 18/7/90 (184)

Swiss knitting giant in huge venture

ACHMED KARIEM

SWISS-BASED knitting giant Bizitex AG, which is acquiring Abhold for R108m in a reverse takeover, has established the largest knitting factory in the world near Sun City, Bizitex chairman Fredy Zimmerli said in an interview yesterday

Zimmerli told Business Day he expected sales to be in the region of R50m in the first year, geared almost entirely for export. He added that Bizitex would obtain 90% of the shares of Abhold, with the latter's name being changed to Bizitex.

According to the National Clothing Federation (NCF) the move comes ahead of an expected interest by European clothing chains to use SA as a major sourcing centre for clothes.

Bizitex has imported 181 brand new knit-

☐ To Page 2

Swiss venture

BDay 18/7/90 (184)

☐ From Page 1

ting machines worth R95m from Germany for the factory in Mogwasi, in Bophuthatswana The operation was established under the Bophuthatswana National Development Corporation's (BNDC) decentralisation incentive scheme.

"Institutional investors will have an attractive opportunity to participate in an export-orientated company," said Zimmerli

Teconit's business activities involve the manufacture and distribution of ladies clothing and men's knitwear under various labels Bizitex has plants in Switzerland, Israel and Italy

Bizitex was one of several European clothing companies, including British denim manufacturer Pepe, that were being lured to southern Africa by the relaxation of sanctions.

NCF executive director Hennie van Zyl said European clothing chains had appointed full-time personnel to research opportunities in SA

Pepe's profit slide 'will not hit SA operation'

B Day 18/7/90 (184)

ACHMED KARIEM

THE slide in the profits of UK denim jeans company Pepe will have no impact on its SA operations, a company spokesman said last week

Pre-tax profit of Pepe, which is represented in 25 countries, declined by 17,4% to £10,5m (£12,8m) in the year to March due to difficult trading conditions in the UK. Earnings a share were 23,4p (31,9p) A final dividend of 4p was declared.

Pepe has invested in SA as an additional source centre to Hong Kong for its clothing products

SA management said Pepe planned to export to the EC once production reached international standards.

Clothing study warns of rapid mechanisation

5 Dec 1990

184

ACHMED KARIEM

MECHANISATION of SA's clothing and textile industries would accelerate unless labour and management agreed production would not be disrupted by industrial action.

This was the finding of a clothing survey conducted by the National Productivity Institute (NPI) into firms which represented 26% of sales turnover and 16% of the workforce.

NPI industries director Jan-Henk Boer said from NPI data collected from companies with a year-end of December 1989, it was clear manufacturers' financial situation had led to less than acceptable updating of technology.

"The trend away from labour-intensive industries is purely a function of the industrial relations climate."

The findings showed that the clothing industry's 1989 profits were dismal and the average return on operating assets before interest and tax was 18% and before tax was 12%, Boer added.

He said this was not healthy considering interest was about 3% of sales. Ladies manufacturers had a profit margin of 5,7% before interest and tax.

He said the clothing industry found it very difficult to cost, plan and budget garments when it was uncertain whether it could depend on labour.

Consequently, clothing companies would prefer to invest in capital to reduce their dependency on labour. Conditions in terms of profitability were similar in the textile sector.

Star 23/7/90

184

Unionists in bitter clash over wage offer

Members of the independent Federal Council of Retail and Allied Workers Union (Fedcraw) and the Cosatu-affiliated SA Commercial, Catering and Allied Workers Union clashed heatedly yesterday when a joint meeting was held in Johannesburg to discuss a wage offer made by Edgars management.

The company has offered employees R165 a month and a 100 percent bonus after eight years Saccawu has apparently accepted the offer

However, Fedcraw members are sticking to their original demand of R180 a month and a 100 percent bonus after five years.

A Fedcraw shop steward, Paul Sheku, told the gathering his union was adamant they would strike if their demands were not met

"The R165 and eight years bonus of 100 percent the company has announced in the media was an off-the-record offer They have not put this offer down on paper," he said

The meeting degenerated into chaos at one point with Fedcraw members accusing their Saacawu counterparts of compromising, while Saccawu members warned that if there was strike action, they would go to work "with pangas and guns"

Members left the hall after the four-hour long meeting still at loggerheads over the wage offer — Sapa

More strikes loom after failed negotiations

By Brendan Templeton

186

Star 23/7/90

About 23 700 striking workers ended their disputes last week while more than 24 600 remained on strike

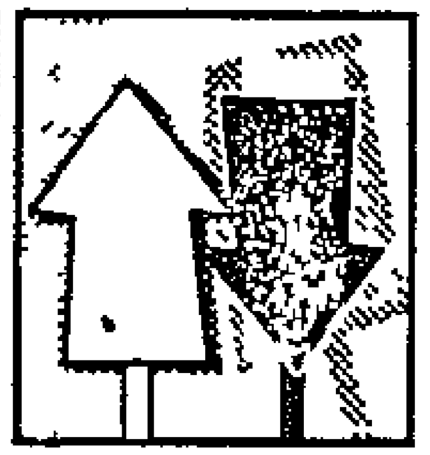
About 165 000 are poised to take part in strike ballots after negotiations with employers failed.

Mining groups announced 7 100 more retrenchments over the last seven days.

Strike settlements included:

- OK Bazaars and 7 000 South African Commercial, Catering and Allied Workers Union (Saccawu) members Workers to return to work on Wednesday after seven-week strike.
- Checkers and 9 500 Saccawu members, who return today after a two-week strike.
- Port Elizabeth municipality and Amalgamated Municipal Employees Association. About 3 000 workers returned last week, pending wage negotiations
- Transvaal Provincial Administration and 80 J G Strijdom workers, on Friday after "fruitful" talks
- Rand Mines and 3 500 members of National Union of Mineworkers at Harmony mine's Merriespruit shaft, who returned on Friday Negotiations continued over stayaway of 3 600 at another shaft.
- Possible end to Verwoerdburg municipal workers' strike after agreement to reinstate 500 of 750 striking South African Municipal Workers Union members.
- WJM Pipelines, Luipaardsvlei, and National Union of Metalworkers (Numsa). Total of 102 fired strikers reinstated. Retrenchment of eight to go ahead

Strike Barometer



Companies with workers on strike included:

- Southern Sun/Holiday Inns and Saccawu, at 41 hotels involving 6 000 workers. Strike 20 days old Union demanding R160 increase, reinstatement of 105 workers and right of part-time workers to join union. Hotels offering R100 or 15 percent increase
- Coca-Cola in Benrose and Food and Allied Workers Union. About 400 workers striking after drivers refused to deliver to strike-hit supermarkets
- Liquor producers and the National Union of Wine, Spirits and Allied Workers Union. About 3 800 on nationwide strike over demand for R40-a-week increase. Employers offering R33 Consumer boycott threatened, union to apply for conciliation board
- Consolidated Cotton Textiles and 10 000 SA Clothing and Textile Workers Union members over wage demand for R35 increase a week from July and R35 from next January.
- Ciba-Geigy and 172 Chemical Workers Industrial Union (CWIU) members in 78-day strike over company's non-participation in union's provident fund. Referred to mediation on Tuesday.
- Reckitt-Colman and 400 dismissed CWIU members over company's non-participation in provident fund Boycott of firm's products possible
- Labethica, Free State, and SA Chemical Workers Union Total of 104 people arrested during six-week strike, union says. About 160 strikers demanding wage increase
- West Rand Engineering Works, Krugersdorp, and Numsa. Total of 110 workers fired after strike over dismissed worker.

Strike ballots pending:

- Numsa with 115 000 workers employed by Steel Engineering Industry Federation of SA — from July 30 to August 10
- Saccawu with about 5 000 members at 126 Metro Cash 'n Carry stores — starts today
- National Union of Mineworkers in coal mines affecting 45 000 miners — soon.

Issues:

- Saccawu's 90 000 members will hold a one-hour work stoppage on Friday to highlight their "living wage" campaign, the right to picket and the right of strikers to company premises during strikes
- About 7 100 mine retrenchments last week. Genmin's Gengold division announced 2 700 retrenchments. JCI to close shaft at Western Areas mine. About 4 400 to lose jobs Anglo considering cost-saving measures at Freegold, Welkom

Profit rise budgeted for by Allwear — chairman

B.Day 25/7/90

(184)

ACHMED KARIEM

CLOTHING group Allwear had budgeted for increased profits despite the expected decline in trading conditions, chairman Renier van Rooyen said in the annual report

He said good progress had been made in the export market where the first order for men's wear had been received

However, boycotts of black schools had had a negative impact on sales in the schoolwear market.

Optimism

Van Rooyen said the group's range of baby, toddlers' and children's wear had also arousedinterest in Europe.

He addedthat Allwear had the capacity to increase output by more than 40% should the need arise

"This enables the group to await the next growth phase in the economy with great optimism."

In the 14 months to February 1990, the group lifted income attributable to shareholders by 28,5% to R3,9m from R3m in the year to December 1988.

Leegall is saved from liquidation

184/21 B10231 18/90

ACHMED KARIEM

THE provisional liquidation order on Leegall Clothing Company has been lifted and the company is to be financially restructured, MD Frank Falowitz says in an announcement today.

Leegall's listing — suspended on the JSE on July 23 — is to be resumed from today. Leegall was provisionally liquidated on July 20 at the instance of a major creditor.

In terms of its restructuring, Leegall's East London property and its Zimbabwean subsidiaries have been sold for R2,5m.

Falowitz said major creditors Tongaat Textiles and Nedbank would convert combined claims of R5m into redeemable preference share capital.

A rights issue to raise R2,5m would take place by the end of September, underwritten by management and certain shareholders. In anticipation of this issue, more than R1,25m earmarked for it would be lent to Leegall.

ECONOMI

GOING "FUR" BROKE: Mr Leslie Derber, managing director of a leading furrier, is moving more heavily into clothing because the fur trade is no longer economically viable.

Leading furrier 'pelted' out of lifetime business

Star 4/8/90

SUE OLSWANG

A PART of South Africa's fashion history died this week with the announcement of a closing-down sale in the fur departments of one of the country's largest and oldest furriers.

The closing-down sale, says Mr Leslie Derber, is largely due to the political and economic situation — with a weak rand and high import duties on skins brought in for manufacture in South Africa — although he admitted the anti-fur lobby has been partially responsible for declining sales

'Trigger that shot bullet'

"The anti-fur lobby is perhaps the trigger that shot the bullet," said Mr Derber, managing director of the Derber's stores in Sandton City and Johannesburg CBD.

"There has, however, also been a general decline in luxury trade because of the economic situation, and it is simply no longer financially viable to stay in the business

"We have always had a range of ladies clothing in our stores and I believe it makes better business sense to move out of the fur trade in order to expand our clothing operation "

Mr Derber said his company will not manufacture new furs once existing stocks are sold

It will also no longer offer a normally essential repair and alteration service

"It is the end of an era for us," said the 63-year-old businessman who has been in the fur trade since the age of 13

"I've built this business like a baby," Mr Derber said, adding that he was very sad to see the end

He said the world fur market has undoubtedly been affected by anti-fur lobbyists, especially in the past five years, and many top overseas retailers — including Harrods — have had to close their fur departments

"But, the fur trade will never die altogether," he said. "I believe it will go back to being a home-craft industry, like it was in the pre-war days The individual furrier will take over by manufacturing to order, altering and repairing "

- The New York domestic fur business has shrunk with the number of manufacturers down from 800 in 1979 to 300 this year

'Ugly people'

- Many of the world's top fashion designers are now going furless Italian designer Moschino has been quoted as saying "Furs are worn by beautiful animals and ugly people."
- The wearing of furs at traditional "dress-up" occasions has become something of a stigma, with reports of few being sighted at art exhibitions and opening night ballet, opera and theatre

RA

COMPANIES

Arwa leases a mill to Kingtec

ACHMED KARIEM

ARWA chairman Johan Claasen, who recently spent R42m purchasing Arwa group assets, has leased his R24m Clayville mill to Willie Wong, MD of Garankuwa textile company Kingtec. (184)

Arwa's clothing and textile operations are located in Clayville (near Olifantsfontein), Parys, Atlantis and Durban.

The latest Finance Week said the deal involved Taiwanese management control of the plant and injection of working capital, with Claasen marketing the mill's output.

The mill, which employs 100 people and has the capacity to produce 15 tons of yarn a day, is expected to operate 24 hours a day.

An unidentified management source telephoned Business Day yesterday and said Taiwanese technicians would replace product managers at the Clayville knitted fabrics factory — to be renamed Scorpio Fabrics at the end of August — with Wong as CE and Claasen in charge of sales and finance.

B Day 7/8/90

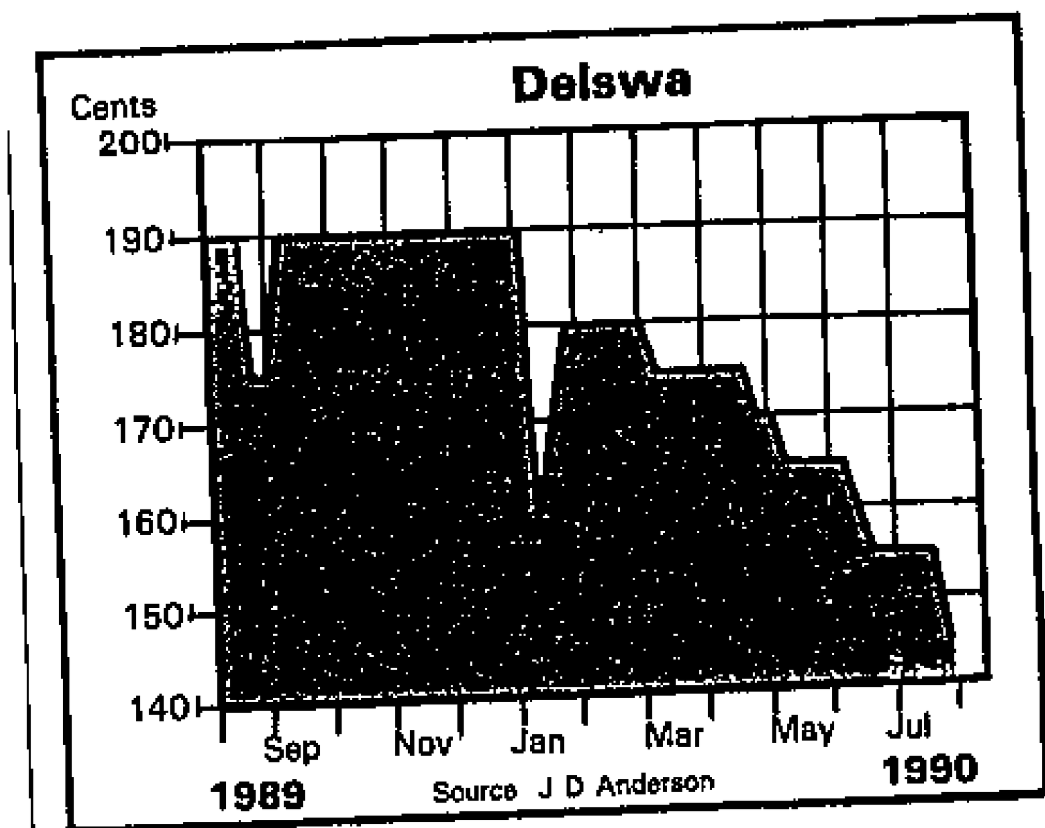
Claasen was unavailable yesterday to confirm the information provided by the anonymous source.

DELSWA FM 10/8/90

Untimely disruption

Activities: *Manufactures and distributes clothing* (184)
Control: *Directors 65%*
Chairman: *S L Jaff, MD S H Jaff*
Capital structure: *6,96m ords Market capitalisation R9,75m*
Share market: *Price 140c Yields 6,4% on dividend, 28,2% on earnings, p e ratio, 3,5, cover, 4,4 12-month high, 190c, low, 140c. Trading volume last quarter, 4 000 shares*

Year to Apr 30	'87	'88	'89	'90
ST debt (Rm)	5,6	7,1	9,9	11,9
LT debt (Rm)	0,5	2,4	2,3	4,1
Debt equity ratio	0,63	0,81	0,86	0,79
Shareholders' interest	0,48	0,45	0,42	0,47
Int & leasing cover	6,3	6,6	5,4	3,0
Return on cap (%)	21,2	21,3	25,3	18,5
Turnover (% increase)	32	25	37	11
Pre-int profit (Rm)	4,3	5,5	8,5	8,1
Earnings (c)	26,9	35,7	52,3	39,6
Dividends (c)	9,0	10,5	12,5	9,0
Net worth (c)	149	167	202	293



Delswa's Stephen Jaff ... expects maintained profit

FM 10/8/90 (184)

Delswa's five-year earnings growth record was interrupted in the 1990 year because of the loss of about two weeks' production at one of its factories. The resulting sales shortfall and cost of high stocks caused attributable earnings to fall by a quarter.

At the half-way stage Delswa reported a 20,5% improvement in its operating profit compared to the 1989 first-half, but in the second six months it fell 21% Turnover, lamentably, remains undisclosed MD Stephen Jaff says trading results remained on target until February and the damage occurred in March and April, the critical period for production and delivery of winter

FM 10/8/90 (184)

ranges "Politically motivated unrest" caused more than two weeks' production to be lost at the Kroonstad factory, deliveries to customers were delayed and this resulted in order cancellations and the return of merchandise.

Turnover in the second half, usually seasonally high, was on a par with the first half. Operating margins for the full year declined slightly from their fiscal 1989 level, reckons financial director Peter Jaff, but this was largely because of an increasing low-margin export component.

The effects of the fall in operating profit were worsened by a rise in debt and a 70% hike in financing costs, particularly in the latter half of the year when finished stocks rose substantially. With the tax rate slightly higher, attributable earnings fell to R2,8m from R3,6m in 1989. To conserve cash, cover was raised to 4,4 and the dividend was cut by a quarter.

A healthier (but still high) debt.equity ratio and the rise in shareholders' interest reflect a change in accounting principles — land and buildings are now shown at market value instead of cost — rather than an actual improvement The revaluation also depressed return on capital.

The directors are cautious about prospects for this year. Order books for the first six months are full, but margins are expected to remain under pressure the competitive trading environment will force additional labour and raw material costs to be absorbed. It is hoped that success achieved in the export

FM 10/8/90 (184)

market last year will be maintained — margins are low but export incentives provide additional benefits Barring another interruption of the production process, Stephen Jaff expects Delswa to maintain profit this year

The share, tightly held and rarely traded, stands at a 12-month low *Pam Baskind*

Seardel raises turnover by record R900m

CAPE TIMES 10/8/90

By AUDREY D'ANGELO
Business Editor

THE Seardel Corporation achieved a record turnover of R900m in the year to June 30 And the final dividend rose to 14c (13c) a share for an increased total payout of 22c (21c)

But pre-tax income was up by only 3% to R43m and after-tax income by 10% to R27m Earnings at share level were 4% higher at 101c.

Announcing these results yesterday executive chairman Aaron Searll warned of a tough year ahead as the economy moved deeper into recession

But he said the group had slashed borrowings by R27m and the ratio of debt to equity was now 75% compared with 110% the previous year

"This improvement in the balance sheet is particularly pleasing," he told senior executives and business associates, at a party at the corporate headquarters at which the results were disclosed "It is a tremendous turnaround"

Searll said the group had increased exports by 57% in the year to June, to 5% of its clothing turnover It hoped to increase this substantially in the current year

And it was budgeting for sales to reach R1bn this year — "a milestone in our history"

But profit margins were already under pressure. Pointing out that "high turnover is not the same thing as high profits", Searll forecast."We shall be facing the economic downturn full on next year

"Interest rates are high and consumer spending down and we anticipate a difficult year"

He said in an interview that companies in the group had already suffered cancellation of orders in the past quarter, as retailers lost confidence

"And we have experienced tremendous pressure on our margins from the major chain stores We shall have to struggle to improve our margins"

Although the economy might improve as a result of the political negotiations now in progress "we can assess that only when agreement has been reached".

● Seardel Consolidated Holdings has declared a final dividend of 14c (13,1c) a share, making a total distribution of 22c (21c) for the year

Profits now, jobs later, stresses Seardel head

By TOM HOOD,
Business Editor

PROFITS this year mean jobs next year, says Mr Aaron Searll, chairman of Seardel Investment Corporation, the country's largest clothing manufacturer

"It is important for everybody to understand that," he said after announcing record group earnings of R27 million for the year to June 30.

Clothing companies were threatened on two fronts — by retail chains insisting on ever-lower margins and by rising costs, including wage demands.

Although turnover jumped by 21 percent to R900 million — and more than R1 billion is forecast for the current year — margins have been forced down to only 4,8 percent of sales

"Turnover is not everything; it is not profit. We have got to achieve better pre-tax margins," he said "We need to be more aggressive in our pricing policies and lift our margins to a more respectable 8 to 10 percent.

"We have absorbed too much of the inflationary inputs and not passed them on to our customers. We have to redress this imbalance."

Top priority in the past year was strengthing the company, with R27 million of debt paid off to save R5 million in interest charges The ratio of borrowings to group equity improved dramatically from 133 percent two years ago to 78 percent at the June year-end — better than the 80 percent forecast.

More than R61 million has been ploughed back into reserves in the past four years.

The group boosted exports by 57 percent last year, about 20 percent of the country's clothing exports.

"We are now entering more markets in Europe, especially in the UK and we are looking forward to exporting to the United States The F W de Klerk initiatives have helped," he said

The rise of sterling against the rand had made it "very attractive" to export men's suits to Britain.

Seardel's final dividend is up 1c to 14c for a total payout of 22c (21c).

● Cement producer **Blue Circle** reports net profit plunged to R38,3 million in the six months to June from R45 million a year ago But the interim dividend is up 5c to 45c.

Lower spending by the public and private sectors impacted on demand for materials supplied by the cement division, although this was partially offset by exports, say the directors

● **Everites's** earnings dropped to R18,8 million in the year to June from last year's R23,6 million The lengthy 1989 strike hit profits, while interest paid rose from R2,3 million to R4,1 million

● **Transun** is planning a R100million expansion of its Wild Coast operation over the next two years The aim is to increase the number of day visitors to the resort, which will be helped by the completion of the motorway between Durban and the Wild Coast

● Coal producer **Trans-Natal** trebled its pre-tax profit from R71,4 million in 1988-89 to R221,4 million in the 12 months to June this year

Exports rose 23 percent to 10,2 million tons, which was 500 000 more than the group's initial target But Escom and other domestic sales fell 8 percent

Ninian posts 67% drop in earnings

B Day 14/8/90

ACHMED KARIEM

NINIAN & Lester Holdings (Ninian), the group which has controlling interests in companies in the textile, clothing and hosiery industries, has posted a 67% drop in earnings a share for the six months to June (184) (KEP)

Earnings a share fell to 28c (85c)

The company has declared a dividend of 6c (18c) a share.

Results for the entire group — including those of Hacks Holdings, which became a 60%-held subsidiary on January 1 — reflected a 14,2% decline in trading income to R6,3m (R7,3m)

However, an interest bill of R1,1m, finance leasing charges of R383 000 and depreciation which almost doubled to R3m, together showed a 41% rise over the same period last year, contributing to a slide in pretax income to R1,7m (R4,1m)

A lower tax bill of R521 000 (R1,9m) resulted in taxed income of R1,2m (R2,1m).

Attributable income plunged to R888 000 from R2,7m.

Chairman Matthew McElliott said indications were that earnings a share for the year would be less than half the 1989 record earnings of 261c a share

Specialty faces tough trading conditions

Star 14/8/90

Diagonal Street

(18P) LYNNE PEACH

While stockbrokers believe that some divisions of the Specialty Stores group will perform well this year, they predict that the difficult trading conditions will place a dampener on overall results.

In the latest annual report, chairman Dr Nic Labuschagne mentions that the under-utilised debtors' data base should allow real sales growth to be maintained and is confident that earnings will be further increased.

A feature in the past financial year was the group restructuring in terms of which Specialty Stores acquired all the net assets held by its holding company Storeco, subdivided its share capital and had a rights issue.

Dr Labuschagne says the effect was an injection of additional capital into Specialty Stores and a broadening of the shareholding of the group.Retail operations are conducted in three main business segments - Milady's, The Hub and off-price Specialty Stores.

Milady's is a national chain comprising 141 ladies fashion stores while The Hub store operation is Natal-based and specialises in family apparel, footwear, home textiles and housewares.

The group operates two off-price store concepts, Mr Price's Factory Shop which sells family apparel and Footgear.

Dr Labuschagne says seven new Mr Price stores were opened in the latter part of the past financial year and he expects a substantial increase in profitability this year.

He also anticipates that the recently acquired Milews operation, which is being converted to a Milady's operation, will make a significant contribution to Milady's profitability in the current year.

In the year to February, group turnover climbed 35 percent from R136,9 million to R185,4 million. (Note that due to the group restructuring comparative figures have been adjusted where necessary).

Operating profit before interest increased a higher 39 percent from R16,1 million to R22,4 million.

After interest expense rose a modest 11 percent from R2,4 million to R2,7 million, pre-tax profit advanced 44 percent from R13,7 million to R19,7 million.

A decline in the effective tax rate from 51,4 percent to 47,1 percent resulted in attributable profit rising 58 percent from R6,6 million to R10,4 million.

Based on a higher number of shares in issue, adjusted earnings per share grew 11 percent from 63,4c to 70,3c.

The dividend for the year amounted to 25c a share.

The balance sheet shows an increase in total borrowings from R17,7 million a year ago to R23,8 million.

Due to the sharp increase in shareholders' funds, gearing came down from 48 percent to 36 percent.

Net asset value appreciated by 6 percent from 347c a share to 369c. Specialty Stores, priced at 480c, is trading on a price:earnings ratio of 6,8 and provides a dividend yield of 5,2 percent.

Due to the economic slowdown, stockbrokers are reluctant to recommend accumulation of shares in the retail sector.

COMMENT: Specialty Stores' share price reached 560c earlier this year before falling steadily to 480c. The short-term outlook is bearish and the price will have to rise above 490c to reverse the trend.

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14/8/90

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COMPANIES

Glodina results hit by unrest, poor trading climate

ACHMED KARIEM

GLODINA Holdings, a leading manufacturer of towelling products in SA, has posted poor interim results with attributable income to end-June down 33% to R2,4m (R3,6m).

No dividend has been declared due to the economic climate.

Despite a 17% increase in turnover to R38m (R32,5m), the 17,2% decline in operating income to R4,6m (R5,6m) reflected squeezed margins.

A management statement blamed poor trading conditions in the textile industry, and unrest, for the slump in operating income.

Competition from cheap imports, production inefficiencies due to absenteeism and political unrest further cut profits at subsidiaries Textowel Weavers and Lanatex Weaving Manufacturers.

Last year's annual report said no tax was payable due to estimated taxation losses brought forward in certain subsidiaries and various investment and other taxation incentive allowances. Earnings a share dropped 32,6% to 12,4c (18,4c)

Although stock levels had gone up by R8,6m over December 1989, the firm's short- to medium-term plan included reducing stock levels.

A management programme to cut expenditure was expected to maintain current margins by year-end

Glodina's capital expansion programme to modernise the Hammarsdale plant and transfer older machinery to the Qwa Qwa factory had been rewarded, as evidenced by increased operating efficiency at Hammarsdale, the directors said.

They said the outlook for exports was favourable and this should aid the group's performance in future.

The group yesterday announced the appointment of John Balladon as chairman and MD of Glodina's main subsidiary, Dano Textile.

The share price is trading at 85c after its high of 170c in December

BD 16/8/90

(184)

Union pay demands shock Cape clothing industry

Cape Times 16/8/90

By TOM HOOD, Business Editor

THE hard-hit Cape clothing industry is amazed at trade union demands for a 50 per-cent increase in their pay package, says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association.

"The pay claim is obviously an opening move before negotiations begin, but it comes when a great deal of the industry is working short time," he said today. "Business is still pretty poor all round and there is no way of companies being able to meet it

"Even in the good times, union demands were not as high as this"

50 percent increase

The claim sumbitted to employer organisations amounts to a 50 percent increase in the overall package.

The demand is for a R45 a week across-the-board increase, a R1 a week bonus for each year's service, a 40-hour week, an extra paid public holiday and five days extra leave for all workers

A controversial proposal is a national industrial council for the clothing industry.

Coming at a time of industrial depression and shrinking profits in many manufacturing companies, the union's claim is certain to lead to tough negotiations before new agreements are reached, union sources concede.

"Many companies are simply making ficticious profits — well below the rate of inflation and are struggling to avoid retrenchments," said a director of a clothing company

Many smaller firms — especially the CMT operations — had been on short time, with one firm reporting falling orders and work for two-day weeks for more than three months

The country's largest clothing group, Seardel Investment Corporation, reported only a 4,2 percent rise in bottom-line profit last week

Shareholders got a mere 4,7 percent rise in their dividends, total payouts rising to 22c a share from the 21c paid last year

South African Labour News, the Cape Town-based digest of trade union affairs, quoted a union spokesman saying employers, hard-hit by the depressed economy, rising costs and a tougher market, would certainly resist any reduction in production time

High starting point

While the union regarded the R45 a week demand as a reasonable starting point for negotiations, this was well above the 21 percent the workers gained last year, and it was unlikely that employers would this year countenance increases of similar size, said a union spokesman.

On a centralised national bargaining unit, he said although it viewed this as a priority, employers remained to be convinced of the need for such a body

Demands presented to employers at the other regional councils in the clothing industry are likely to follow those in the Western Cape, the dominant region in the sector.

ALLWEAR FM 17/8/90

Heavy going

(184)

Activities: *Clothing manufacturer*
Control: *Directors*
Chairman. *R van Rooyen, MD A Oosthuizen*
Capital structure: *7,83m ords Market capitalisation R6,2m*
Share market *Price 80c Yields 20% on dividend, 65% on earnings, p e ratio, 1,5, cover, 3,2 12-month high, 130c, low, 80c Trading volume last quarter, 68 000 shares*

Year to Feb 28	**'89**	**'90**
ST debt (Rm)	14,3	15 2
LT debt (Rm)	2,9	5,3
Debt equity ratio	1,48	1,14
Shareholders interest	0,36	0,38
Int & leasing cover	2,3	1,8
Return on capital (%)	15,5	18,2
Turnover (Rm)	37,5	62,3
Pre-int profit (Rm)	5,2	8,7
Pre-int margin (%)	13,9	14,0
Earnings (c)	52,8	52,0
Dividends (c)	—	16
Net worth (c)	39	226

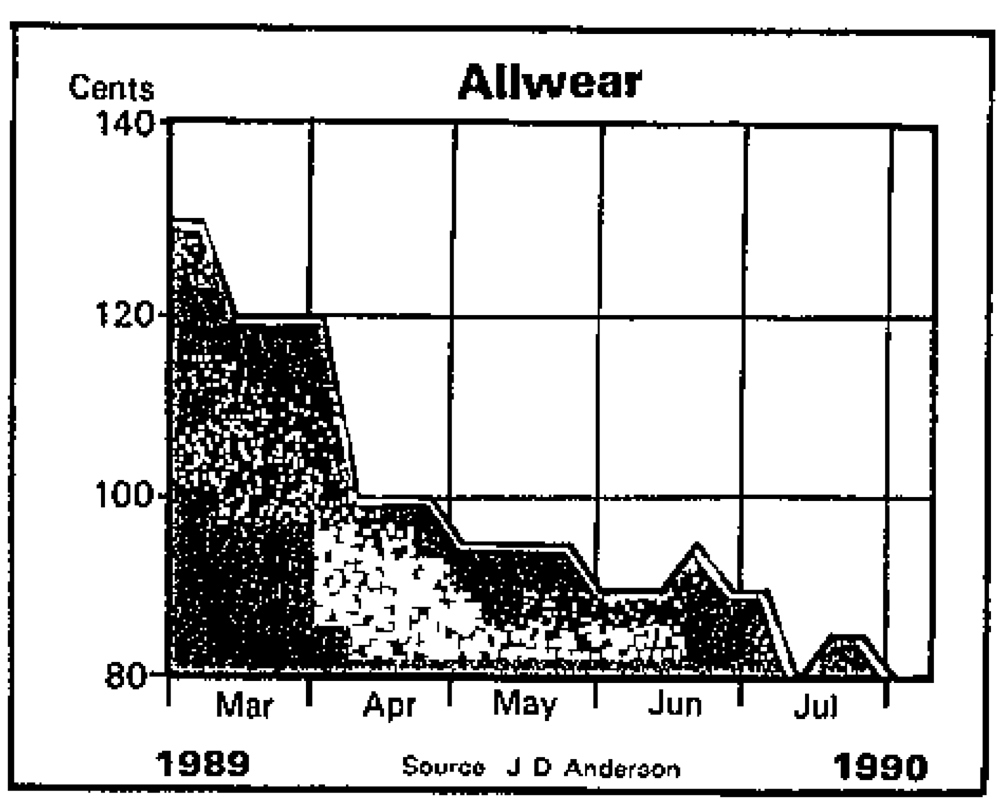
Clothing manufacturer Allwear's stated strategy is to consolidate in its respective market sectors during the economic downswing and improve its balance sheet structure

But, given the debt equity ratio of 1,14, chairman Renier van Rooyen and his management team will be facing a mammoth task to restucture the balance sheet Van Rooyen admits he is concerned about the heavy debt burden Management is reducing stock and Van Rooyen expects to gain R4m from this before year-end Some product ranges have been discontinued at the Newcastle factory

There was some improvement in asset management in the 14 months to end-February, when debtors fell to R16,8m from R17,2m But, says Van Rooyen,the market is in a "very tough period" Allwear felt obliged to accept longer repayment terms from some customers to keep them in business and this has eroded some of the previous gains

Below-budget turnover led to a 44% rise in stock, to R18,2m, though Van Rooyen says the effect was partly offset by greater use of suppliers' credit, which increased by 35% The debt equity ratio thus fell from the earlier level of 1,48, but it remains to be seen whether the reduction in gearing can be sustained

The group emerged in its present form after the DCM-listed clothing company



FM 17/8/90 (184)

Sherleys took over schoolwear ~~maker~~ Veka late last year The restructuring was yet another effort to revitalise Veka, a group which had a poor record under previous regimes

Van Rooyen claims there is considerable synergy in the restructuring of Veka and Sherleys This includes expanded and better balanced product lines, administrative cost savings and operation of three geographically spread manufacturing plants which reduce vulnerability to labour unrest

Schoolwear produces 55% of group turnover and, with black education often in turmoil, prospects for this market are unexciting Van Rooyen expects the dominance of schoolwear in the sales mix will slowly diminish

Progress has been made in the export market The first order for menswear has been received and a full-time marketing man has been appointed for Europe Van Rooyen expects the benefits of the export effort to be felt next year

At 80c, the share trades well below the 130c high set in March *Gerhard Slabber*

FIM 17/8/90

to-medium sized companies. The other markets a broad range of life and retirement annuities to individuals through insurance brokers.

The increase in new business from both divisions helped push taxed profit up 23% to R11,1m. Group CE Arnold Basserabie says "refined operating procedures and concentration on cost control" have also helped, while a large investment in more powerful computer processing has improved customer service

Recurring premiums rose 27% to R246m and investment income excluding capital appreciation increased by 18% to R176m "The group's investment policy with regard to equities is to invest in well-managed companies which provide above-average returns on both income and capital over the medium term," Basserabie says

Like most other institutions, the group has been allowing its cash inflow to build up, to take advantage of high interest rates in the money market. It has also been restructuring its equity portfolio to invest in fewer, better quality stocks Its property investments have been increased and new properties valued at R100m are being developed or are under consideration

One of Fedlife's smaller investments is its short-term insurance company, Fedgen Though contributions are not disclosed, Basserabie says the short-term insurer managed to avoid the heavy losses incurred by most of its competitors and ended the year slightly ahead of break-even

Earnings rose 23% and the interim dividend of 10c was half the total payout for 1989. Based on last year's second half earnings increase of 15,2c, and assuming the growth rate is sustained, earnings for 1990 could rise to around 35c. *Heather Formby*

SEARDEL FIM 17/8/90

Debt burden eases

There is some comfort in Seardel's 1990 preliminary figures, given that the dividend has been increased and the gearing was reduced to less oppressive levels But the overall result is uninspiring and clearly reflects two main problems a heavy debt burden and tough market conditions (184)

A marked earnings slowdown has looked unavoidable for some time Indeed, there is no point carping about the state of the economy, the downturn in consumer demand, high interest rates, dumping, destocking by retailers or the many other problems the group may face The fact is its gearing has long been too high and the resulting finance costs have hammered pre-tax profits

The overall sales performance was reasonable enough, though there was a sharp but not unexpected slowdown in the second half Turnover rose 21% to R900m and operating income was up by 19% after showing a 33% advance at the halfway mark. An interest bill of R30m (R19,8m) meant that pre-tax income was only 3% higher at R43m, an effective tax rate of 37% (42%) saw taxed income up by 10% at R27m

During the year all but R1m of the remaining preference shares were converted to ords, taking the number of issued ords up to 23,4m from 16,8m This diluted earnings to the extent that EPS show growth of only 4% Consequently, the dividend could not be increased by much more than 4% without further reducing cover, which in any event has dropped to 4,6 from 6 times

Chairman Aaron Searl has focused considerable effort on easing the debt burden Useful progress was made, particularly in view of the difficult trading conditions At the 1989 year-end, borrowings stood at R120m and have since been cut by some R27m The debt equity ratio thus dropped to 0,75, comfortably below the 0,80 target at which Searl has been aiming

The policy of maintaining a relatively high dividend cover has helped to ease the recent cash flow crunch Much attention has also been focused on asset and cash management to diminish debt Even so, the market is still likely to take the view that Seardel's gearing is too high Searl believes the ratio will remain around current levels for a while

But there are signs the fundamentals will begin to swing in favour of a better group performance With reduced debt, any reduction in interest rates should translate into larger profits — everything else being equal There is ample evidence, such as the recent pace of growth in operating profit, that management is capable of maintaining a solid level of productivity in the group

For this year turnover of more than R1bn is being targeted and Searl feels the trading margin should be maintained At 235c, the share has almost certainly discounted the worst On the latest results, the counter stands on a p e ratio of 2,3 and a dividend yield of 9,4% I think it merits a better market rating *Gerald Hirshon*

Opposition expected on pay demand

CNT/Imp 18/8/90 GP (184)

A DEMANDED 50% wage hike in garment workers' wages is bound to be met with stiff opposition from recession-bound employers when annual wage talks kick off soon

The SA Clothing and Textile Workers' Union (Sactwu) says it wants a R45 across-the-board increase on the weekly wages of its more than 100 000 members

In a drive to bring about uniform wages and conditions of service, Sactwu will press for a single national industrial council when it first meets employers on September 10

Wages and working conditions in the industry are governed by separate industrial council agreements for the Western Cape, Port Elizabeth, Natal and Transvaal.

Sactwu believes a national bargaining forum would also bring employers in decentralised "homeland" areas into line with general conditions.
— Sapa

Press 19/8/90 (124)

Shop to help 70 pupils

By LULAMA LUTI

IN a bid to help black matric pupils further their studies, a leading clothing chain has announced a bursary scheme to benefit 70 pupils annually from next year.

Announcing the move at a Kempton Park function last week, the editor of the Sales House *Club* Magazine, Carol Fynn, said the firm decided to increase the number of its bursaries after receiving more than 4 500 applications for five bursaries.

Soweto matric pupils Victor Nyamate and Leroy Ngobe were all smiles when they received the first R10 000 cheque on behalf of five pupils.

Nyamate and Ngobe said they would use the money on extra lessons to prepare for exams.

SA Bias keeps head above water

STAR 20/8/90 (184)

Finance Staff

SA Bias, South Africa's largest manufacturer of trimmings and accessories for the clothing industries, maintained earnings for the half-year to June at the previous year's level, despite the economic decline

Attributable income was R5,1 million (R5 million) and earnings per share were 18c (17,8c). An unchanged dividend of 7c has been declared

MD Philip Coutts-Trotter says the downturn has been more severe than expected and has affected demand in certain sectors.

"In these difficult circumstances, all our operations produced what can be regarded as satisfactory performances."

184

STAR 20/8/90

Clothing workers demand 50% rise

By Tom Hood

CAPE TOWN — The hard-hit Cape clothing industry is amazed at trade union demands for a 50 percent increase in their pay package, says Simon Jocum, chairman of the Cape Clothing Manufacturers Association

"The pay claim is obviously an opening move before negotiations begin, but it comes when a great deal of the industry is working short time," he said "Business is still pretty poor all round and there is no way of companies being able to meet it

"Even in the good times, union demands were not as high as this."

The claim sumbitted to employer organisations amounts to a 50 percent increase in the overall package.

The demand is for a R45 a week across-the-board increase, a R1 a week bonus for each year's service, a 40-hour week, an extra paid public holiday and five days' extra leave.

A controversial proposal is a national industrial council for the clothing industry.

PROFITS LOW

Coming at a time of industrial depression and shrinking profits in many manufacturing companies, the union's claim is certain to lead to tough negotiations

"Many companies are simply making ficticious profits — well below the rate of inflation and are struggling to avoid retrenchments," said a director of a clothing company.

Many smaller firms had been on short time, with one firm reporting falling orders and work for two-day weeks for more than three months.

The country's largest clothing group, Seardel Investment Corporation, reported only a 4,2 percent rise in bottom-line profit last week

Shareholders got a mere 4,7 percent rise in their dividends, total payouts rising to 22c a share from 21c last year.

South African Labour News, the Cape Town-based digest of trade union affairs, quoted a union spokesman saying employers, hard-hit by the depressed economy, rising costs and a tougher market, would certainly resist any reduction in production time.

While the union regarded the R45 a week demand as a reasonable starting point for negotiations, this was well above the 21 percent the workers gained last year, and it was unlikely that employers would this year countenance increases of similar size, said a union spokesman.

Progress finds going tough

By Ann Crotty (184) Star 21/8/90

Clothing manufacturer, Progress Industries was hit hard by the civil unrest and tough trading conditions during the six months to end-June — earnings were down 21 percent to 59,3c (75,5c) a share The dividend was unchanged at 18c (18c).

Turnover was down 4 percent to R30,1 million (R31,4 million) and operating profit was down a sharp 40 percent to R2,9 million (R4,9 million) Increased interest payments resulted in pre-tax profits showing a 53 percent drop to R1,8 million (R3,9 million)

A sharp drop in the tax rate cushioned the knock on the operating front. Attributable profit was down 21 percent

Wooltru makes the running in tough trading conditions

184 • Star 22/8/90

By Derek Tommey

Wooltru's new management team headed by deputy chairman and chief executive Colin Hall has shown its mettle again in producing substantially higher profits for the year ended June — in trading conditions which many other firms found extremely difficult.

A year ago the chairman, Mr David Susman, praised the management team and the "deft and lighthanded leadership" of Mr Hall for the outstanding 1988-89 results. Mr Susman again has reason for praise.

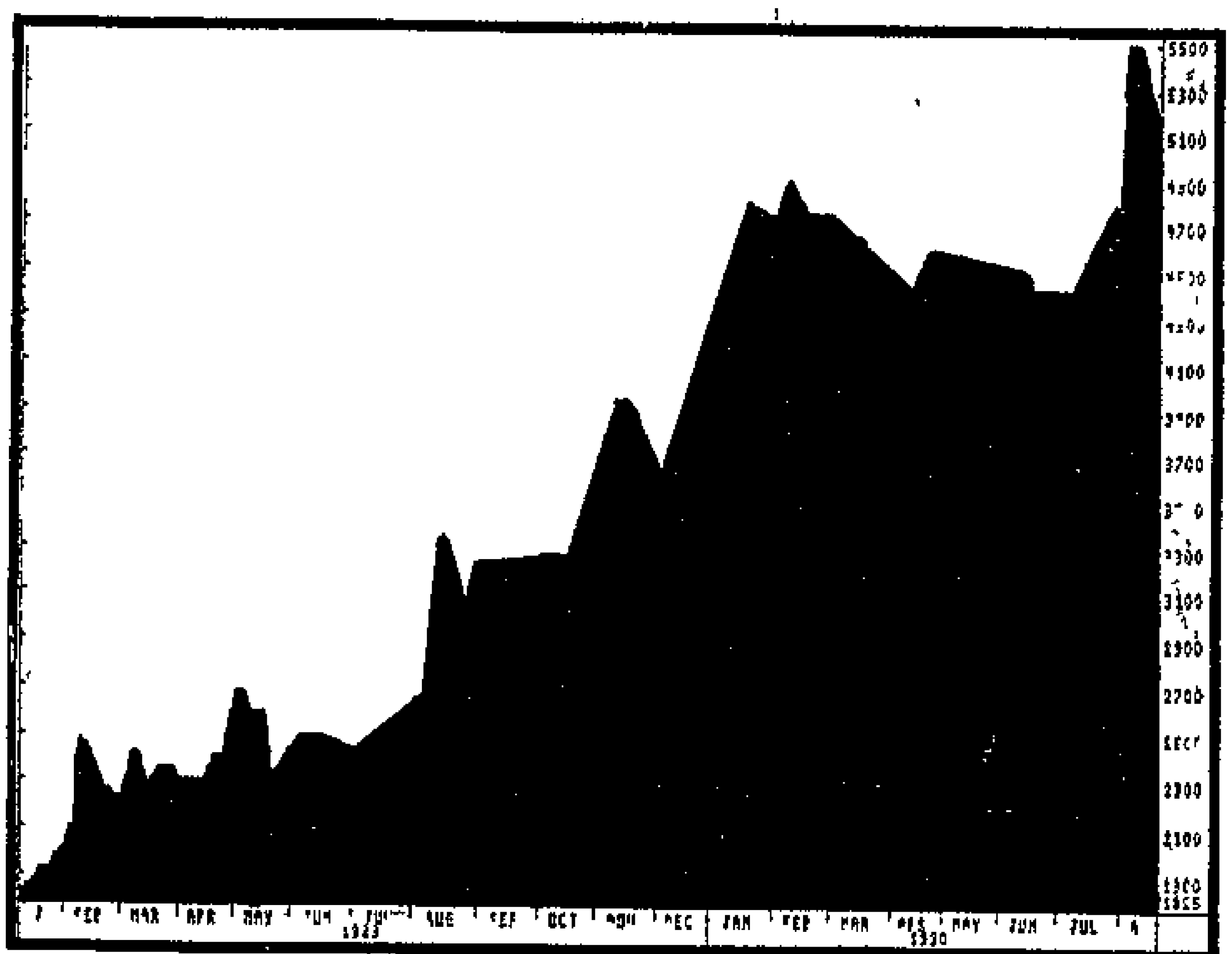
But he points out that these figures also reflected the soundness of the Wooltru's strategies in the past few years, which obviously still holds true.

In spite of the stringent anti-inflation measures aimed at curbing spending, Wooltru boosted its sales by R612 million or 29 percent to R2,7 billion, the figures show.

Profit before tax rose by 38 percent from R179,8 million, equal to 277,6c a share, to R130,9 million equal to 375,4c a share.

A final dividend of 86c (65c) has been declared making a total payment for the year of 150c (112c). The dividend took R51 million leaving R79 million to be ploughed back into the business.

The new team was created two years ago when Mr Eddie Parfett became managing director of the newly formed Speciality Retail Group which embraced Truworths and Topic Stores, Mr Syd Muller was appointed managing director of Woolworths and Mr Mark Lamberti became managing director of Makro.



The spectacular rise in Wooltru's share price.

Mr Hall was initially appointed joint chief executive with the chairman Mr David Susman and subsequently become sole chief executive.

Mr Hall expressed satisfaction in a interview last night at the real growth in group sales in the past year.

Store area had grown by about one percent and the 29 percent sales increase was well above the inflation rate

The group had a good Christmas and was heavily stocked to meet the seasonal demand. Since then stocks have become tight and are running only about 20 percent ahead of last year.

Margins had not been increased or reduced as Wooltru believed in giving customers quality merchandise at reasonable prices

Maintained margins, a high rate of stock turnover and productivity gains together helped increase profits. The group was also helped by its low level of borrowings. Interest payments amounted to R32,8 million against R24,6 million last year.

At present sales are running 27 percent ahead of last year, said Mr Hall. But this growth rate is not expected to be maintained.

Although real growth in the rate of sales and profit are expected, they are unlikely to equal last years' figures, he says

At June 30 the net asset value of Wooltru's shares was 1636c, up from 996c a year ago.

Capital employed was R743,8 million (R428,4 million) including long-term borrowings of R155,2 million (R68,1 million) and short-term borrowings of R9,4 million (R4,5 million).

WOOLTRU FM 24/8/90

Setting the pace (184)

Wooltru has sprinted ahead of other major consumer groups in its 1990 year. Net income and EPS are up by 35% and the dividend was lifted virtually in line — exceeding the most optimistic forecasts.

CE Colin Hall conservatively describes

FINANCIAL MAIL AUGUST 24 1990

FM 24/8/90

the period as a good year and points out the figures include 53 weeks rather than the usual 52. Adjusted to a 52-week period, sales are up by 27% on 4% more trading space, so productivity has evidently improved.

All divisions performed well in sales terms and contributed to earnings in roughly the same proportions as in the 1989 year However, Hall says Makro, which was operating from a smaller base, can be singled out as showing a faster profit pace than the rest of the group. (184)

During the first part of the year Woolworths adopted a policy of "widening and deepening" its product lines. This paid off but stocks were brought under tighter control as the trading environment became tougher Stocks in both Makro and Specialty Retail Group were kept to more prudent levels throughout the year.

Figures for the first half of the current year appear promising so far. Hall says sales are 27% ahead of the same period last year, though he does not expect this growth rate to be maintained. Real growth in sales and profits is forecast for this year, but not at the same rate as last year.

After firming ahead of the results, the share, at R52, now offers a yield of 2,9% and a p.e ratio of 13,9. It looks fully priced.

Gerry Hirshon

FM 24/8/90 (184)

SA BIAS/MERHOLD

Aiming lower

Earnings of SA Bias Holdings' two trading arms, 77,5%-held Merhold and 87,8%-held SA Bias Industries, have suffered equally as a result of "the deterioration of the economy"

EPS for the six months to end-June have risen marginally, at 22,4c (22c) and 18c (17,8c) respectively SA Bias Holdings' earnings also saw a minor increase to 40,6c from 39,3c. SA Bias Holdings is held 50,1% by pyramid Sabvest Its results and dividend distribution are proportionate to those of SA Bias Holdings

Both trading companies have revised their forecasts Merhold executive chairman Christopher Seabrooke has tempered his earnings projection to "the same level as last year." In the 1989 annual report he projected an 18% increase in attributable profit to R10m against last year's R8,5m

SA Bias Industries MD Philip Coutts-Trotter now also hopes to achieve the same level of earnings as in 1989 Six months ago the annual report projected a 15% increase in attributable income to R15,1m

Merhold, which operates in banking, corporate investment and services, export trading, trade finance and factoring, saw attributable income rise to R4,1m, only 2% up on the year-ago interim level

The finance division, previously the main contributor to profits, is being restructured to focus on trade-linked primary and asset-based lending, but earnings are only expected to benefit in the medium term Seabrooke believes the division's previous business of providing trade finance is no longer a growth area because of increased competition from banks which take the primary business He feels SA banking lines are more acceptable on world markets and exporters and importers have other options for offshore trade financing.

FM 24/8/90 (184)

NO TRIMMINGS

SA Bias

Six months to	Jun 30 '89	Dec 31 '89	Jun 30 '90
Pre-tax income (Rm)	6,5	10,7	6,8
Attributable (Rm)	5,0	8,1	5,1
Int & fin charges (Rm)	0,2	0,8	0,3
Earnings (c)	17,8	28 7	18
Dividends (c)	7	11	7

SA Bias Industries, which makes trimmings and accessories for the clothing and footwear markets, advanced attributable earnings by 2% to R5,1m The marginal rise was mainly because of the low level of unit demand for most products, consumer boycotts, a drop in disposable incomes, labour unrest and violence in Natal and on the Reef

Acquisitions in the first half are expected to prevent a drop in earnings below last year's levels, though Coutts-Trotter says the first year of acquisition is mostly a consolidation process with real benefits coming later In February, SA Bias bought Kirton Group (for R11m), Webbing Products (R1m), Designer Labels (R2,7m) and established a R5m partnership with the Barbour Campbell group of Ireland to set up a thread manufacturing company in SA called Barbour Perivale Threads

Dividends declared last year were 18c for SA Bias Industries, 17c for Merhold and 30c for SA Bias Holdings There shouldn't be much change

Heather Formby

Abhold is hit by slowdown and unrest

Business Day Reporter

184

ABHOLD, a major wholesaler of knitwear and clothing, experienced a sharp decline in earnings for the year to end-February The reasons given by directors are the economic slowdown, higher interest charges and the sporadic unrest, which affected consumer spending

The 46% drop in earnings a share to 25,5c (47,6c) at year-end contrasted with the 48% increase in operating income in the six months to end-August 1989 Annual operating income to end-February fell to R7,5m (R8,4m) as margins were squeezed

A dividend of 9c — 53% down on the previous 19c — has been declared, though an alternative of bonus shares is being offered.

Shareholders are being offered six bonus shares for every 100 shares held. Directors say about 85% of shareholders have opted for the bonus issue.

The interest bill more than doubled to R2m (R997 000) in the second half of the year while long term debt rose 37% to R10,5m (R7,7m)

The tax rate rose to 32% (9,7%) on account of the withdrawal in December of the accelerated capital depreciation allowances on plant and machinery The result was a 43% drop in attributable income to R3,8m (R6,7m)

Directors foresee a continuation of the difficult conditions in the year ahead, with margins under pressure.

Filati sets conservative projections

B Day 28/8/90

ACHMED KARIEM

DCM-listed knitwear manufacturer Filati has set projected sales for the next financial year at a conservative level, chairman Alan Tamaris said in the annual report (1844)

He said this was necessary to meet promised deliveries and to achieve quality standards

Turnover increased by only 3% to R9,4m (R9m) — representing a decrease in real terms — due to the company's inability to deliver

Filati reported a taxed profit of R179 325 but an extraordinary item of R170 000, representing costs incurred by the closure of the Atlantis factory and the consolidation of production in Epping wiped out most of the gains

"Efforts have been made to export during the difficult summer months but there is a depression in the European knitwear market and local costs of production make exporting uneconomic," he said

Tamaris said restructuring — to solve problems such as weak leadership, low productivity and overstaffing — was complete

A senior executive from the UK, Philip Golby, was employed as MD of the operating companies to cut staff to budgeted levels based on minimum acceptable production standards

However, he said union negotiations had occupied two "man-months" of senior executive time

He said it was hoped Filati's labour force could now be forged into a cohesive and efficient unit

NCE

Infash expects further hitches

ACHMED KARIEM

INDEPENDENT Fashion Holdings (Infash) expects the tougher trading conditions to continue during the current financial year, chairman Barry Gerson says in the annual report. B/Day 29/8/90

However, he says medium- to long-term prospects for the group remain good (184)

For the year to end-February the company reported a 3% decline in earnings to 11c (11,4c), primarily due to a 15% increase in the weighted number of shares in issue.

The Star
Finance

Star 30/8/90 (184)

Tradegro still battling with Checkers and Metro

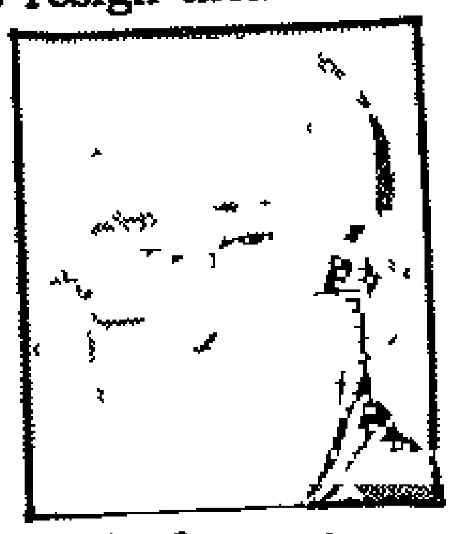
By Ann Crotty

Tradegro has reported a disappointing 20,7c earnings a share (fully diluted) for the 12 months to end-June.

A final dividend of 6c a share brings the total payout to 11c a share for the year.

The disappointing figures reflect a sharp deterioration in the second half of financial '90 in line with the much tougher trading conditions that faced most sectors of the economy

Weary shareholders who for years now have been encouraged to believe that Tradegro is about to move on to a sustainable profit growth path will have to resign themselves to a few more years of dull and frustrating performances Or they can dump the shares.



Chief executive Donald Masson

Chief executive Donald Masson now believes the 47c conversion mark will not be reached before financial '92

As usual when things are tough for Tradegro, the source of most of the difficulty can be found in Checkers and Metro — reflecting the enormous absolute and relative size of these two divisions.

This time around the problems in both these divisions were severe. Metro reported a 9,5 percent increase in sales to R3,5 billion (R3,2 billion) for the 12 months but pre-tax profit slumped 21,4 percent to R49,8 million (R63,4 million), which meant that margins were down from 2 percent to 1,4 percent.

At Checkers turnover increased by 16,2 percent to R3,2 billion (R2,7 billion) but pre-tax profit was down 24 percent to R18,2 million (R23,9 million), reflecting a drop in margins from 0,87 percent to 0,57 percent.

Mr Masson is disappointed with the performance but points out "They didn't make losses" And he believes that both divisions "have a lot going for them".

Metro's financial '90 performance is attributed to the continued weak performance at Jazz, which resulted in Fairways coming in well under budget In addition there were serious aggravating factors in the form of boycotts and a weak economy.

Confident

Mr Masson seems confident that the problems at Jazz have "to a large extent been rectified" and is certain that there will be an improvement at Metro in financial '91

It seems that by far the greater worry is Checkers. Operating margins of one percent were promised years ago by a different management team Last year the retail giant seemed to be edging towards it but the latest figures show that it has been knocked way back and Tradegro and Sankorp management must now be wondering at what stage do they decide to call it a day

On this point Mr Masson again points out that Checkers is not showing a loss but he stresses that margins have got to be pushed to 1,5 percent. If it had been achieved on financial '90's turnover Checkers would have reported a pre-tax profit of R47,5 million instead of the R18,2 million it did. This would have had enormous impact on the bottom line

Checkers, which was doing reasonably well up to the half-way stage, was knocked on a number of fronts A change of management and in this case, management style, may have had an initial adverse impact on profit while standing to reap considerable longer-term benefits.

The new style involves much greater emphasis on decentralised management. As Mr Masson points out, decision-making had to be pushed from Tradegro's Johannesburg head office down the line to where decisions were having an impact.

This change in strategy involves a certain amount of risk given that the previous management team apparently did not encourage much serious decision making at regional level.

In addition Checkers was hit by boycotts and shrinkage — the latter kicked up quite significantly towards the end of the financial year just before the strike.

Already financial '91 is looking fairly rough for Checkers The two week strike in July will have a major adverse impact on bottom line and until management and management control systems are significantly improved margins will remain tight.

Another feature of the results is the sharp drop in gearing after the sale of Rusfurn.

Foschini bolsters income by 23%

B\Day 31\8\90

184

LESLEY LAMBERT

CAPE TOWN — Clothing and jewellery retail group Foschini has achieved its third consecutive year of consistent interim earnings growth in spite of difficult trading conditions, with net income up 23% to R19,8m.

The group, which comprises Foschini, American Swiss, Markhams, Pages and Burnita, has reported similar growth in untaxed income to R39,6m and in the tax bill to R19,8m, for the first six months to June.

The directors have altered the accounting basis to reflect higher profits in the first half, but they have restated last year's figures to provide a true comparison.

Previously, the results were based on conservative provisions against current assets, but this basis for determining interim profits had not reflected the contribution made in this period. While the full year's profit will not be affected, the adjustment will reduce the proportion of profits attributable to the second half.

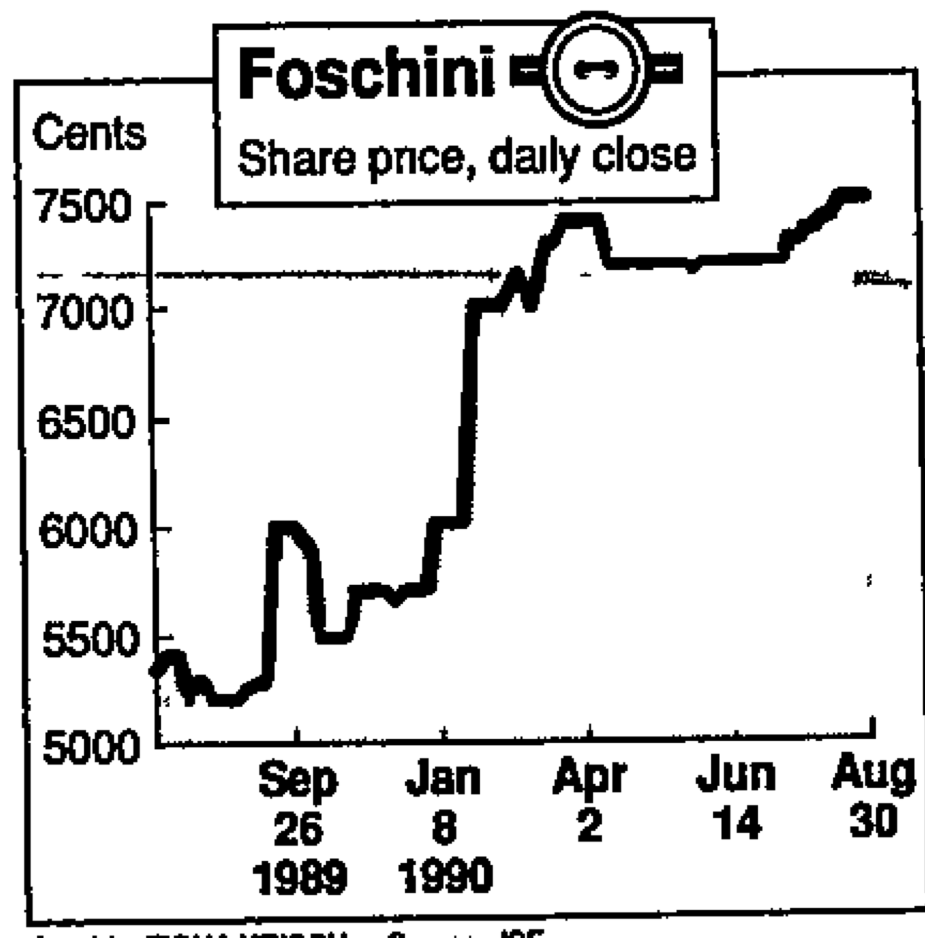
The new accounting policy has also been applied to the interim dividend, hence the unusually high growth of 81,1% to 86c. If the previous period's dividend is restated according to the revised accounting policy, the growth is a more realistic 22,9%.

Assuming that dividend cover remains unchanged, the adjustment will affect the ratio between the interim and final dividends, but not the actual dividends.

Joint MDs Clive Hirschsohn and Brian Belcher are pleased with the interim result, saying they reflect satisfactory real growth off a high base and in a difficult, erratic economic climate.

While the directors report continued buoyancy in the clothing sector, they say jewellery sales, which were affected by tough HP measures up to May this year, have picked up.

The contribution of cash sales continues to drop as the group promotes credit accounts and the economic environment has



Graphic: FIONA KRISCH Source: JSE

led to an inevitable, but controllable, level of bad debt, the directors report.

The directors report that all their stores will be fully computerised by the end of September.

Belcher says he expects to maintain last year's productivity margin — pre-tax post-interest profit to turnover — of 17% for the year to December.

Assuming there is no deterioration in the socio-political and economic climate, the directors expect to report satisfactory real growth for the full year.

Business Report

Foschini posts excellent results

Cape Times 3/8/86

84

By PIETER COETZEE
Financial Editor

CAPE-based clothing and jewelry retail group, Foschini, posted excellent results for the six months to end-June

Net income rose 23% from R16,1m to R19,8m, while the interim dividend was increased from 47,5c to 86 0c

Joint MD Clive Hisrchsohn said. "We are very pleased with our profits for the first six months, coming off a high base after showing a growth of 27% the previous year

Real growth

"The profit increase shows a satisfactory real growth in what has been a difficult and erratic economic climate aggravated by stayaways and boycotts which, obviously, affect the level of business and consumer confidence," said Hirschsohn

It was especially the jewelry trade that was hard hit by the more stringent hire-purchase measurements introduced by government

"Since the beginning of May, however, the situation in the jewelry trade started picking up

"The clothing business remained boyant throughout the first six months of the current financial year Unrest, however, disrupted trade on numerous occasions especially in the Southern Transvaal and certain other areas of the Rand," said Hirschsohn

"It is noticeable that the white market seems to be stagnant and is really feeling the pressure of the downswing in the economy The coloured and black market, however, remained very bouyant"

Hirschsohn said the results for the first half of the year have previously been calculated using very conservative provisions against current assets Experience has shown that this basis for arriving at the interim profits does not reflect the contribution made in this period

"A more appropriate basis has therefore been adopted which reflects higher profits in the first half of the financial year. While the full year's profit will not be affected, these adjustments will reduce the proportion of profits attributable to the second half.

"The interim dividend declared takes cognisance of the change in policy and therefore the increase over the last year's interim is unusually high at 81,1% If the revised accounting policy had been in operation last year, the interim would have been 70c," said Hirschsohn

Economic climate

He said the group intends opening 20 new stores before December.

"Assuming there is no deterioration in the socio-political and economic climate we anticipate a satisfactory year-end result showing real growth," he said

Controlling company, Lewis Foschini Investment Co (Lefic), increased its interim dividend from 23,75c to 43c

Foschini boosts dividend

Star 3/9/90 (184)

Despite difficult trading conditions, Foschini had a 23 percent increase in taxed profits for the six months to June

Net income moved from R16,1 million in the same period in 1989 to R19,8 million.

An interim dividend of 86c (47,5c) has been declared

The reason given for the marked increase in the dividend is that the group had, in the past, been very conservative in its mid-year accounting practice and that experience had shown that the previous basis for arriving at interim profits did not reflect the contribution made in this period

The directors say that had the revised policy been in operation in 1989, the interim divdend would have been 70c.

The overall figures for the financial year are not expected to be affected by the change in policy — Sapa

Same old story at Checkers

Diagonal Street

ANN CROTTY

4/9/90 (18)

It has to be said from the outset that not too many people are going to be persuaded by promises of improvement at Checkers.

For the past eight years it has been a millstone around the necks of a variety of management teams and owners.

To a large extent it must be held responsible for the demise of Kirsh Industries in the early Eighties.

In the Sankorp stable, with Mervyn King at the helm, there was some restructuring, but no operating improvement.

Over the years, as the problems were not overcome, they became entrenched.

Then Donald Masson replaced Mr King at the Tradegro helm and for a while it looked as though things were on a slightly firmer footing.

But last week came the release of Tradegro's financial '90 figures. At Checkers there was a 16 percent increase in turnover and a 24 percent drop in pre-tax profit, resulting in a drop in pre-tax margins from 0,87 percent to 0,57 percent.

Once again weary analysts began to question the justification for Tradegro and to wonder why Checkers (regarded as the group's major problem area) was not broken up and sold off. (It is widely felt that nobody would be prepared to buy the complete Checkers package).

Again, management provided numerous reasons for Checkers' dismal performance — a weak economy, boycotts, political unrest in the rural areas, politically influenced industrial relations difficulties, a change in head office personnel, etc.

Checkers new MD (since last December) Serge Martinengo deserves a not-too-cyncial hearing for one reason — he is implementing some major changes in management style.

The chief one is a move to decentralised management. Instead of being managed from a Johannesburg head office, management of the 170 stores will be undertaken on a regional basis.

Five separate "boards" will each manage 30 to 40 stores.

This means decisions will be taken at a level much closer to the operating front and that the lines of communication and responsibility will be shorter.

The initial problem with this style, which has only recently been introduced, is that it requires regional managers to change from being decision-implementers to decision-takers and -implementers.

Previous management style did not encourage much serious decision-taking.

Also to be changed is the distribution system. Currently around 40 to 50 delivery trucks arrive each week at each store. This must not only be an administrative nightmare, but must increase the scope for shrinkage.

Mr Martinengo is planning to use an out-of-house specialist distribution service to reduce the number of deliveries to each store.

He refutes the charge that many of Checkers' problems lie in the fact that management control systems (including stock) are inappropriate or inadequate: "Our systems have been very good, what has been wrong has been management style and the implementation of those systems."

He agrees that many of the problems are related to people and their attitudes and is aware of the need to improve attitudes: management to staff, staff to management and staff and management to customers.

He appreciates the difficulty of improving attitudes in the current political/industrial relations environment. But he is addressing it vigorously.

Although financial '91 got off to a bad start — a very costly two-week strike in July — Mr Martinengo is confident of an improvement this year. Longer-term he is looking to pre-tax operating margins of two percent.

While it is making some pre-tax profit, Checkers is producing a return on Sankorp's investment.

But at a margin of 0,57 percent it must be uncomfortably close to cut-off point.

It remains to be seen if Mr Martinengo will create a more comfortable situation.

Joint venture points to SA as a drawcard for clothing makers

By Des Parker

Star 5/9/90

(184)

DURBAN — A potentially lucrative joint manufacturing venture between two local clothing groups and an American-owned, Hong Kong-based conglomerate is a pointer to the attractions of southern Africa as a production centre for garment-makers from the Far East selling to European Community countries

Dennis Koumoudos, financial director of the Hondring group of Durban, one of the local participants, says clothing companies in the Far East are on the lookout for Third World countries where they can manufacture and export to Europe without being restricted by the quotas applied to producers in developed countries.

Wage levels rising uncomfortably fast in countries like Taiwan and Mauritius make South Africa — with its increasing reliance on mechanisation and its prospects of stability — an attractive alternative

Mr Koumoudos says, however, quotas would probably be applied to South African manufacturers once sanctions were lifted because the country's clothing export potential would threaten European producers.

The joint venture involves Hondring, its subsidiary High Street Clothing Manufacturers, Pretoria-based Abhold and Lucky Country of Hong Kong

Mr Koumoudos says Lucky Country has extensive production facilities in the Far East, 35 distribution branches worldwide and a turnover of R200 million a year.

This month, export orders worth about R20,8 million had been placed with the three local manufacturers by Lucky Country

Directors of Lucky Country will spend three weeks with the South African companies next month finalising the joint venture.

"A possible merger and takeover is not excluded

"The venture will entail technical input and know-how on the factory floor and in the market-place in order to cope with the expected increased operating activities of Abhold, Hondring and High Street"

Longmile puts on a spurt

Star 5/9/90 184

By Ann Crotty

Longmile has reported a 21 percent hike in earnings to 48,3c (40c) a share for the 12 months to June

A final dividend of 9,1c a share has been declared, bringing the total to 12,1c (10c) a share

The earnings increase was achieved on a two percent rise in turnover to R402 million (R393,7 million), with operating income up 25 percent to R44,2 million (R35,4 million), which means a hike in margins from nine to 11 percent

Interest payments were up R11,3 million (R9,3 million) and the tax rate rose from 20,8 to 25,7 percent, leaving taxed income showing a 19 percent advance to R24,4 million (R20,6 million).

Attributable profit was up 21 percent to R24 million (R19,9 million).

The balance sheet shows a sharp increase in working capital — more than tripling to R12,2 million from R4,3 million

No information is provided, but the hike may partly reflect the increased investment in the clothing division.

Long-term liabilities are up from R9,6 million to R13,9 million

Referring to this, management says: "Greater detail will be provided when the annual report is published at the end of the month."

But it says that in view of the strong balance sheet, the increase does not "signal a pressure point"

Longmile has four divisions tyres, silencers, fasteners and clothing.

With effect from January '90 its tyre interest (50 percent of Tredcor) was converted into an 18 percent stake in a group formed through the merger of Tycon and Tredcor.

The directors say the merger with Tycon has "proceeded well and made a satisfactory contribution to earnings" No specific details are given

In a circular sent to shareholders last March it was noted that if the Tycon/Tredcor deal had been in effect for the 12 months to June 1989, Longmile's earnings would have increased 5,2 percent.

Longmile treats the Tycon/Tredcor operation as an associate.

Consol, which is the major shareholder in Tycon/Tredcor, last week reported that the operation had earned an operating profit of R70 million in the 12 months to June 1990

On yesterday's trading price of 180c, the latest results put Longmile on a P/E rating of 3,7 times and a dividend yield of 6,7 percent.

Star 6/9/90

Bergers lifts profits 39 percent

(184)

Bergers has reported a 39 percent increase in earnings a share to 10,3c (7,4c) for the six months to June.

The group, now controlling 212 Bergers and Hilton Weiner clothing stores in South Africa and neigbouring countries, improved turnover by 38 percent to R42,5 million (R30,7 million)

Group operating income before tax was 26 percent up at R3,3 million (R2,6 million).

A lower tax rate left attributable income, after minority interests, 38 percent higher at R2,1 million (R1,5 million).

Four months

Executive chairman Howard Mauerberger says the results include those of the Hilton Weiner chain for four months from March 1

"Hilton Weiner has performed admirably since acquisition and the launch of the summer range has been well received. Plans to expand the operation are under way"

Mr Mauerberger says Bergers, which already has stores in Namibia, Botswana, Lesotho and Swaziland, has expanded into Malawi.

"We are trading as Bergers in partnership with a Malawi retail group

"The first store is in Blantyre and further stores are planned"

He says the group opened six new stores and revamped 15 stores in the first six months of the year.

A further 14 new stores are planned for the second half

Although current tight trading conditions are expected to continue, the group traditionally enjoys a better second half

He is confident the group will achieve another year of satisfactory growth, he says — Sapa

FOSCHINI FM 7/9/90 (184)

AGAINST THE ODDS (20)

At first glance, Foschini's figures for the six months to end-June are not particularly impressive True, earnings growth of 23% is better than most others are achieving now But the market has come to expect more from this leading multiple retailer, especially when a fortnight ago another leading retailer — Wooltru — announced earnings up by more than 35% for the same half year

Joint MD Clive Hirschsohn contends Foschini's performance was anything but lacklustre He regards the results as highly satisfactory, considering the high base set in the 1989 first half when earnings rose by 27,3%, the effect of boycotts — particularly on the group's fashion chains where store location has played a big part — and the harsh credit restrictions. Credit curbs particularly affected American Swiss

With new information technology in

FM 7/9/90 (20) (184)

place, management decided the mid-year write-off of stocks had been too conservative in the past This year the stock write-off was done on a less conservative basis, and the previous year's figures were restated on the same basis

The 81% rise in the interim dividend largely reflects a change in the ratio between mid-year and final payouts The total dividend will not be affected

Hirschsohn says trading results during eight of the last nine weeks were "very satisfactory" At R75, the share has remained firm, the market appears to be expecting another sound performance in the second half.

Gerald Hirshon

56A

Foschini launching share scheme to give employees a stake in group

BDay 7/9/90

ACHMED KARIEM

FOSCHINI intends introducing a share incentive scheme for its employees using the shares of Lewis Foschini Investment Company (Lefic), which holds 50% of Foschini's equity share capital

Foschini is a clothing and jewellery retail group

MD Clive Hirschsohn said last night it was not certain whether all 5 500 employees would participate in the scheme.

However, Hirschsonn said staff were being given the opportunity to take part in the well-being of the company.

Today's announcement, soon after achieving its third consecutive earnings growth, said the use of Lefic shares for the scheme was suitable because it was a pure pyramid company of Foschini.

184

Existing

The announcement stated. "It will avoid the complications of maintaining Lefic's 50% shareholding in Foschini if Foschini shares are utilised for the purpose of the scheme."

In terms of the proposal, Foschini would acquire 500 000 Lefic ordinary shares from a certain Lefic shareholder who was not identified.

This would be in exchange for the issue of 254 037 Foschini shares.

At the same time, Foschini would issue a further 254 037 ordinary shares to Lefic in exchange for 500 000 newly issued Lefic ordinary shares

The existing control situation and pyramid structure would continue, the statement said.

The Lefic shares to be obtained by Foschini would join the existing control block, it said.

FILATI F/M 7/9/90 (184)

STITCHES DROPPED

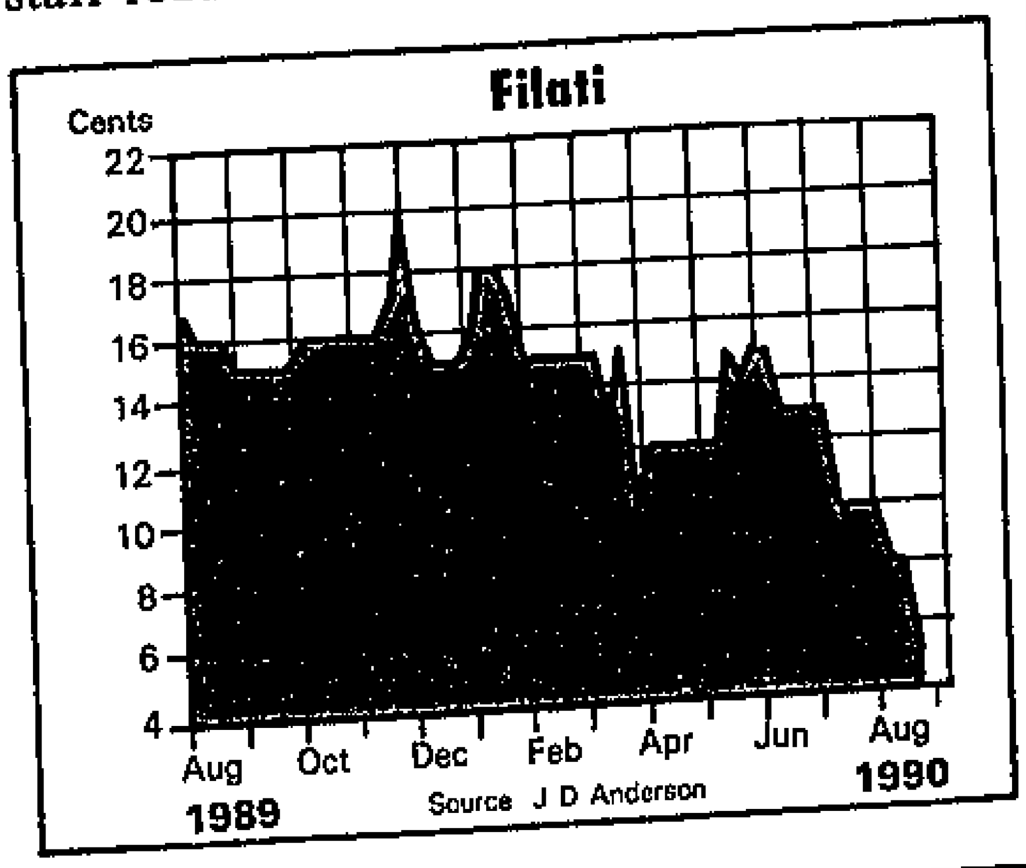
Activities: *Manufactures fashion knitwear*
Control: *Directors 36,5%*
Chairman: *A L Tamaris, MD P Golby*
Capital structure: *18m ords Market capitalisation R0,9m*
Share market: *Price 5c 19,8% on earnings, p e ratio, 5 12-month high, 20c, low, 5c Trading volume last quarter, 88 000 shares*

Year to Feb 28	*'87	'88	'89	'90
ST debt (Rm)	—	0,6	0,56	0,49
LT debt (Rm)	0,97	1,0	0,76	1,5
Debt equity ratio	—	0,9	0,42	0,62
Shareholders' interest	0,31	0,34	0,50	0,40
Int & leasing cover	5,8	3,96	2,1	1,4
Return on cap (%)	32,3	20,0	12,1	7,3
Turnover (Rm)	4,4	6,0	9,0	9,4
Pre-int profit (Rm)	0,53	1,0	0,76	0,58
Pre-int margin (%)	12,1	17,2	8,4	6,2
Earnings (c)	4,6	11,8	4,8	1,0
Dividends (c)	—	1	—	—
Net worth (c)	8,4	22,3	17,5	17,5

* Pro forma

Cape-based Filati's performance was affected last year by severe labour problems, costly relocation of its factories, weak local and overseas markets and "difficulties in finding an MD capable of solving the problems of the day" The accumulated loss was cut to R82 000 from R91 000

New management has been appointed, staff reduced and the production operation



F/M 7/9/90 (184)

restructured Apart from the poor profitability, the February 1990 accounts — released about six months after the year-end — show long-term liabilities doubling to R1,5m

COMPANIES

F/M 7/9/90 (184)

Chairman Alan Tamaris says knitwear demand has not been strong during the 1990 winter and summer budgets have been slashed, winter 1991 orders are being specified for later delivery, which will result in a strain on cash flow The group wants to expand exports but Tamaris says there is significant depression in the European knitwear market and local costs of production make exporting uneconomic

Recovery prospects will depend largely on efforts to improve efficiencies and control costs Management hopes to lift return on equity from the current 4,9% to 23% and, with the estimated tax losses of R744 000, regards this as achievable next financial year — provided budgets can be met Investors will prefer to wait for results *Gerhard Slabber*

Sterling hit by 150% rise in interest

B/Day 11/9/90

MARCIA KLEIN

HIGHER borrowings have contributed to men's clothing manufacturers and distributors Sterling reporting a decrease in net income to R807 000 (R1,06m) in the six months to end-June. (184)

Despite a 15% increase in turnover to R16,4m (R14,3m), operating profits remained almost static at R2,23m (R2,3m)

Increased borrowings "and the increased cost of funding thereof" saw a 150% increase in Sterling's interest bill to R718 000, bringing pre-tax profit to R1,5m (R2,03m)

Earnings a share declined to 4,2c (5,6c), and an interim dividend (2,2c) was passed

Police probe Arontex share transactions

184

ACHMED KARIEM

BDay 12/9/90

THE inquiry into certain share transactions in liquidated clothing company Arontex before its suspension on the JSE in March has been referred to the police commercial branch, Registrar of Companies Mossie van Rensburg said yesterday

JSE equity market GM Richard Connellan refused to comment yesterday

More than 1,2-million Arontex shares changed hands during the last week of trade before its suspension on March 21, after its provisional liquidation in the Maritzburg Supreme Court the previous day. This compared with a previous monthly volume of 140 000 shares

Meanwhile, an investigation into the affairs of Arontex in terms of the Companies' Act should be completed in November, Ernst & Young liquidator Lloyd Spendiff said yesterday

Although he declined to give details, he said all assets were sold in July by public auction Spendiff said Lara's, flagship of the group, was sold to a nominee company

A Business Day investigation of the share transactions showed that Jorin Ryckebusch, one of the company's directors, sold 800 000 shares, and Yvonne Roessel (not a director) sold 380 000 shares to Kayemess Nominees The Kaymess deal, which took place after March 15, resulted in it increasing its holding from 0,2% to more than 10% On March 15 the share price dropped from 13c to 4c, after a high of 40c last June

Arontex Holdings and subsidiaries Lara's, Supergear, Personality and Roots were liquidated The court put major operating company Lara's liabilities at R18,6m and realisable assets at R4m

Compiled on a Punch Line

Brokers bullish on Romatex

Diagonal Street
Star 13/9/90
DUMA GQUBULE
184

Although Romatex's September year-end earnings are expected to decline, reflecting the downturn in the clothing/textile industry, exciting growth could come through over the next two to three years, brokers say.

At the half-way stage Romatex reported a one percent decline in turnover to R350 million and a 19 percent fall in profit before interest and tax to R30,4 million.

Interest payments rose to R4,1 million (R1,5 million) as a result of a substantial increase in borrowings to fund capex.

Pre-tax profit consequently fell 27 percent to R26,3 million.

Earnings declined 27 perecnt to 69c (94,3c) per share, but the dividend was reduced only 11 perecnt to 25c a share.

At this stage management is expecting earnings for the full year to be lower than those of last year.

Management cites problems in the floorcoverings division, but it is now policy to focus on the upper end of the market which is believed to be more stable.

There is a drive to increase exports, with further export contracts having already been secured.

Romatex industrial division is largely involved in supplying carpets to the automotive industry, which is currently in a downswing. Sales are expected to fluctuate, in line with the vehicle sales.

Island View Storage, which has no major competitors, mantained earnings at the interim stage and is expected to remain intact in financial 1990 and financial 1991.

The fabrics division is operating in an oversupplied market and pressure on prices and margins is likely to continue. However, the group is looking at expandng export markets.

Irish & Co analyst Heidi Vollmer says although earnings will decline this year, Romatex has good growth prospects.

"The company still has relatively low debt and the average age of the new management has come down. Earnings should recover in 1991, but they will still be lower than the 1989 earnings," she says.

Frankel, Kruger, Vinderine industrial analyst Jacques Magliolo says: "Romatex's strength lies in its new direction under executive chairman AL Crutchley.

"The directors implemented a major restructuring programme this year at a cost of R100 million, with the aim of reducing the group's cyclical nature and streamlining operations by selling lossmakers and merging certain companies.

"In doing so, the group should obtain synergistic benefits, economies of scale and greater cost efficiency by using more capital-intensive methods of production," he says.

"However, benefits of the new structure are only expected to be helpful from financial 1991.

"But, as benefits of the new structure filter through to the balance sheet, turnover could rise about 10 percent in financial 1991," Mr Magliolo says.

"Meanwhile, the current downturn in textile products, which started in December 1989, is expected to bottom out towards end-1990 and the ensuing upswing could help lift bottom-line growth in financial 1992," he says.

Romatex has formed an export division, which aims to push export contribution to group turnover to 10 percent in the short term and to 20 percent in the longer term.

The share is trading at 650c, compared with a high of 1250c reached in March 1989.

The share trades on an historic P/E ratio of 3,4 and a dividend yield of 11,5 percent, compared with 3,7 and 8,2 percent for the clothing sector.

The share has consistently underperformed relative to the clothing, footwear and textile index and the industrial index.

But Mr Magliolo says this weak performance may be over and that the share could soon begin to outperform its sector.

CLOTHING INDUSTRY (184)

CUTTING THE COAT

FM 14/9/90

Negotiations for a new main agreement for the Cape clothing industry started this week With both employers and workers feeling the economic pinch there is certain to be tough bargaining.

Main demands from the Clothing & Textile Workers Union.

- ☐ Establishment of a national council for the clothing industry,
- ☐ An across-the-board increase of R45 a week;
- ☐ A bonus of R1 a week for every year of service;
- ☐ One extra paid public holiday a year,
- ☐ A 40-hour week for all workers, and
- ☐ Five extra days' paid leave a year

Employers calculate that the union demands for higher pay and less working time add up to a package about 50% above the current rates "Everyone was taken aback by the union demands," says Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, the main employer body on the regional industrial council "The industry is in a downturn, as are many others, and things are not getting any better Short time is rife and there could be further retrenchments before the end of the year"

Employers' flexibility to grant higher wages is also hampered by consumer buying patterns. There is resistance to higher prices, but, at the same time, consumers are demanding a wider range of garments with a higher fashion content. Jocum says the demand for higher fashion content has increased the labour input for each garment by about 10%

"At the same time," says Jocum, "retailers are feeling the consumer resistance to higher prices and are putting tremendous pressure on manufacturers to hold prices down." Manufacturers also find that in the retail sector, where they claim four major groups control about 70% of the market, big buyers are taking a hard line on quality and deliveries

Also, higher interest rates and inflation have affected employees in what, according to the Labour Research Service, is the second-lowest paying industry

Bargaining is likely to be more complex this year because of the emergence of a new employer group, the Garment Manufacturers' Association (GMA), composed largely of cut, make and trim (CMT) manufacturers, which have been invited to sit in at the negotiations

GMA chairman Roy Dalle Vedove says his members are deeply concerned about productivity in the industry "Labour makes up about 80% of our costs So wage increases allied to reduced hours, without increased productivity, would seriously threaten the viability of many of our members."

Top of the union's agenda is the demand for a centralised national bargaining forum

Abhold still sees tough times ahead

(184)

BDay 17/9/90

MARIETTE DU PLESSIS

DIFFICULT trading conditions, such as those experienced by Abhold since the second half of last year, were likely to continue during the current year, chairman Joe Aboo said in the latest annual report.

Abhold is a major wholesaler of knitwear and clothing

After the slowdown in consumer spending, the higher interest charges and the sporadic unrest across the country in the latter half of its financial year to end-February, Abhold reported a 43,4% drop in attributable earnings for the period to R3,8m (R6,7m).

Aboo said almost four weeks of production had been lost through the commencement of restructuring following moves to acquire Swiss knitting company Bizitex

Exports

However the deal — a planned reverse takeover was called off in August because of Bizitex's concern about union problems.

Aboo was, however, optimistic that a major export drive soon to be undertaken by Abhold would reduce stock levels. Similar ventures had previously encountered "politically inspired sanctions".

Aboo said it was generally accepted that margins would continue to come under pressure because of the increase in the cost of raw materials and wages, and because of competitive activities

These conditions made it difficult accurately to forecast sales or to predict earnings a share for the current financial year, he said.

The share closed on Friday at 205c.

This is substantially higher than its June 1990 low of 110c

Rex Trueform pays the same

Star 17/9/90 (184)

Rex Trueform Clothing is paying an unchanged dividend of 90c covered three times (4,6 times) for the year to June, despite pressure on margins and reduced profitability

The reduction in earnings a share to 266,5c from 416,3c was caused mainly by the fact that the company is now subject to a full tax charge.

The principal operating susidiary, African & Overseas Enterprises, reports earnings a share of 253,8c (380,1c).

The dividend is unchanged at 80c, covered 3,2 times (4,8 times) —Sapa

COMPANIES

Rex Trueform shares drop on latest results

(184)

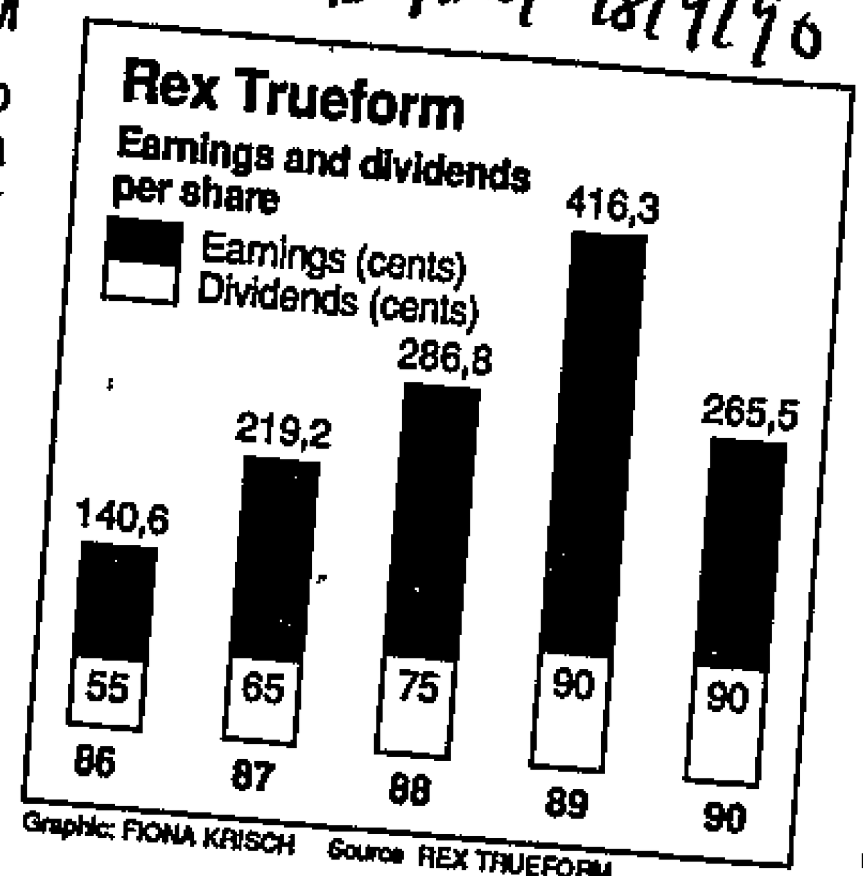
B/Day 18/9/90

ACHMED KARIEM

CLOTHING group Rex Trueform shares yesterday dropped by 50c to a new low of 950c on disappointing results.

The shares were at a peak of 1 275c a year ago.

In the year to end-June the group posted a 36,2% decline in earnings a share to 265,5c (416,3c). An unchanged dividend of 90c has been declared.



Graphic: FIONA KRISCH Source: REX TRUEFORM

Rex Trueform gave no turnover figures which rose by 15% compared with the previous year's 20%. Chairman Stewart Shub said the reduced earnings were due to the company being charged a full tax rate — it was not subject to tax the previous year.

Shub said rising operating costs and lower demand led to squeezed margins and weaker profits in the second half.

"The benefit of measures taken over the past few years to improve operating efficiencies and asset management, however, enabled the negative effect of these adverse factors to be contained and income before taxation was maintained at approximately the same level as in 1989," he said.

He said the company was debt-free in that the limited debt was more than covered by the cash balance. Although reluctant to forecast better returns for the current year, he said the company would benefit from an economic upturn due to its inherent financial strength and product range.

Holding company African & Overseas Enterprises increased turnover by 15% and reported reduced earnings at 253,8c (380,1c) a share. The dividend was unchanged at 80c.

Bergers takes control of Infash

Star 18/9/90 (184)

Bergers Group has acquired a 54 percent controlling interest in Independent Fashion Holdings for R1,8 million in cash, adding another 33 stores to its 212 outlets.

The deal is being struck at 30c a share and Bergers will make a similar offer to the Infash minorities

"Bergers is using the acquisition to create a pyramid company, with the approval of the JSE. It is merging its business with that of Infash in exchange for 74 884 205 new Infash ordinaries."

Bergers will own 94 per cent of the merged businesses, and will become a pyramid holding company of Infash, which will be renamed Bergers Trading Ltd (Bertrad)

Bergers' executive chairman, Howard Mauerberger, says the 33 stores gained through acquisition are strategically located

"Inflash are strong in areas where we are not represented We're well placed in towns and rural areas, but rapid urbanisation would have required us to open up stores eventually in the PWV

"By acquiring Infash, we've short-circuited that step and gained a ready-made business that expands our operational base in the PWV

Mr Mauerberger says that while Bergers and Hilton Weiner retail for cash, Infash's stores have a sales mix of 60 percent credit and 40 percent cash

He expects the transaction to enhance buying benefits and the growth prospects of the merged group

"There will be rationalisation benefits in the areas of overhead costs, management expertise and management information systems.

"Bergers will be designating an executive to oversee the Infash operation and give input where required."

He says the merger benefits are expected to be realised in the year to December 31

COMPANIES

Takeover gives Noristan a bigger market stake

MARIETTE DU PLESSIS

HEALTHCARE group Noristan's R3m acquisition of the rights to the local manufacture and marketing of pharmaceutical company Glaxo SA's range of over-the-counter (OTC) products has enabled it to expand its share of the pharmaceutical sector.

Noristan director Fritz Snyckers says he expects the in-house manufacturing of the Glaxo products, which will commence soon after the initial changeover period, to contribute significantly to the bottom-line of the group in the near future

B/Day 19/7/90

The Glaxo OTC range comprises 13 products and includes well-known brands — among others the Dequa range, which consists of dequanin antiseptic and antifungal throat lozenges, local anaesthetic cream Anethaine and Lanolin skin cream

Medication

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Glaxo SA, a subsidiary of the UK based company — the world's second largest manufacturer of pharmaceuticals — has concluded this agreement in line with its parent company's policy decision to focus on prescription, or ethical, products, says Glaxo SA CE Derek Winstanly

He says Glaxo has, over the past 18 months, divested itself worldwide of all business interests other than prescription medication, and the agreement with Noristan effectively represents the last phase of its rationalisation programme

Pretoria-based healthcare group Noristan's pharmaceutical business, which accounts for 60% of turnover, yielded good results for the financial year end June 1990, despite difficult trading conditions and continuous pressure on margins

CUTRITE FM 21/9/90

WELL PRESSED (184)

Activities: *Manufactures and distributes clothing*
Control: *Directors 54,6%*
Chairman: *S Cope, MD P R Edel*
Capital structure: *16,5m ords Market capitalisation R9,1m*
Share market: *Price 55c Yields· 11,8% on dividend, 30,4% on earnings, p e ratio, 3,3; cover, 2,6 12-month high, 90c, low, 50c. Trading volume last quarter, 64 250 shares*

Year to Feb 28	'88	'89	'90
ST debt (Rm)	2,6	3,6	4,7
LT debt (Rm)	0,56	0,76	1,5
Debt equity ratio	0,48	0,55	0,64
Shareholders' interest	0,51	0,5	0,5
Int & leasing cover	9,5	8,1	6,7
Return on cap (%)	32	32	32
Turnover (Rm)	26,4	32,2	39,2
Pre-int profit (Rm)	4,06	5,03	6,3
Pre-int margin (%)	15,4	15,6	16,1
Earnings (c)	12,8	13,8	16,7
Dividends (c)	2,5	5,5	6,5
Net worth (c)	39,0	47,4	57,6

Cutrite's principle product is trousers. Their sales may not be severely restricted by the current austerity and belt tightening, though many consumers may wear them a little longer

Had the group achieved its forecast of 25% earnings growth in the 1990 financial year (*Companies* July 14 1989), that would have been a pleasant surprise for investors. Given the present state of the economy, growth of 21% is a near enough miss. This was achieved on a 22% increase in turnover.

Interest paid more than doubled to

FM 21/9/90 (184)

R770 000, representing an average rate for the year of only 12,5% on net interest-bearing debt

That may indicate a larger interest charge this year

Stocks rose by 34%, reflecting a reduction in stockturn from six to 5,5 times. As the group only makes to order, no finished goods are included in the stock count and the increase thus represents only holdings of materials for garment manufacture. Other liquidity and performance ratios remain much the same as last year

The accounts indicate competent management of working capital, and a conservative attitude to organic growth in the present climate

The group has an impeccable growth record, having increased turnover, operating income and attributable income every year since 1983 There is nothing to suggest this record will not remain intact unless the recession turns to depression, which is not expected

The share, yielding almost 12% on dividend, must be seen as a sound investment for income purposes It could eventually give shareholders good capital appreciation as well

Gerald Hirshon

Edgars unassailable in fashion field

Star 24/9/90

Edgars' bold approach in the fashion retailing field has given it an unassailable position in SA today.

With a population of 30 million, just consider that the Edgars group has 2,34 million (1989: 2,09 million) current debtor accounts.

The number of stores rose in the year from 369 to 377, with the gross trading area expanding from 512 000 to 528 000 square metres.

Operating margins reached an all-time high of 14,5 percent, with operating profit up 36 percent and earnings per share 26 percent ahead of 1989.

The bottom line exceeded R100 million for the first time. This is phenomenal considering consumer spending declined in the second half.

But debtors are paying more slowly and the year-end book has risen 34 percent, compared with the previous year. This is having a negative effect on overall debt, which increased almost 70 percent, leaving the gearing position at 64 percent of shareholders' funds (45 percent in 1989).

And remember, R50 million convertible debentures were transferred to ordinary shareholders' funds at the beginning of the year.

Interest expense has virtually doubled and I wonder whether another debenture issue or perhaps right issue might be necessary, if the Edgars machine is to keep expanding.

Let me hasten to add that the working capital position is strong, with net current assets of R421 million (R291 million in 1989).

The worst that could happen is that debt might shoot up and so too will interest expense, which Edgars will recover in its stock mark-ups, leaving the poor taxman to allow the interest deduction for company tax computation purposes.

Impressive management is the underlying force throughout the 1990 annual report.

It starts with the corporate board, which settles the group's strategic mission and is responsible for overall direction and control, says chairman Meyer Kahn.

Major responsibilities include reviews of business plans and budgets, monitoring of performance, approval of major policy decisions, agreement of top management structures and management succession.

This is exactly how a group, held 65 percent by SA Breweries, should be run.

Vic Hammond is retiring at end 1990, but will remain on as CE and become deputy chairman.

The group MD position goes to George Beeton, who headed the Edgars chain. This leaves top management intact, with the prospect of further increasing market share and improving earnings, says Mr Kahn.

But the rate of growth will decline considerably, warns Mr Hammond.

But how did Edgars, Saleshouse, Jet and Celrose perform?

For the 52 weeks to March 1990, compared with the 53 weeks to April 1989, sales increased to R1,98 billion (1989: R1,6 billion).

Bottom Line

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MICHAEL MENOF

Operating profits were R287,8 million (1989: R211,9 million). Net interest expense rose to R44,7 million (1989: R24,6 million).

With the unchanged effective tax rate high at 49,2 percent, tax was R119,6 million (1989: R92,1 million), leaving attributable earnings of R123,5 million (1989: R95,2 million).

Earnings per share were 243c (1989: 192c), with dividends at 93c (75c).

Flagship Edgars produced major sales of R1,33 billion (1989: R1,07 billion), with taxed profits of R92 million (1989: R76 million).

Black accounts represent 35 percent of credit sales and rose 36 percent from 1989.

To combat the slowdown, Edgars plans to focus on optimising its various businesses through fine tuning, attention to detail and offering continuing value.

Concentrating on the new middle class, Saleshouse lifted sales 27 percent to R344 million, with taxed profits at R24 million (1989: R21 million).

Jet Stores, trading in the difficult cash market, improved sales by 15 percent to R268 million, but had profits of only R5 million (1989: R2 million).

In-house manufacturer Celrose achieved sales of R70 million, with exports tripling to R11 million and contributing profits of R2,6 million.

The balance sheet is impressive, with total shareholders' funds at R379,2 million (1989: R322,6 million, including the convertible debentures of R50,4 million) at end-March 1990.

This, along with R241,5 million (1989: R144,2 million) in debt is invested in fixed assets of R195,7 million (1989: R159 million) and the balance in working capital where the current ratio improved to 1,9 (1989: 1,7).

Return on ordinary shareholders' funds is a high 35,3 percent, with the return on capital employed 26,8 percent.

Net asset value per share edged higher to R7,46 (1989: R6,32). With the current JSE price at around R34,5, the only negative factors are the low earnings and dividend yields.

But then again Edgars is really an institutional stock now where dividends are not important.

Their six-months-to-pay policy ensures repeat business.

My guess is that the results could be hit by the steady decline in consumer confidence, slower collections and increased debt. Bad debts could be higher.

On the other hand, Edgars is a machine, so don't be surprised if the improved sales and earnings trend continues.

Chairman Kahn and deputy Vic Hammond say they are lucky to have a group whose people have proven skills, ability and experience to meet any challenges. How right they are!

Wooltru plans for SA growth

(30) B Day 25/7/90 (184)

SYLVIA DU PLESSIS

WOOLTRU'S strategic thinking must include the probability of SA becoming the powerhouse of southern Africa, if not of Africa, says chairman David Susman.

There will "undoubtedly" be opportunities for the retail and wholesale group's operating companies in neighbouring states, as well as export and "know-how" agreement potential, he says in his latest annual review.

But in the short-term, and specifically in the current year, management expects continuing government measures to dampen consumer demand, which will preclude the likelihood of dramatic growth

"Sales at date of this report are 27% ahead of last year, and while we anticipate real increases both in sales and profits for the full year, I do not expect these to equal the fine performance of the past year," he says

Wooltru, comprising flagship Woolworths, Specialty Retail Group, Makro and a property company, bucked industry trends to post a 29% rise in sales to R2,7bn in the 53 weeks to end-June

● SUSMAN

Earnings a share rose 35% to 375c, with a final dividend of 86c lifting total distribution for the year to 150c (112c).

Susman describes the figures as "most rewarding" in that they were achieved in a year in which fiscal measures had a severe impact on consumers' spending power

"The results reflect the excellence of management throughout the group, as well as growing returns on capital expenditure of R342m over the past four years," he says

"The cash generating power of the group is such that this capital expenditure has been financed entirely from our own resources."

CE Colin Hall, looking to the future, says changed international perceptions of SA, especially in neighbouring countries, have encouraged the group to develop its interests outside the country.

It has plans for stores in Lesotho, Mauritius, Malawi and Swaziland in addition to enlarging its presence in Namibia, Botswana and Zimbabwe

Directors seek to outperform the industry as a whole both in profit growth and in return on shareholders' funds, despite costs associated with expansion, refurbishment and new investment programme being written off against profits in the year in which they are incurred, he says.

Specialty Stores boosts earnings

Cit 26/9/90 (184)

Specialty Stores reports a 27 percent increase in attributable income for the six months to August

Specialty, which controls Milady's, The Hub, Mr Price and Footgear, achieved a 43 percent increase in turnover to R109,1 million (R76,3 million) Operating income rose 29 percent from R8,2 million to R10,6 million

Attributable earnings rose from R3,5 million to R4,5 million, but earnings a share were diluted by the 25 percent more shares in issue to 27,1c (26,6c)

The interim dividend is 9,5c (8,5c). — Sapa

Tej confident of turnaround despite loss

LESLEY LAMBERT

CAPE TOWN — Knitwear group Tej has reported another attributable loss of R550 000 (R801 000 loss previously) for the year to end-June, but newly appointed MD Tony Owen is confident the group has turned around and is headed for improved performances in the longer term

Although operating income grew by 136% to R2,3m on an 18% growth in sales of R38,1m, there was a substantial increase in the interest bill

A recovery programme announced last year was hampered by a number of factors, including problems in sourcing materials for an international franchise and production losses at peak periods, says Owen

"In terms of the company's manufacturing structure, gross margins remained too low, the spread of merchandise effort too wide and production runs too short"

The group has implemented dramatic restructuring measures Costs have been brought under control, stocks reduced and borrowings have been cut.

Business units are more clearly focussed and carefully monitored and financial and operational reporting has been simplified

Owen is cautious about the future Tej is involved in negotiations with a major customer, which may result in losses this financial year

But he is confident the group is in a healthier position to take advantage of some positive trends emerging in European and domestic fashion markets

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BERGERS (184)

KILLING TWO BIRDS ...

FM 28/9/90

Bergers, the Cape-based retail clothing merchant, has gained access to the PWV market and the means to create a pyramid company, through the acquisition of 54% of Independent Fashion Holdings (Infash)

The deal was struck at 30c a share, which compares with Infash's 75c-90c trading range over the past 12 months This gives a total price of R1,8m cash Apparently one of the controlling shareholders, Bruce Raw (and his family), is emigrating and wanted out, and this was the best price available But the selling price is slightly above the net tangible asset value of 21,4c at the February year-end

Infash operates 33 clothing outlets in strategic locations in the PWV, where Bergers does not have a strong presence Bergers MD Mervyn Jacobsen says the rationale was to acquire a number of stores, which need only fine-tuning and direction, in prime areas To establish similar stores from scratch would cost many millions of rands

FM 28/9/90 (184)

Infash's turnover in financial 1990 was R27,6m and its attributable profit R1m This compares with Bergers' R83,5m turnover and R6,1m profit for the 12 months to end-December Its operating margin of 6,5% does not match Bergers' 11,3%, and Jacobsen sees substantial scope for improvement here

Infash is highly geared At year-end the company had R4,46m in interest-bearing debt and an interest bill of R600 000, the debt equity ratio was 2,14 Bergers has historically been a cash cow and ungeared Jacobsen concedes that the acquisition of Hilton Weiner earlier this year, the cash payment for Infash and the consolidation of its debt, will increase borrowings But the debt will be offset by Bergers' cash balances and he expects that by December Bergers' debt equity will be around 10%

Since listing in April 1987, Bergers has consistently expanded through growth of its core business, but embarked on an acquisition trail this year Purchase of the controlling stake in Infash has given it the vehicle to expand further, by issue of shares, without the directors' losing control

The two operations will be merged and Infash will become an operating company with three divisions Bergers, Infash and Hilton Weiner This will create various operating and cost synergies Bergers Trading will become the pyramid company and receive 74,9m Infash shares or 94% of its equity, the purchase price to be equal to the aggregate tangible net asset value of the operating subsidiaries The new Infash shares will rank *pari passu* with the existing Infash ordinary shares

The deal seems positive for existing shareholders of both Bergers and Infash It provides the Bergers operations with growth at the right price and assures existing Infash shareholders of a dividend this year — which seemed unlikely before the deal — and continued access to a well-managed and successful business

Pam Baskind

Traclo earnings sharply down (189)

By Jabulani Sikhakhane

Hit by high interest rates, coupled with a harsh deterioration in economic conditions which particularly impacted on the clothing sector, Transvaal Clothing Industries has reported a 85 percent decline in earnings from 2,7c to 0,4c per share for the year ending June 1990

No dividend will be paid

Turnover grew 16 percent to R40,2 million, but profit margins came under pressure during the second half of the year This resulted in operating profit for the year falling 24 percent to R1,8 million (Operating profit was up 24 percent at interim stage) Star 28/9/90

According to directors margins came under pressure in the increasingly competitive conditions, particularly at Haberdashery & Textiles where rationalisation of operations and concentration of product range resulted in abnormal losses

The interest bill rose 32 percent to R1,4 million, which helped cut pre-tax profits by 70 percent to R380 000 Group tax increased to a hefty 57 percent and this further reduced profit after tax to R162 000

Company secretary, Doug Smith explains that the tax rate increased because the losses at Haberdashery & Textiles could not be off-set against income from other subsidiaries But the group could use this loss for tax purposes in the next financial year

Attributable income fell 85 percent from R622 000 to R103 000 and on the enlarged share base (22,771 million shares were issued last year in lieu of cash dividends) this is equal to 0,4c per share

Directors are confident that notwithstanding current weak economic conditions, the consolidation within the group should result in improved profitability in the current financial year

Wearing times for Traclo

BD 28/9/90

LIZ ROUSE

CLOTHING, footwear and textiles group Transvaal Clothing Industries (Traclo) has been hit by worsening economic conditions in the six months to June

High interest rates and declining profit margins, compounded by a tax anomaly, depressed earnings to 0,4c a share from 1989's 2,7c a share

The annual dividend has been passed.

Directors said margins were tested by competitive conditions, particularly at Haberdashery & Textiles, where rationalisation of operations and concentration of the product range resulted in abnormal losses.

Satisfactory performances, reflected by maintained market shares from Transvaal Clothing and Alicewear, largely offset these losses (184)

Traclo's turnover rose 16% to R40,2m (pro forma previous 12 months R35,58m) but operating profit declined 24% to R1,8m (pro forma R2,3m)

On the 23 448 774 shares in issue — increased from the previous 22 771 774 by last year's bonus issue in lieu of a cash dividend — earnings a share plunged 85% to 0,4c

Low demand set to affect Trimtex earnings

BDay 1/10/90

184

ACHMED KARIEM

TRIMTEX, a Durban supplier of products for use in the clothing, industrial and medical fields, expects earnings to be lower in the current year due to a low demand in the clothing and textile industry.

The group posted a 38% decline in taxed profits to R1,8m (R2,9m) for the year to March as a result of a higher interest bill and the deteriorating economy

David Teperson, who recently became executive chairman after the resignation of Issy Goldberg, said in the annual report a strategic analysis had been undertaken to identify key areas requiring management effort

He said operating profitability would improve in the group due to revised operational and financial aims

"Ongoing evaluation of operations and management commitment will ensure that management attention is focused on reducing overall gearing levels, improving stock levels and continuous evaluation of overhead costs," he said.

Teperson said the Durban-based operations would be relocated in single premises resulting in improved efficiency

DHJ Industries, a supplier of non-woven, woven and knitted interlinings, had increased its market share, while Procare's new non-woven plant was positioned to increase its contribution to group profits, said Teperson

Clothing workers gear up for strike ballot

Argus 1/10/90

184

By SHARON SOROUR
Labour Reporter

CLOTHING workers in the Western Cape are gearing up for a strike ballot after annual wage negotiations ended in deadlock

The SA Clothing and Textile Workers' Union (Sactwu) has declared a dispute after talks with the Cape Clothing Manufacturers' Association (CCMA) failed last week

Union regional secretary Mr Howard Gabriels said the first of three dispute committee meetings would be held today to try to resolve the situation.

"If the dispute is not resolved we will hold a strike ballot," he said

The union represents about 55 000 workers in the Western Cape clothing industry

Demands

A CCMA spokesman confirmed the deadlock and said an attempt would be made this week to resolve the dispute

Mr Gabriels said the union's demands included·

- A R30 across-the-board increase on the weekly wage this December and a R15 weekly across-the-board increase next December.
- One week's annual bonus and an extra day's leave.

He said "The bosses offered us increases of R26 weekly for grade B workers, 14 percent or R20 for categories below grade B and 14 percent for higher categories for December 1990.

"For December 1991, the offer was R14 for grade B workers, 7 percent or R12 for categories below grade B and 7 percent for higher categories."

Mr Gabriels said the offer was provision on the union dropping some of its demands

Daubed monkey found tied on trawler

By SHARKEY ISAACS
Staff Reporter

SPCA officals have rescued a Far-Eastern Maquaque monkey from a trawler in Cape Town harbour, the second found in two months on Taiwanese vessels.

SPCA inspectors persuaded the skipper of the trawler Chung 66 to hand over the monkey which had paint daubed on its face and a wound on its neck.

Inspector Mark Lawson said the 60cm animal had been tethered with a light chain and electrical flex around his neck and was found to be in poor health and under severe stress.

SPCA chief Mr Keith Goudie said the monkey was "voluntarily handed over on request" and placed in quarantine for 30 days at SPCA headquarters, Grassy Park because there were no quarantine facilities for monkeys at the harbour.

"It is a fully-grown adult and requires great care in handling since these animals are known carriers of various contagious viruses," he said .

Last month SPCA staff rescued a baby Maquaque monkey which they found on the trawler Ruye Yiu No 2. It had been tethered with a chain and also had mange.

Mr Goudie took the baby monkey to Pretoria Zoo last week.

MONKEY RESCUE: SPCA wild life unit manager, Mr Temba Matomela, with a Far-Eastern Maquaque monkey "rescued" from a Taiwanese trawler.

"The SPCA is not contemplating prosecuting either under South African or Taiwaness animal protection laws and we intend to rather speak to consular officials and to ask them to discourage skippers from bringing monkeys here."

Pals Holdings

11/10/90 (184)

Pals Holdings is the latest Cape clothing manufacturer to trim dividends after a squeeze on profits

Although turnover jumped by

Adverse conditions work against Amrel

Str 2/10/90

Diagonal Street

184

LYNNE PEACH

There is little chance that specialist retailer Amrel will manage to increase earnings in the current year, given the depressed state of the economy.

The tapering off of retail activity is, however, expected to be partly offset by store openings, refurbishment and computerisation, and a relaxation of hire purchase restrictions.

In the annual report, chairman Meyer Kahn says that, notwithstanding the short-term uncertainty, long-term prospects for retailers in a new South Africa are most exciting.

He believes the retail sector could be one of the fastest-growing industries in the 1990s as income is redistributed and all people have equal opportunities for creating wealth and disposable income.

The Amrel chain trades in four main product areas — furniture, footwear, clothing and selected consumer services.

There are 956 retail stores and 361 service depots.

Furniture stores include Crown Furnishers, Geen & Richards, Lubners-Melodys and Tip Top-Triangle.

Footwear outlets include Cuthberts and Select-a-Shoe, while the clothing division comprises the Scotts chain.

Service outlets include Early Bird, Multiserv-King Cobble and Prontaprint franchise outlets.

In the year gone by, the furniture division accounted for 62 percent of group turnover, the footwear and apparel division contributed 32 percent and the services arm accounted for the remaining five percent.

In the year to March, group turnover climbed 12 percent from R759,7 million to R849,1 million.

Mr Kahn says the modest increase reflects responsible, conservative trading in a weakening market artifically boosted by pressured credit extension.

Operating profit fell nine percent from R53,6 million to R48,8 million.

This was offset by a significant decline in financing costs from R16,1 million to R8,4 million.

Pre-tax profit increased by eight percent from R37,5 million to R40,4 million.

An increase the effective tax rate from 46,1 percent to 47,5 percent resulted in taxed profit rising five percent from R20,2 million to R21,2 million.

After allowing for equity-accounted retained earnings, attributable profit rose two percent from R22,2 million to R22,6 million.

Earnings a share rose from 241c to 245c. The dividend for the year was 82c, compared with the previous year's 81c.

Mr Kahn says that if the partial method of accounting for deferred tax had been adopted, instead of the comprehensive method used by the group, earnings would have increased to 413c a share.

The balance sheet shows gearing down from 109 percent to 71 percent.

Net worth increased nine percent from R12,82 a share to R14,01.

Amrel, priced at 900c, is trading on a P/E ratio of 3,7 and a dividend yield of 9,1 percent.

Although the rating is attractive from a long-term point of view, the medium-term upside potential of the price is limited by poor conditions in the retail industry.

COMMENT: Amrel's share price has gained steadily since it bottomed at 695c about 10 months ago.

Further rises can be expected if the price breaks the 930c level.

The outlook will turn unfavourable if the price falls below 890c.

Star 3/10/90 184

NEWS

Food prices: unions blamed

By Jacqueline Myburgh

Supermarket chiefs have blamed higher wages, as a result of increased union power, as the chief factor influencing the steep increase in food price inflation over the past 30 months.

The food price inflation rate is currently 17,7 percent.

The heads of Pick 'n Pay, Checkers and Spar also said food prices were likely to continue rising for the next few years.

Pick 'n Pay managing director Raymond Ackerman said the "new South Africa" would demand spending on social upliftment and housing, which was inflationary.

"Once we have a new constitution, and politics have settled down, we can get the inflation rate down with regard to food."

Mr Ackerman said wages had increased by about 20 percent as a result of the powerful role of trade unions, but there had not been increased productivity.

Other factors, influencing higher food prices were:

● An "enormous amount" of monopoly and not enough competition where certain manufacturers and Government boards were concerned

● "Imported inflation" as a result of a weak rand.

● Increasing rentals and services.

Mike Dobson, the Transvaal head of Spar, also blamed "a lack of control" for increasing food prices.

"There's no requirement that manufacturers justify price increases," Mr Dobson said.

Checkers managing director Sergio Martinengo said agricultural conditions had also affected the price of fresh produce

"Last year, fresh produce prices were 30 percent down on average because of good rains and good harvests This has not happened again this year," he said.

Mr Dobson said the profit margins of supermarkets had not increased in the past three years

"Costs have gone up in the last couple of years, caused mainly by labour costs.

"And it's going to get worse because wages, rentals and services are going up," Mr Dobson said.

3

TRIMTEX

CLOTHING SQUEEZE

Activities: *Manufactures and distributes garment interlinings, clothing components, shoulder pads and elastic products.*
Control: *Directors 51%*
Chairman: *D S Teperson, MD: H J Greenbaum*
Capital structure: *17,4m ords Market capitalisation: R3,5m.*
Share market: *Price 20c Yields 15% on dividend; 39,5% on earnings; p.e ratio, 2,5; cover, 2,6 12-month high, 100c, low, 20c Trading volume last quarter, 2 147 000 shares*

Year to Mar	'89	'90
ST debt (Rm)	5,8	8,1
LT debt (Rm)	2,2	2,9
Debt equity ratio	0,85	1,11
Shareholders' interest	0,42	0,38
Int & leasing cover	4,3	2,1
Return on capital (%)	21,8	17,4
Turnover (Rm)	35,0	40,2
Pre-int profit (Rm)	4,9	4,6
Pre-int margin (%)	14,0	11,3
Earnings (c)	17,1	7,9
Dividends (c)	6,0	3,0
Net worth (c)	54,4	40,5

Trimtex's performance in its 1990 financial year reflects the difficult conditions in the clothing industry which it supplies And the outlook for this year is not encouraging

Trimtex decided to "pursue market share" in an effort to expand its customer base The result was a 15% rise in turnover but margins narrowed, leaving operating profit 6,9% lower than in financial 1989. Recently appointed MD Hilton Greenbaum says it is preferable to forsake margins in a depressed market to retain and add customers, rather than fight to regain lost customers when demand recovers.

As demand for clothing accessory products declined, Trimtex had to finance a higher stock level. This added to an already debilitating debt burden and debt:equity and interest cover at year-end stood uncomfortably at 1,11 and 2,1 Greenbaum says inventories are being reduced and debtors better controlled in an effort to contain debt, but that gearing remains unchanged

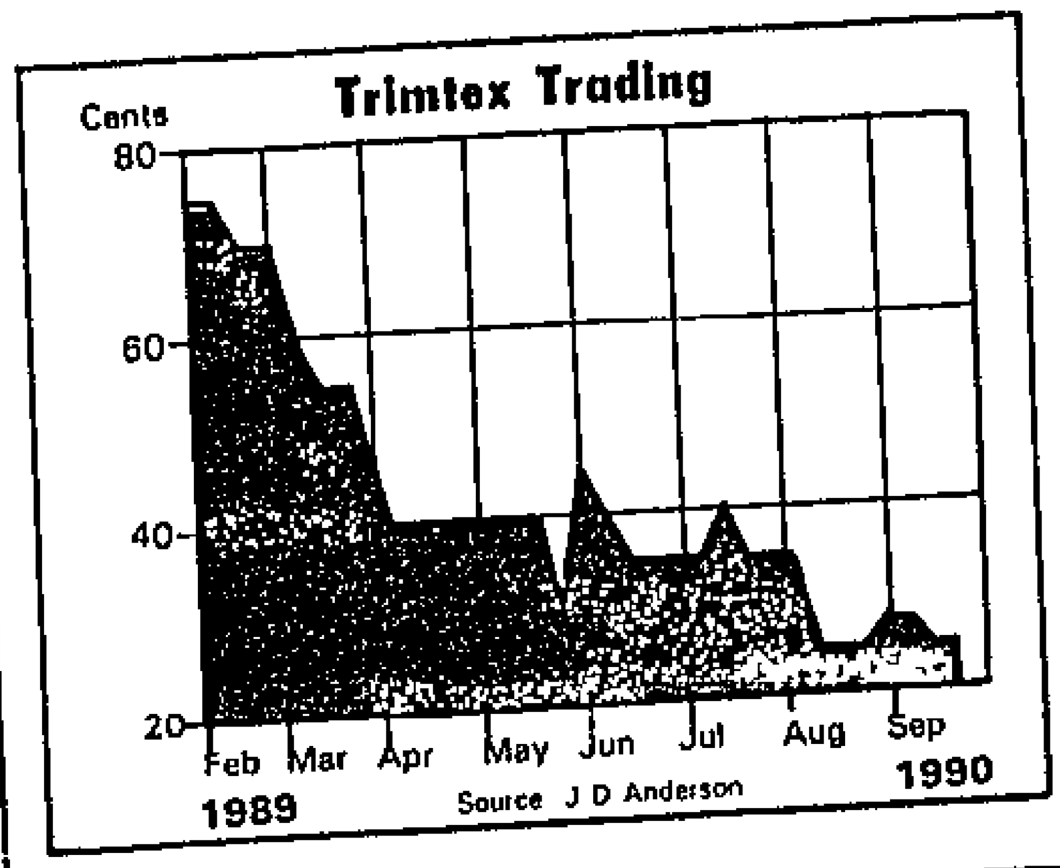
The higher interest cost and effective tax rate cut taxed profit by 38%. Of the meagre sum of R1,84m which remained, 25% went to outside shareholders in the newly created operating company, Trimtex Trading This left ordinary shareholders with EPS down by 53% at 7,9c — though the annual report states EPS as 10,6c, calculated on after-tax profit rather than attributable earnings

Trimtex Holdings' sole asset is a 75% holding in the operating company Trimtex Trading. The pyramid was created in February, the stated reason being to maintain control while taking advantage of expansion opportunities But with the recent resignation of Issy Goldberg as executive chairman, his replacement by David Teperson and the appointment of Greenbaum as MD, a more cautious stance seems to have been adopted

Greenbaum says there are no plans for expansion this year. Emphasis will be on restructuring and controlling the existing assets. Durban-based operations will be relocated and combined with those in Pinetown, which should have efficiency benefits this year Greenbaum says the focus will remain on reducing gearing and stock and controlling overheads But it's expected earnings this year will be lower than in fiscal 1990

The share stands at an all time low of 20c, half of net worth. That's not surprising, considering the earnings slump and creation of an out-of-favour pyramid company — though Greenbaum stresses that shareholders are no worse off because of the restructure The pending sale by Goldberg of his 2m shareholding may have helped depress the price, but there has been no recovery since their recent sale to a foreign buyer.

Pam Baskind



SATURDAY OCTOBER 6 1990

W/E ARGUS 6/10/90 (184)

Retrenchment spectre looms

By TOM HOOD
Business Editor

HUGE retrenchments of clothing workers can be expected next year if a Cape industry-wide strike goes ahead and disrupts factories, say manufacturers

The spectre of the Cape's first clothing strike loomed this week after deadlock in wage negotiations between the South African Clothing and Textile Workers Union and the Cape Clothing Manufacturers Association

Both sides have agreed to go to mediation

However, the union has declared a dispute and says it will hold a strike ballot if a pay agreement is not reached.

The union has softened its demands — a R45-across-the-board increase was lowered to R30 — but employers stood firm at R26 a week and refused to give a week's annual bonus

Interviewed this week, several manufacturers said while they accepted that wages would have to rise, increases on the scale demanded could not be met with the economy in a fully fledged recession.

"We believe many workers value their jobs and are lukewarm towards going on strike, but if a strike did go ahead it would devastate the industry and create intense bitterness," said one manufacturer.

"It would mean a huge loss of business which could not be recovered I have told one of my militant shop stewards he has been appointed to the committee which will decide who will be retrenched next year

"We are being screwed by the big retail chains, who would immediately repudiate any late deliveries caused by disruption of production. The retailers dont want to know about our problems"

Pressure by retail chains had forced big reductions in prices so that some orders were being executed at no profit or a small loss merely to avoid a lengthy gap in production, he said.

One menswear company reported a retail chain accepted its price, then demanded an "advertising discount" of 2 per cent as well as a "confidential discount" of 5 percent.

Told that these demands were impossible, the retailer told the company "Go back and sharpen your pencil and see what figures you can produce"

Another employer said he could no longer take the hassle of niggling disputes with militants and was considering closing his Cape factory and reopening in Namibia or the Transkei.

A major employer commented "Unreasonable and excessive demands for increases substantilly above the CPI without significant improvements in productivity will not make for a happy and stable working environment."

The owner of a small CMT (cut, make and trim) factory said the cost of a week's bonus would wipe out his profits in the present downturn

Meanwhile, a shock report this week warned clothing companies that their profits were probably fictitious because they did not allow for inflation and they were paying too much tax.

The report, by accountants Arthur Andersen, examined the income statements and balance sheet of the country's largest clothing manufacturer, Seardel Investment Corporation, and produced current income financial statements in line with the guidelines of the South African Institute of Chartered Accountants to show the effects of inflation on the company's trading performance and financial position

Contest for exporters

Business Editor

THE Cape Chamber of Industries is to sponsor a competition to recognise and encourage the achievements of exporters

Any Western Cape manufacturer who has made a contribution to South Africa's export trade may enter

Two trophies will be awarded.

- Exporter of the Year — open to all manufacturers in the Western Cape.
- New Exporter of the Year, — open only to manufacturers entering the market for the first time

The competition starts next January and entries are to be submitted by the middle of March 1992, with the first awards being presented in May 1992

Judging will be based on the best export effort in relation to the size of the company to ensure that small manufacturers stand as much chance of winning as large manufacturers

BUSINESS PERSONALITY OF THE WEEK

Doctor has a change of life

By DON HOLLIDAY,
Business Staff

SELDOM does a leading figure in the medical world decide to set aside all he has striven for and embark on a new career in the business world

Even rarer is the speed and success with which psychiatrist Dr Derek Bromfield, director of the Institute of Retail Studies at the University of Cape Town's Graduate School of Business, has adapted to his new environment

The former chief psychiatrist at Johannesburg's JG Strijdom Hospital and head of the the psychotherapeutic ward at the Tara clinic for the mentally ill decided shortly after opening a private psychiatric practice in 1986 that he needed a career change.

"I became frustrated at the idea of dealing almost exclusively with individuals and found I wanted to work in an area affecting a large body of people," he said

Doctor Derek Bromfield ... a rare case

He completed an MBA at UCT and won the prize for the best student in marketing, echoing earlier academic excellence. When specialising in psychiatry at the University of the Witwatersrand he won the Louis Franklin Freed prize for the best student in psychiatry

He was appointed director of the Institute for Retail Studies at the beginning of the year and also runs a management consultancy

The Institute maintains a link between retailing and the academic community and initiates and co-ordinates research in areas of interest to the retailing industry.

Possibly the most significant threat facing the formal retail industry, particularly in the grocery sector, said Dr Bromfield, was the large growth of the informal township small traders, or "spaza" shops.

The spaza phenomenon was owing largely to poor transport facilities in the townships forcing people to buy locally

They were extremely convenient and also provided services such as selling perishable goods available in areas where the average home had no refrigeration facilities

The total annual turnover of these spazas had been estimated as greater than the combined turnover of the large grocery chain stores, although some bought their produce from these stores

"They fulfil an enormously important role, but they are not recordable and no benefit is gained by the State through taxation

"They also provide formidable competition for the formal retailers, but as long as the transport problems remain and the recession continues to bite they will continue to proliferate," said Dr Bromfield

Consumers using these spazas were highly brand-conscious, equating brand names with quality

All gloom at Seardel

Star 8/10/9

(184)

By Tom Hood

CAPE TOWN — Hard times in the clothing industry have brought a gloomy forecast from SA's largest manufacturer, Seardel Investment Corporation, which employs 16 700 people

Chairman Aaron Searll sees group turnover rising only 11 percent at R940 million to R1,1 billion in the current financial year This is well below the 22 percent increase to R899 million for the year to June.

The directors showed remarkable accuracy in their predictions a year ago, when they budgeted for a turnover of R860 million to R900 million

Mr Searll says that in a nutshell the group's objective is to maintain its market share wherever possible

Factory snags cause losses for Prestige

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9/10/90

By Ann Crotty

Prestige, which makes and distributes consumer durables, has reported a sharp drop in earnings — down from a profit of 1,8c a share in June 1989 to a loss of 3,6c a share in the six months to June.

Operating profit was R170 000 (R1,4 million), with finance costs taking R1,2 million, leaving shareholders facing an attributable loss of R1 million

The directors blame the poor performance on delays in commissioning the Ekandustria factory. This resulted in the Krost division's turnover falling 50 percent below budget and operating profit falling R1,8 million below budget. This loss of revenue increased the company's financing requirements

"Operating profits for the second half are expected to be similar to those of the corresponding period last year, but finance costs will be higher

"Overall, the group is expected to recover from the first-half losses to a break-even result for the year as a whole," they say.

Textile workers to vote on strike

ARG(U) 9/10/90

By SHARON SOROUR, Labour Reporter

THOUSANDS of clothing and knitwear workers in the Western Cape are preparing for a strike ballot after mediation failed to resolve a wage dispute.

According to Mr R Bernickow, national media officer of the South African Clothing and Textile Workers' Union, mediation had failed between the union and the Cape Clothing Manufacturers' Association at the weekend.

The union had called for an urgent Industrial Council meeting today to discuss strike rules and the ballot procedure.

Negotiations collapsed

Sactwu represents about 55 000 people in the Western Cape clothing and knitwear industry. The union declared a dispute with manufacturers two weeks ago after wage negotiations collapsed.

Mr Bernickow said that at mediation the union had changed its 1990/91 demands to weekly increases of R30 for machinist grades, R25 for categories below machinists and R30 or 15 percent — whichever is the greater — for categories above machinists. A further demand is an extra day's annual leave in 1991 in addition to the 13 already granted.

Manufacturers had indicated they were prepared to accept the union's demands on condition that they were implemented in the first pay week in January, rather than the traditional date of December 13.

Festive season

"The employers' position confirms the reasonable nature of the union's demands. But a deferment of the implementation date to January is unacceptable. It will cause immense hardships over the festive season to clothing workers, who already earn low wages.

"Over the past year employment figures for the industry have shown a marginal drop of about 400 workers."

● The CCMA could not be reached for comment but weekend reports indicated that manufacturers expected huge retrenchments next year if there were strikes. Strikes would "devastate" the industry and create intense bitterness, one was quoted as saying.

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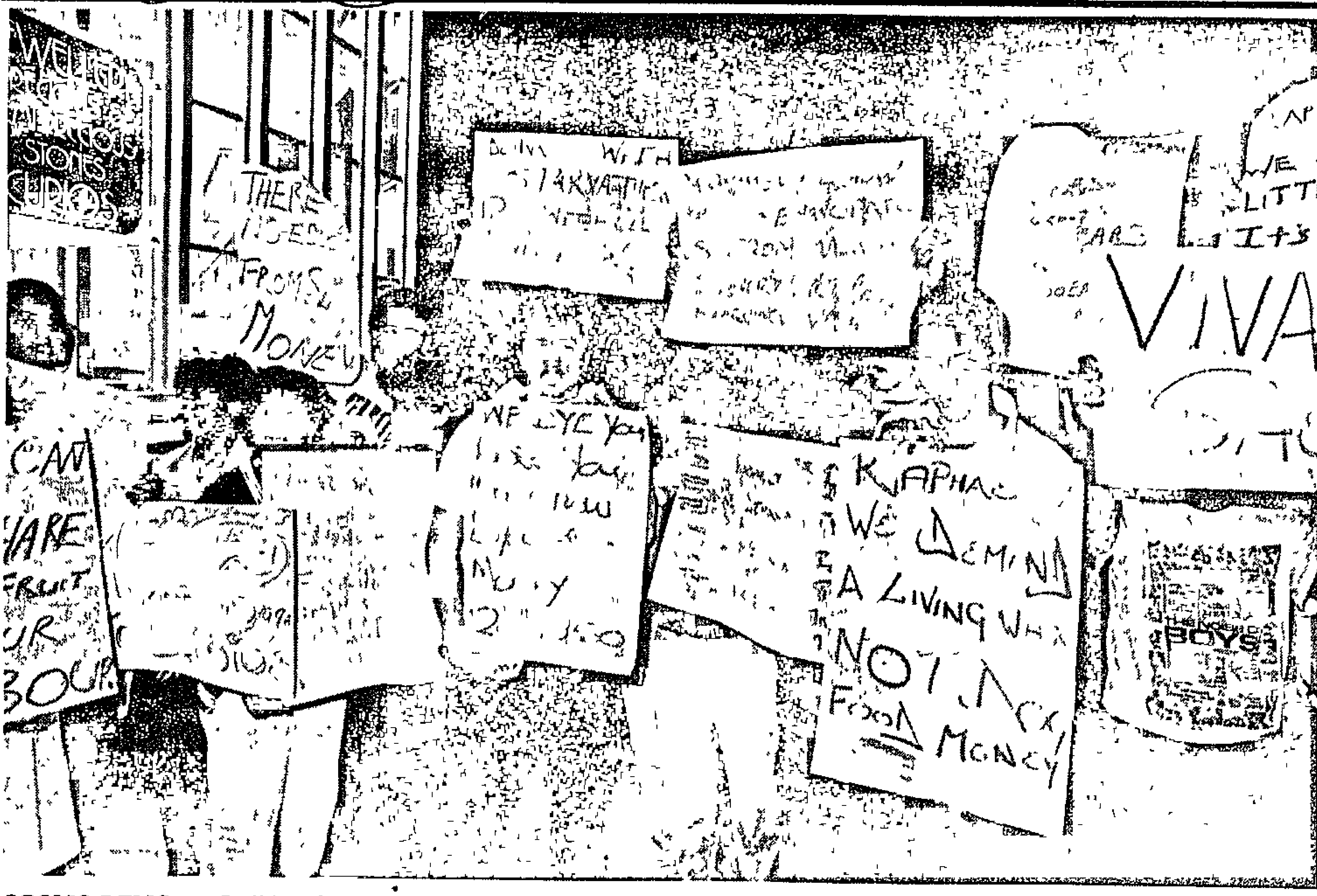
Cap



COSMO DEMO . . . Striking factory workers protest in the Golden Acre Centre on Monday about the level of their wages and proposed increases. They had hoped to see Ms Jane Raphaely, MD of Cosmopolitan, about her husband, MD of the factory.

Picture BENNY GOOL

Striking workers appeal to Raphaely

Staff Reporter

A DELEGATION of about 35 striking clothing workers from Wilmill Narrow Fabrics factory in Steenberg, managed by Mr Mike Raphaely, went to the Golden Acre Centre on Monday to make an appeal to his wife, Ms Jane Raphaely, managing director of Cosmopolitan Magazine.

Unionist Mr Joe Williams of the SA Clothing and Textile Workers' Union (SACTWU), who led the delegation, said he had an appointment with Ms Raphaely.

Initially, a security officer had permitted only Mr Williams to go up to Ms Raphaely's office, but after brief negotiations, four women and a man were allowed to accompany him.

The remainder of the unionists, holding protest posters, agreed to disperse within the building for 15 minutes while the delegation spoke to Ms Raphaely.

Among the slogans on their hand-written posters were "We demand a living wage, not rotten patato (sic) money" and "Femina what about our story?". Other posters complained about the minimum wage of R115 a week.

The workers said that about 300 people were employed at the factory, and they had been legally striking for a week over their annual pay increase of R20 a week.

The delegation who met Ms Raphaely reported that she had been very pleasant, but had said she was unable to interfere in her husband's business. She said she would mention their visit to her husband. Ms Raphaely could not be reached later on Monday to confirm this.

Mr Raphaely, the managing director of Wilmill Narrow Fabrics (not the owner, as several of the workers thought) said yesterday "What on earth are they talking to her for? I don't see what it has to do with Cosmopolitan."

Strike may be averted

Staff Reporter

THERE was still "a glimmer of hope" that a strike in the 56 000-strong Western Cape clothing industry might be averted, one of the negotiators said yesterday.

Mr Johann Baard, chief negotiator for the Cape Clothing Manufacturers' Association and the Cape Knitting Industries' Association, said this after he emerged from a special Industrial Council meeting yesterday.

The meeting was adjourned till tomorrow to allow the parties to take new options to their constituencies.

Last-minute deal averts big strike

Staff Reporter

A LAST-MINUTE wage agreement in the clothing and knitting industry dispute has averted the threatened strike by about 56 000 Western Cape garment workers, according to a SA Clothing and Textile Workers' Union (Sactwu) spokesman

Mr Ronald Bernickow said the agreement includes a R29,50-a-week wage rise for Grade B machinists, R25 for Grade C machinists, R22 for learner machinists and R29,50 or 15%, whichever is greater, for machinists above the grade system

The increase for Grade B machinists — about 70% of the workforce who earn a current minimum wage of R155 a week — is 50 cents less than the amount initially demanded by Sactwu

Settlement was reached yesterday morning when Sactwu and clothing and knitting industry employers accepted revised options decided on at a special meeting on Tuesday

Strike action had threatened on Monday when mediation between the two parties broke down last weekend

"An important aspect of the agreement is the 25% maternity pay provision for a period of three months — a milestone in an industry dominated by women workers," said Mr Bernickow

"The 25% will be paid out by the Industrial Council Sick Fund and is over and above the amount paid to women on maternity leave by the Unemployment Insurance Fund

"Effectively women on maternity leave will receive 70% of their wage for the first three months and 45% for the next three months"

The next wage negotiations will begin in January 1992, with wage increases being implemented in July 1992, said Mr Bernikow

Rex Trueform looks to exports

(184)

B'Day 15/10/90

ACHMED KARIEM

THE improved political climate internationally should have a beneficial effect on clothing exports, Rex Trueform chairman Stewart Shub says in his annual review.

Earnings a share plunged to 265,5c (416,3c) for the year to end-June, due to the company now being subject to a full tax charge

Initiative

The group produces men's suits, jackets and trousers, mens and leisurewear and ladies outerwear through brand names such as Rex Trueform, John Stephen of London, Daks London, Lanvin of Paris, Cassidy, Miss Cassidy and Hang Ten.

Shub is convinced that the export of labour intensive products is both a corporate and a national priority because it provides jobs and a larger production base.

"It is, therefore, encouraging to note the changing attitude towards South African exporters since the government's initiative on the political front and present indications are that overseas markets previously closed to us, are now, once again, looking to SA for supplies," he says

He says Rex Trueform has received orders from new clients in Europe and the Far East.

"An increasing demand for our products from overseas is foreseen as and when the pressure of sanctions eases"

However, he says local consumer spending continues to drop and margins are likely to remain under pressure.

"Thus, while it is not possible to forecast improved returns for the current financial year, the company's underlying financial strength, broadly based product range and improved distribution potential, suggests that it is well placed to benefit from any upturn in the economy."

COMPANIES

Tough conditions hurt Cutrite sales

ACHMED KARIEM

TOUGH trading conditions and a decline in both consumer spending and economic confidence restricted clothing manufacturer Cutrite's sales growth to 11,6% in the six months to end-August, financial director Hymie Feinberg said at the weekend.

A 4,55% increase in operating profit to R3,4m and a hike of 42,5% in finance charges to R449 000 saw pre-tax income lift marginally to R2,95m (R2,94m).

Attributable income dropped to R1,44m (R1,50m) or 8,7c (9,0c) a share and directors have declared an unchanged dividend at 3,0c.

Feinberg said order books were full for both its operating companies — Diva Fashions, manufacturers of high fashion garments, and Cutrite Apparel, producers of a range of trousers for the black consumer market.

B(Day) 15/10/90

"Cutrite is well positioned to participate in the growth when the economy recovers," he said

(184)

However, Feinberg said it was very difficult to make a sensible forecast in the unsettled and uncertain economic climate.

Cutrite shares are at present trading at 55c a share, which puts them on a a dividend yield of 11,8% and a price to earnings ratio of 30,4%, compared with the respective clothing sector averages of 7,9% and 22,4%

Toyi-toying workers take to the streets

Cape Times 16/10/90

JOHANNESBURG — The city centre was taken by a toyi-toying storm at lunchtime yesterday as thousands of mainly women members of the SA Clothing and Textile Workers' Union (Sactwu) formed a "human chain" to show support for Cosatu's Worker Charter Campaign

Dozens of police and Defence Force members on foot and in patrol vans kept a low but noticeable presence throughout the protest, which lasted over an hour No incidents were reported

The mood among the Sactwu members, wearing brightly coloured Sactwu T-shirts, was up-beat and caused many a smile among office workers on their lunch break.

The protest reached its climax around 1 15pm as a light aircraft circled overhead trailing a Sactwu banner urging worker unity

A Sactwu statement said the purpose of the demonstration was to heighten awareness of workers and the general public about the campaign. — Sapa

Business Day

Tej working on improving its profits

ACHMED KARIEM

184

17/10/90 Vol 13

TOWLES, Edgar Jacobs (Tej), manufacturer of knitwear and woven garments, has in the past year initiated changes geared towards improving long-term profitability, chairman Robert Jacobs says in his annual report.

As part of the programme, Jacobs mentions the appointment of Tony Owen as MD and the promotion of Ian Anderson as deputy chairman.

The Cape Town firm made a loss of R463 000 in the year to end-June.

Jacobs is confident of a return to profitability but he says the effect of much of the restructuring will take time.

Owen says the basis of Tej's future plans is "simple, accurate and timeous information".

He says reporting systems are now recording each division's financial position separately, enabling a fast response to budget variations.

Some divisions are already reflecting satisfactory profit figures, he says.

REX TRUEFORM

FM 19/10/90

TIGHT FIT

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Activities: *Manufactures and markets clothing*
Control: *African & Overseas Enterprises 73%*
Chairman: *S C Shub*
Capital structure: *4,1m ords Market capitalisation R36,9m*
Share market: *Price. 900c Yields: 10% on dividend; 29,6% on earnings, p e ratio, 3,4, cover, 3 12-month high, 1 275c, low, 1 000c Trading volume last quarter, 3 800 shares*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	1,3	1,8	1,8	0,8
LT debt (Rm)	7,9	6,2	5,8	10,6
Debt equity ratio	0,3	0 4	0,01	—
Shareholders' interest	0,61	0,28	0,69	0,72
Return on cap (%)	13,8	26,4	15,5	14
Turnover (1985=100)	114	135	162	185
Pre-int profit (Rm)	11,4	12,1	16,4	15,6
Earnings (c)	219	287	416	266
Dividends (c)	65	75	90	90
Net worth (c)	1 220	1 414	1 750	1 931

In real terms, Rex Trueform's 1990 figures show a fall Even without the effects of a full tax payment for the first time in six years, profits would have been only marginally better than financial 1989 in nominal terms; but with the introduction of R6,8m tax, earnings were knocked 36% to R11m

Before tax was calculated, operating income was already 3% lower at R14,5m. A large cash holding of over R16m helped, with interest received rising 36% to R3,9m. So pre-tax income managed to squeeze a 2% rise to R18,8m

The annual report does not disclose turnover but the turnover index shows a 14% increase.

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Chairman Stewart Shub blames the poor results on weakening demand in the retail market He sees growth coming from increased demand from export markets and says new customers have already been sourced in Germany and the Far East The UK is Rex Trueform's largest single export market "It helps to have access to sizeable foreign markets to give the scale to our business which we wouldn't otherwise have," Shub says

He wouldn't disclose the size of the export market nor its percentage of total turnover, "because of the sensitive nature of exports." This might change when sanctions become a less sensitive issue

The volumes produced for export markets weren't able to relieve pressure on margins

COMPANIES FM 19/10/90

- Return on equity fell to 13,8% from 23,8% while the return on capital dropped to 14% from 15,5% However, because of its strong balance sheet, the group was able to maintain a dividend of 90c. If one takes cash into account, Rex Trueform is debt-free with a net cash balance It managed to redeem 1 200 variable rate cumulative preference shares on June 30 at R12m without resorting to borrowings

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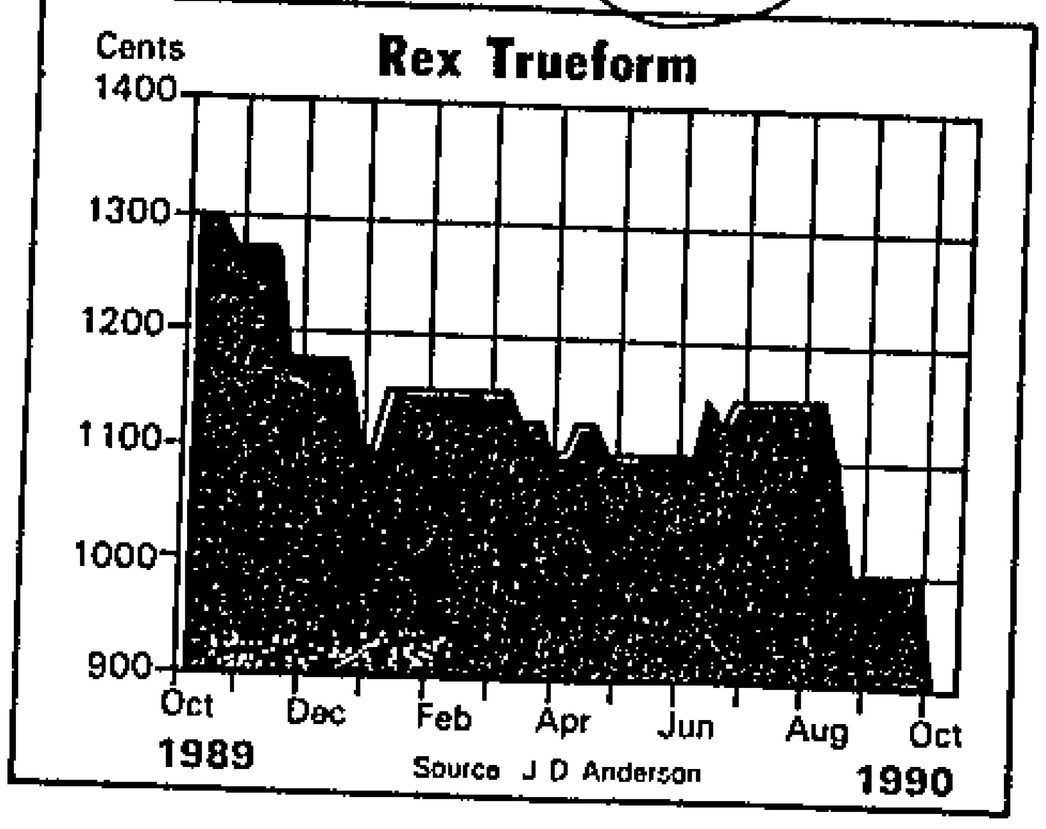

Shub is reluctant to make any predictions for the current year which, he believes, will be a tough one for the clothing trade He describes his outlook for the future as cautious and neutral With things unlikely to improve in the short term, investors could also take that view

Heather Formby

Sh 26/9/90 (184)

Seardel turns to exports as local clothing market shrinks

By Maggie Rowley

CAPE TOWN — Seardel Investment Coroporation is aiming to double exports within the next 18 months, chairman Aaron Searll said yesterday.

Clothing exports brought in R35 million for the group — five percent of total sales — in the past financial year, he told shareholders at the group's annual meeting

"This year we expect exports to top R50 million and are aiming to increase this to 10 percent of sales in the longer term," he said.

While the group concentrated on sophisticated markets, particularly in Europe, the rest of Africa presented export opportunities and a few countries had already been targeted

In spite of extremely difficult trading conditions, group turnover for the first three months of the current financial year showed a 14,8 percent increase over last year at R261,8 million.

Estimated group pre-tax profit for the first quarter was on a par with last year.

The toy division and the electronics division were both performing excellently and had increased market share.

Chris de Bruin, chief executive of the Sharp Electronic division, said that although the consumer electronics industry was having a hard time, it had capitalised on the fact that many of its competitors were in complete disarray.

"We have increased our market share considerably and in spite of many of our competitors having a torrid time we are looking to tremendous growth in turnover and profits for the current financial year"

Aaron Searll . . . difficult time for clothing division.

Mr Searll warned that the current financial year would be extremely difficult, especially for the clothing division, which accounted for 72 percent of group turnover.

As a result budget forecasts for the group — an 11 percent increase in turnover to between R940 million and R1,1 billion and a five percent increase in profit to between R43 million and R47 million — were purely an indication.

Earnings a share for the past financial year were 101c A final dividend of 14c (13c) brings the total payout to 22c (21c) for the year.

Mr Goldberg said the relatively low dividend had no doubt contributed to the unattractiveness of the share in investors' eyes.

Mr Searll said interest-bearing debt was slashed by R27 million to around R90 million during the year, resulting in finance charges of about R30 million

Seardel group sees exports rising to R50m

CAT 1-4 C 28/10/90

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By AUDREY D'ANGELO
Business Editor

NINJA turtles — action dolls based on the cartoon figures, which are currently the most popular children's toy — are helping to push up profits for the Seardel group.

Executive chairman Aaron Searll said at the annual meeting yesterday that its toy division, Prima Toys, had secured sole distribution rights for Ninja turtles in SA.

"Unbelievable" demand for the turtles had boosted Prima Toys' turnover by 20% so far this year and was expected to push it up by another 20%.

But most of Seardel's profits come from clothing, which accounted for 77% of group turnover and 72% of operating income in the year to June 30

Searll reported that group turnover of R261,8m for the first three months of the current year was 14,8% higher than in the same period last year

However, tightly squeezed margins mean that profits have not risen in proportion to this. Searll said estimated group pre-tax profit for the quarter was "on a par with last year"

The group reduced its borrowing ratio to 75% of equity by June 30, compared with 110% the year before

Advising a further reduction, the chairman of the Shareholders Association of SA, Issy Goldberg, said the borrowings were the reason the share traded at only 230c when its net asset value was nearly R5

Congratulating the directors on keeping dividends low in order to plough back profits, Goldberg said that if they continued to do this the share was "one of the cheapest in the country.

"This company is poised to become one of the major players in this country, provided it reduces its debts

"Dividends will come when the gearing is reduced," he promised, comparing finance charges of R30,2m in the past year to "a kick in the solar plexus".

Goldberg pointed out that of every rand received by the group, only 2,75c was profit — from which dividends had to be paid to shareholders He suggested that this should be explained to the workforce

Discussing clothing exports, Searll said they had earned R35m for the group in the past financial year This was 5% of total sales

"This year we are expecting exports to top R50m We aim to increase it to R10% of turnover in the longer term "

Some exports were already going to African countries And Eastern Europe was a possible market in the future. But at present the clothing exports were targeted mainly at Western Europe.

Searll said he did not expect the world-wide economic downturn to affect the company's export plans "That market is so vast that R50m is only a tiny part of it "

Seardel takes a ride on the back of a Ninja turtle

(IMP)

Own Correspondent

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(18.4)

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B Day 26/10/90

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CITY 30/10/90 (184)

Monatic profits dip

In spite of an increase in sales of nearly 40 per cent, the House of Monatic has recorded a drop in attributable profits for the six months to August

The group said yesterday the figure had falled from last year's R3,573 million to R2,819 million

Earnings per share were 8,7 cents compared to 11,0 cents recorded in the same period in 1989.

Taxation was R1 million compared with nothing in the previous period while interest nearly doubled to R805 000.

No interim dividend will be paid as the company only pays a final.— Sapa.

Star 30/10/90 (134)

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Gresham battling in the recession

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.

Edgars chain helps to shore up group

B Day 31/10/90 (184)

SYLVIA DU PLESSIS

THE Edgars chain saved the day for the SAB-controlled Edgars group at the half-way stage, allowing it to post a 24% growth in earnings to 140,5c (113,2c) a share in the face of higher inflation and tight trading conditions

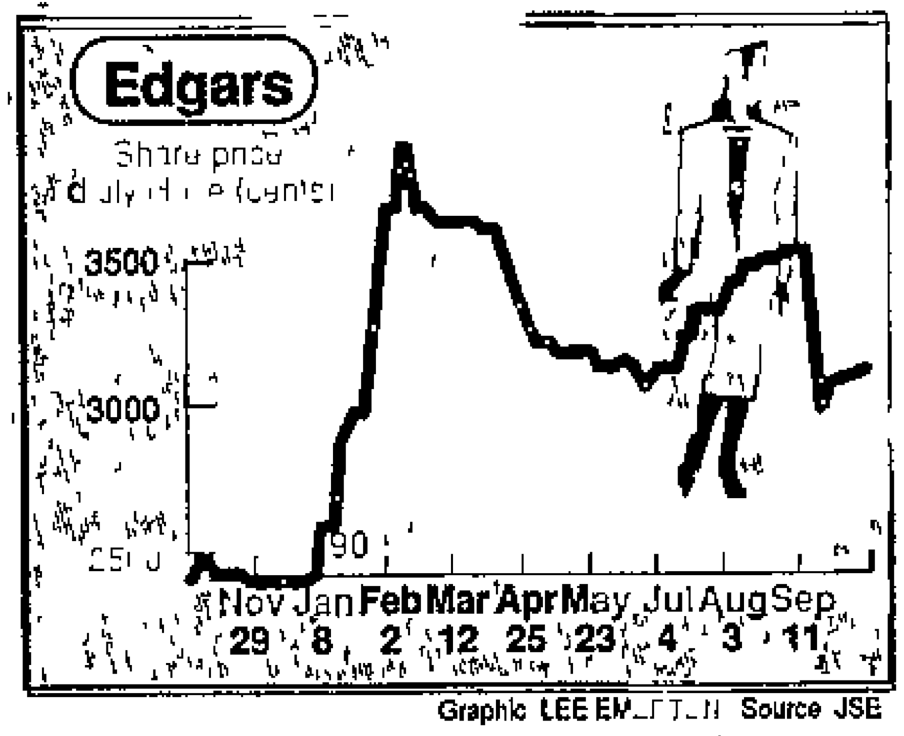
A dividend of 33c — up 22% from 27c — has been declared for the six months to end-September.

Deputy chairman and CEO Vic Hammond and Group MD George Beeton said in an interview yesterday unrest, boycotts and stayaways had disrupted the markets in which both the two other divisions, Sales House and cash-based Jet, traded

Sales House's business was 100% black consumer-orientated, while 55% of Jet's sales were black-generated, they said.

That meant the two were more susceptible to socio-political disruptions than the Edgars chain, which had an "in-built advantage" in that its 1,6-million active account holders provided some loyalty.

Accordingly, Sales House's and Jet's contributions to pre-tax profits were only 9% and 1% respectively, compared with the 89% the relatively upmarket Edgars chain chipped in Manufacturing entity Celrose added the remaining 1%



Graphic LEE EM_ _T_N Source JSE

Edgars' contribution helped raise total sales by 26% to R1,14bn against a national growth rate of 17% in the clothing, footwear, textiles and accessories (CFTA) market, while an uptick in margins to 14,7% (14,4%) lifted operating profit by 29% to R168,7m

After interest of R27,5m (R17,1m) and

☐ To Page 2

Edgars

B Day 31/10/90 (184)

☐ From Page 1

taxation of R69,9m (R56,5m), attributable earnings for the blue chip performer amounted to R71,3m (R57,5m)

Hammond and Beeton said credit facilities and an advance in the group's share of the R15bn CFTA market to 16,2% at end-July from 15,2% also aided sales growth

Lower cash sales, representing only 15% of total sales at the Edgars chain and 8% at Sales House, evidenced the economic downswing, they added.

"Cash sales always diminish in a recession, but the credit switch has never been as dramatic It's a national phenomenon," Hammond said.

On prospects, Beeton said disposable income would remain under pressure in the second six months due to high interest rates and the "knock-on" effect of steep increases in fuel costs.

However, sufficient stocks were in place to ensure 25% growth in Christmas sales. The shares, under some downward pressure lately, closed unchanged at R31 yesterday from a R39 peak in February.

● Picture: Page 3

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Edgars group sustains earnings growth despite some setbacks

By Ann Crotty

Despite a disappointing performance from Sales House and Jet in the first quarter, the Edgars group has managed to sustain its sterling track record in the six months to September.

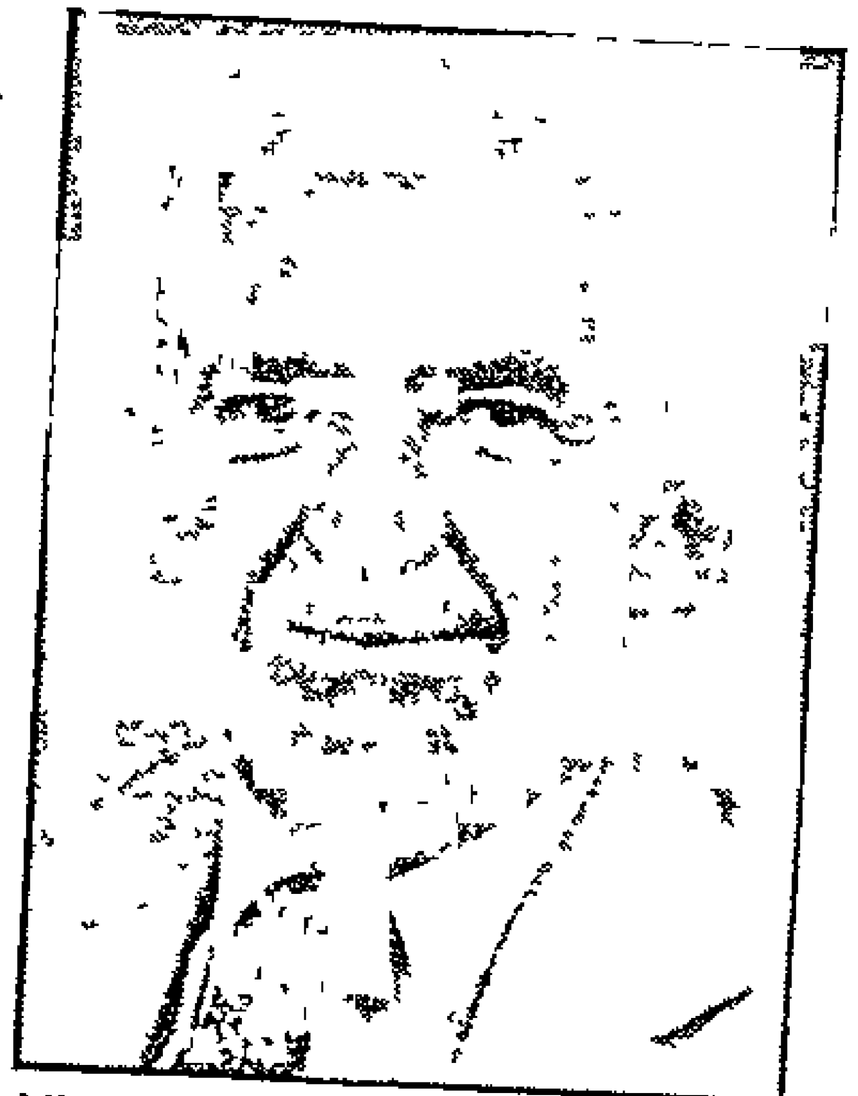
Earnings were up 24 percent to 140,5c (113,2c) a share.

An interim dividend of 33c (22c) a share has been declared.

Sales for the six months were up 26 percent to R1,1 billion (R908 million).

This was significantly ahead of the 17 percent increase in national clothing, footwear, textiles and accessories (CFTA) sales. In real terms the increase in CFTA sales is estimated to have been about two percent.

Group chief executive Vic Hammond says the performance means that Edgars has increased its share of the total market (clothing, footwear and textiles) from 15,1 percent to 16,2 percent.



Vic Hammond . . . gearing at comfortable level

Given that this market has annual sales of about R15,5 billion, Edgars' increased share represents a considerable volume of sales. (On an annualised basis it is up from R2,34 billion to R2,5 billion. With margins of 14,7 percent, this sort of increase has a considerable impact on the bottom line).

Referring to first-half sales performance, Mr Hammond says that Sales House and Jet were badly disrupted by unrest, boycotts and stayaways in April, May and June. (In some areas, shops were only reaching 10 to 15 percent of the sales figures achieved on the same day in the previous year)

Because of a solid performance from the Edgars stores, the group was able to report a 22 percent sales increase for the first quarter.

But Mr Hammond says that the profit performance was very weak.

By contrast, with conditions much more settled in the second quarter, the group was able to report a 31 percent hike in sales and a 40 percent increase in profit for those three months.

Operating profit for the six months was up 29 percent to R168,7 million (R131,1 million), reflecting the continued improvement in margins (Margins have improved steadily since 1986 when they were 8,4 percent).

The only spot of weakness in the figures is the 61 percent surge in finance charges — up to R27,5 million from R17,1 percent.

Mr Hammond says this reflects the higher interest charges and the fact that average interest-bearing debt over the period was up about R25 million.

Gearing at end-September was little changed at 50 percent (51 percent).

Given the notable swing from cash to credit sales (debtors are up 31 percent to R659 million) and the fact that this is unlikely to change in the short to medium term, there seems little chance of any significant reduction in the gearing level.

But Mr Hammond says that gearing is at a comfortable level and that he is happy with the group's rate of collections.

Pre-tax profit was up 24 percent to R141,2 million (R114 million), with attributable profit up 24 percent to R71,3 million.

With the benefit of Christmas sales in the second half, it looks as though a full-year earnings increase of at least 20 percent is attainable.

Star 31/10/90 184

Retail/wholesale sector riding crest of wave

By Ann Crotty

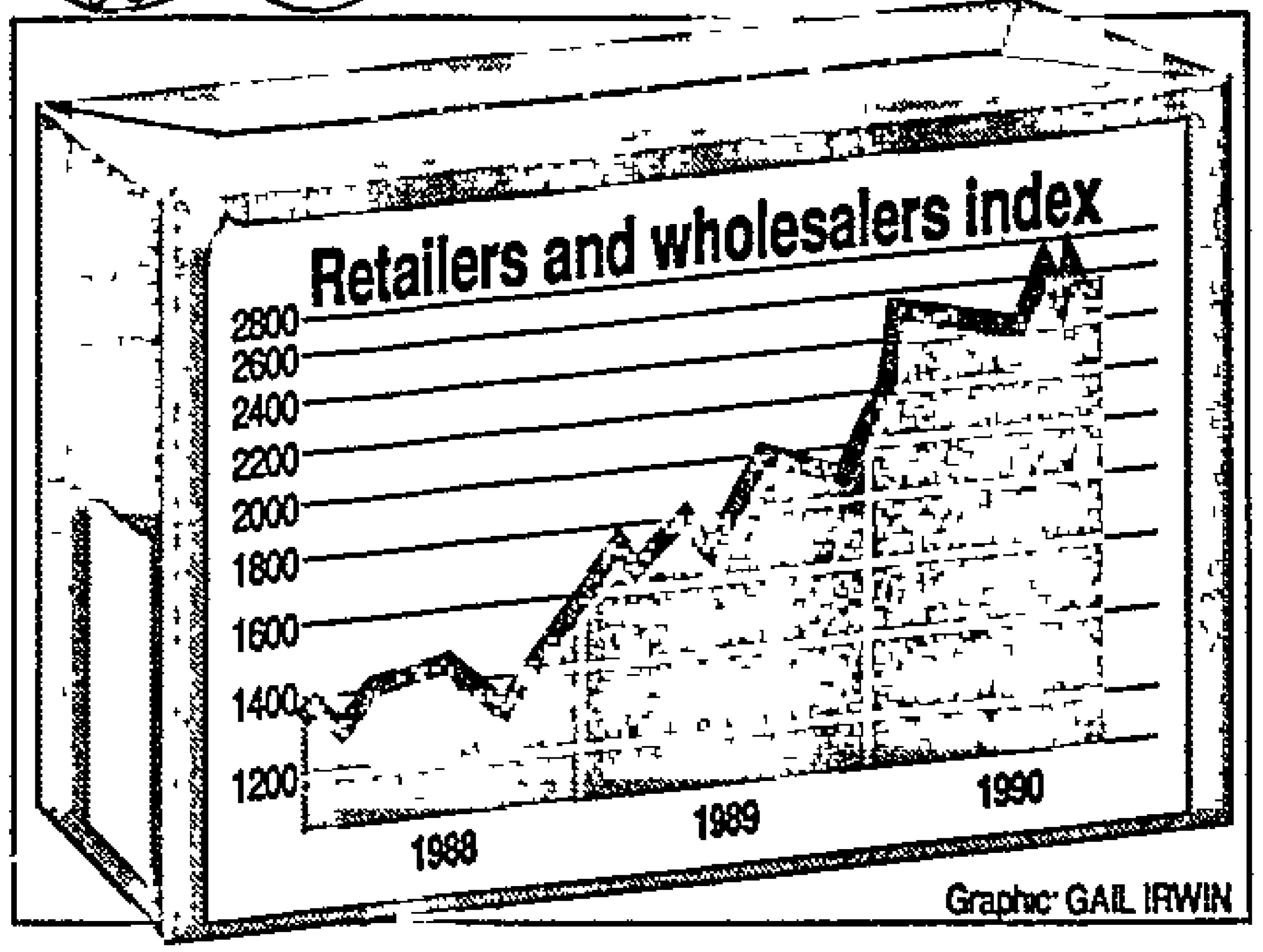
The latest interim figures from Edgars provide yet more justification for the attractive rating that the market is giving the retail and wholesale sector

In recent months the depressing monotony of dull industrial company results has been broken by the generally sparkling figures from the retail sector as profit performance there rides along on the back of buoyant demand from black consumers who are enjoying the benefits of increased discretionary income.

Results from furniture retailers are also showing the benefits of strong demand by black consumers.

However, in sharp contrast to the retail sector, ratings in the furniture sector are among the lowest on the JSE

Analysts believe this reflects concern over gearing in the furniture sector and also worries about a repeat of the mid-80s disaster when a government clamp-down on consumer spending did severe and widespread damage to profit performance



Graphic: GAIL IRWIN

Compared with industrial groups, which are pulling out all the stops to sustain current earnings at the previous year's nominal level, retailers (including furniture) are reporting operating profit growth of around 20 percent.

The extent to which this is sustained at bottom-line level is a function of the debt burden and the impact this has on finance charges

Among the giant food retailers, Pick 'n Pay produced a 17 percent increase in operating profit and, in the absence of any debt, managed to sustain the improvement at earnings level at 15 percent.

By contrast, hefty finance charges helped whittle down OK Bazaars 33 percent surge in operating income to a 12,7 percent earnings improvement

On the clothing side, Wooltru achieved a 38 percent hike in sales in the 12 months to end-June. The group paid no interest charges and was able to report a 35 percent increase in earnings for the same period.

Edgars' 29 percent improvement in operating profit was held to a 24 percent hike at earnings level because of the interest bill

Helped by acquisitions, Rusfurn reported a 79 percent surge in operating profit for the 12 months to end-June The interest burden held this to a 54 percent increase in earnings.

Ellerines, which has cash resources, reported a 48 percent improvement in turnover, which was sustained at the earnings level

The extent of debt exposure at some of the retailers is highlighted by Rusfurn's proposal to split its overall operating profit into trading profit and banking profit in future income statements

This will emphasise the fact that some 50 percent of Rusfurn's profit comes from providing finance to its massive customer base.

Similarly, at Edgars where cash/credit sales are on a ratio of 25/75, chief executive Vic Hammond says earnings performance is as much a function of debt management as it is of merchandise selection

But, as the figures show, even when they are carrying debt, retailers are still able significantly to outperform their industrial counterparts

And, as the current high market ratings indicate, this outperformance is expected to be sustained for at least the next 12 months

The major problem facing the sector in the foreseeable future is labour-related

Blacks have assumed a powerful position as consumers, which is in line with their increasing (and better organised) power in the workplace.

Unlike other industry sectors, retailers have little scope to mechanise, and so must come to terms with the labour situation, which means establishing good relations with their unions.

Similarly, because of their higher profile and relatively greater dependence on the black consumer, retailers are more susceptible to unrest and boycotts.

But in the short-to-medium term at least — as Frankel, Kruger analyst Jacques Magliolo notes — the retail and furniture sectors look attractive.

The latter will be helped by the hefty finance margins that are charged and both will be boosted by demographic factors such as the growth in population, which is bringing more black consumers to their stores

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Wooltru expanding property interests

CAPE TOWN — The opening of Warwick Place, a new high street shopping complex in the heart of Claremont, marked a new phase in the development of Wooltru Properties, said managing director John Rabb at a function this week.

Whereas in the past property had been regarded primarily as an adjunct to the Wooltru group's trading operations, Wooltru Properties had recently become a fully-fledged operating company.

"While its focus will remain the provision of trading premises for the Wooltru trading companies, by means of lease or ownership, Wooltru Properties will also undertake selective developments, predominantly of a retail nature, either for ownership or sale," he said.

He added that in its new role, Wooltru Properties had recently completed a major new store for Makro in Germiston. Owned by the Iscor Pension Fund, the development had been managed by Wooltru Properties. The building component of this project had been valued at more than R20-m.

Wooltru Properties had also developed a new shopping centre in Gezina, Pretoria, where Woolworths was to open a branch later this week.

Mr Rabb said the completion of the Warwick Place development marked the penultimate stage in Wooltru Properties' redevelopment in Claremont. This project had begun with the building of a new Woolworths store. It also included the development of the Warwick Square parking garage, undertaken in association with the Cape Town City Council. — Sapa

High tax charges undercut Rex Trueform

Business Day Reporter

THE improved political climate internationally should have a beneficial effect on clothing exports, Rex Trueform chairman Stewart Shub says in his annual review. B Day 1/11/90

Earnings plunged to 265,5c (416,3c) a share for the year to end-June, as a result of the company now being subject to a full tax charge. (184)

The group produces men's suits, jackets, trousers and leisurewear, and ladies' clothes through brand names such as Rex Trueform, John Stephen of London, Daks London and Hang Ten.

Fashionwear firm's order book a model

BDay 1/11/90

ACHMED KARIEM

TRANSVAAL Clothing Industries (Traclo), ladies fashionwear manufacturer, has advance orders into the third quarter of the new financial year, despite the weak economic outlook, says chairman Lionel Lipkin in the annual review.

Although pressure on margins is expected to continue, directors will focus on expanding market share and improving margins.

Lipkin says the group's manufacturing division, Transvaal Clothing, increased its share of the chainstore market, but tough competition influenced margins. (186)

The haberdashery and textiles section experienced difficult trading conditions and losses were incurred in rationalising stocks and reducing product range.

In the year to end-June, earnings a share were reduced to 0,4c (2,7c)

Tecfin beats the squeeze on margins

B Day 1/11/90

MARIETTE DU PLESSIS

VENTURE capital market company Tecfin Investments managed to withstand tight trading conditions in the six months to end-August 1990, despite the squeeze on operating margins. 184

The company has interests in clothing and nuts and bolts and was listed in August last year Results published today show that margins contracted to 11,5% in the first six months compared with the 13,9% for the full 1989 financial year.

Turnover of R4,6m almost equalled the R4,7m for the year to end-February, generating an operating income of R531 000 compared with the previous year's R661 000. Attributable income came in at R203 000 from last year's R396 000.

The interest bill arising from Tecfin's R5,8m acquisition of Bolt-Up in February restricted earnings growth. Earnings a share of 0,9c were posted compared with last year's 3,1c.

W/T News 3/11/90

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Export contract could rescue Tej

BUSINESS PERSONALITY OF THE WEEK

TURNOVER at Towles, Edgar Jocobs (Tej) will be substantially lower this year but the Cape knitwear manufacturer will be back in the black with a modest profit.

This is the forecast of managing director Tony Owen, who told shareholders this week "We are turning the corner."

However, the company can expect an additional boost if negotiations for a major export contract succeed

Chairman Bobby Jacobs disclosed that a major initiative started in June for the development of a long-term export business in Europe

"We have made good progress and negotiations are proceeding with a large European company which if successful will show appreciable results in this financial year.

"This will be in addition to our existing sales budget"

Tej ended the year to June 20 with a R550 000 loss, equal to 19,9c a share, and accumulated losses of about R3 million.

Since the year-end, said Mr Jacobs, Tej had taken steps to match costs in the business to the lower level of activity forecast this year

A retrenchment programme had reduced the number of employees by 150 and between eight and 12 workers who left each month were not being replaced

The retrenchment programme was "a major task" and had been conducted in a satisfactory manner due to the high level of co-operation and understanding between the company and the South African Clothing and Textile Workers Union representing employees, he said

For the first three months, operating profits were appreciably better than budget, said Mr Jacobs

"In spite of the retrenchment programme and severe cost saving measures, morale in the business is high and our employees are clearly focused on the problems and challenges facing the company"

The company is handicapped by the cost of its R11 million borrowings — interest of R2,7 million wiped out the R2,2 million operating profit

And the only way the company can reduce its borrowings is by trading out of them, says Mr Issy Goldberg chairman of the Shareholders Association

"One good thing is the company will have a R3 million tax holiday," he said at Tej's annual meeting this week

It needed to find ways of removing its debt but there were no assets that were free of pledging or cession

The only way was to trade out of them and that would take a long time.

Dividends had not be paid for years and by not paying the preference dividend of R87 000, the company was "using dividends accruing to these people who are funding the business".

Survival

Mr Goldberg added "This is the first meeting I have attended for many years where I feel there is the possibility of survival of this company."

Shareholders agreed to renew the directors' borrowing powers after an assurance that they would use them "only under the most extreme circumstances"

In his managing director's report, Mr Owen said while the results for the year ended June were disappointing, significant changes had been made in the business since and would manifest in the current year

"The foundation of our future plans is based on the principle of simple, accurate and timeous information

Quick response

"We are able to implement quick response to budget variations"

The benefits of the divisionalisation process had already been seen and management was now able to focus more intently on the key issues of each division and their recovery plans.

Leegall Clothing counts on a profitable comeback

BDay 7/11/90

ACHMED KARIEM

THE Leegall Clothing Company, which recently returned to the JSE after the lifting of its provisional liquidation, expects improved results once its financial restructuring has been achieved, chairman Corder Tilney says in the annual report.

He says the planned restructuring is essential in the group's drive to return to profitability.

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"While it is anticipated that the company will now return to profitability, the current trading conditions make any profit prognosis almost impossible," he says.

Tilney says agreement was reached with the group's bankers, a major supplier and certain shareholders to reduce short-term debt.

"Substantial export orders have been negotiated — the first orders have been shipped and the prospects for further orders are promising.

"The margins achieved are acceptable and the group will benefit through the taxation and other export incentives received," he says.

Tilney says Leegall, manufacturer of garments under the "Lee" and "Pierre Cardin" labels, experienced tough trading conditions for the nine months to end-March that resulted in large losses.

MD Frank Falowitz says the results reflect a loss after taxation, but before extraordinary items of R5,41m, compared with a loss of R5,34m in the previous 12 months.

Surcharges a major factor . . .

Clothing prices lifted above inflation rate

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Cape Times 7/11/90

By AUDREY D'ANGELO
Business Editor

IMPORT surcharges introduced as a "temporary" measure three years ago are still in place — and are among factors which have forced clothing prices up above the inflation rate, the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, said at its annual general meeting yesterday.

Other factors pushing up prices are increases in both raw material and labour costs, which cannot be absorbed by the industry, and productivity which is not rising in line with wage increases

With falling unit sales in the local market, Jocum said rising exports had helped to save jobs in the Western Cape clothing industry

Export sales had helped to limit the loss of jobs to 2 278 — or 4% — in the past year, when the total number employed fell to 55 378 from 57 656

But, he warned, "instability in the workforce such as recent stayaways and illegal strikes damage our image in export markets, as our ability to deliver on time is put in doubt."

He urged the SA Clothing and Textile Union to "address their political leaders as to the wisdom of continuing with their sanctions campaign in an era of political reform

"Sanctions have led to short time and retrenchments in addition to the domestic recession Sanctions destroy jobs in SA and create jobs in other countries "

Jocum said the association and the union had agreed to hold discussions at regional level "which could lead to co-operation beneficial to the industry in the form of growth and opportunities for job creation

"A greater appreciation of the threats and opportunities are essential if our industry is to grow The international market is highly competitive, and the union is one of the players "

Jocum continued, "We must plan now for entry into Europe 1992. Our exports have increased, aided by the present export incentive scheme which should remain fixed, clear and for a reasonable period of time and should not be reduced in any way in the foreseeable future "

Discussing textile prices he said "I understand the Government will treat applications for increased protection with great caution in view of its inflationary impact on clothing prices, with the result that 1991 should ensure competitively priced fabrics from the local textile industry "

He suggested that the entire textile industry should "play a more positive role in tandem with clothing manufacturers by quoting an export price as well as a domestic price "

Some mills were already co-operating in the export drive by doing this

Star 8/11/90 (184)

More Cape clothing exports stem industry job losses

By Tom Hood

CAPE TOWN — Increased clothing exports from the Cape helped stem job losses in the industry this year, says Simon Jocum, chairman of the Cape Clothing Manufacturers' Association.

Employment dropped to 55 378 last month from 57 656 a year ago — down 2 278, he told the association's annual meeting in Cape Town.

He said more exports resulting from the lifting of sanctions would create job opportunities and growth in the industry.

"So far the Cape has been fortunate that its exports have increased and this is the reason employment has not fallen by a higher percentage in the Cape.

"However, instability in the workforce — such as recent stayaways and illegal strikes — damages our image in export markets because our ability to deliver on time is put in doubt."

Raw material increases plus recent wage increases could not be absorbed by the industry.

Productivity was not increasing in line with wage increases. Unit sales continued to fall.

"Short-time and retrenchments could continue. The trade union must address the vexed question of productivity bargaining.

"Future wage increases should be linked to productivity and only then will we remain internationally competitive.

"Productivity is not only management's responsibility, it requires co-operation from all sides.

"I would urge the union to address its political leaders on the wisdom of continuing with the sanctions campaign in an era of political reform," he said.

Pepe's jeans sales soar above forecasts

ACHMED KARIEM

PEPE, the UK jeans giant with operations in 25 countries, had doubled its sales forecasts since setting up base locally six months ago, MD Peter Hodson said in an interview last week.

"We set out to manufacture 10 000 jeans a month for the first year and within six months we are delivering 20 000 pairs a month," he said.

Hodson, who also started Pepe's Swiss operation two years ago, said the increase in sales was achieved through good marketing. Bday 12/11/90

He said the international average consumption of jeans was one-and-a-half pairs per person.

"We aim to capture 5% of the local market in most countries," he said.

At present Pepe has 400 buyers in SA, including Edgars, Truworths, Foschini and Markhams. (184)

Hodson said Pepe would be doing much of its production in Cape Town-based factories and also planned a "substantial presence" in Durban.

Squeeze on clothing manufacture

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CHARLOTTE MATHEWS

CLOTHING manufacturers were unable to absorb further cost increases and consumers could not absorb further price increases, National Clothing Federation (NCF) executive director Hennie van Zyl said in the organisation's 1990 annual report.

"Wage increases in the coming year are likely to impact negatively on clothing units produced and increased imports of clothing become a real and threatening possibility," he said.

He said the real value of clothing sold increased in 1989 but was still only marginally above the level of 1984. In spite of good sales in 1989 clothing manufacturers continued to absorb increasing input costs.

"In particular labour and textile costs rose significantly more than clothing manufacturers' selling prices," Van Zyl said.

Between 1985 and 1989 the retail price of clothing rose eight percentage points above the manufacturers' selling price.

B/Day 16/11/90

Debt

"When consumers are being squeezed by high interest rates, rising taxation and pay rises that for the traditional middle to upper class consumers — mainly white — are barely keeping pace with inflation, the cost of clothing will be perceived to be rising excessively.

"This is because the net income available to buy clothing after debt commitments, accommodation and food have been paid for is decreasing."

He said the prospects for the clothing industry depended on a speedy political settlement to eliminate uncertainties, fundamental economic reform aimed at deregulation and increasing competition, and realistic wage hikes.

The clothing industry had to seize the opportunities offered to export as markets, previously closed to SA, were now beginning to open, and needed to make more effort to train its labour force, especially its management.

Govt may be softening stance on Bop broadcasts

B/Day 16/11/90

MANDY JEAN WOODS

THE SA government appeared to be softening its attitude towards broadcast rights in SA of independent television station Bop Broadcasting Corporation (BBC), a television industry source said yesterday.

The comment was made in response to a statement by the Home Affairs Department regarding BBC's request for arbitration in the dispute over the broadcast rights for Bop-TV.

A Home Affairs spokesman said yesterday the matter was still being negotiated and he declined to comment further so as not to jeopardise negotiations.

"This is clearly a softening of their attitude. It appears from their point of view this is a matter which can be solved outside an arbitration court," the source said. B/Day 16/11/90

The dispute stems from an agreement signed by the Bophuthatswana government with the SA government which allowed Bop-TV to broadcast into SA.

The Bop-TV signal was picked up by most people living in the PWV area as a result of spillage.

Bop-TV started broadcasting in 1983 and by 1984 the SABC had put up screens on the transmitters to block out its signal.

The source said the SABC argued it was conforming with the agreement — "but possibly they just want to limit competition".

Star 20|11|90 (184)

Wooltru one to watch

Diagonal Street

Jabulani Sikhakhane

Wooltru is attracting good demand on the JSE and since early this year the share has outperfomed the retailers and wholesalers index

Analysts reckon that at the current price, Wooltru is trading on a highly demanding P/E multiple Yesterday the share rose 75c to a 12-month high of R56,25c, placing it on a P/E of 15

But they say Wooltru offers good growth prospects and may still go higher.

Since January the share has risen by 40 percent, compared with an increase of 26 percent in the index.

Wooltru has been an attractive counter because of the group's strong earnings growth over the past four years.

In the year to June, it reported a 35 percent surge in earnings growth for a compound annual growth of 44 percent in the four-year period.

Despite a slowdown in economic activity, management expects real increases in sales and profits in financial 1991, although these are not expected to equal last year's perfomance

This optimism stems from the irreversible urbanisation process, the growth in the informal sector (which forms a growing part of wholesaler Makro's market) and the changed international perceptions of SA.

While clothing and footwear sales are expected to show negative growth in real terms, Wooltru is looking to food sales for most growth in the current financial year.

Financial director, John Lavies says food sales have shown higher growth, compared with non-food items, in the last three years.

In financial 1990, food sales grew 36 percent, while clothing and homewares rose 31 percent

To tap into this growth, Wooltru has plans to open food-only stores in Hyde Park and Sandton

Although this change in mix to more food sales saw gross margins drop slightly in financial 1990, Mr Lavies does not expect the impact to be significant in financial 1991

Wooltru is planning to invest substantially in refurbishments, extensions and new developments at Makro, at clothing retailer Speciality Retail and at Wooltru Properties.

The group has plans to open stores in Lesotho, Mauritius, Malawi and Swaziland, while enlarging its presence in Namibia, Botswana and Zimbambwe

At the end of financial 1990, Wooltru had capital commitments of R173,4 million (only R31 million had been contracted for), which will be financed by cash generated by own resources and by borrowings against available facilities.

Woolworths, which is a major contributor to group sales, will take a large share of this capex

Wholesaler Makro has a capex programme of R29,9 million, while Wooltru Properties, which has been regarded as an adjunct to group trading operations, will be a fully fledged operating company

The group's treatment of capex may, in the short term, impact negatively on profits as the costs associated with expansion, refurbishment and new investment programme are written off against profits in the year in which they occur.

But in the longer term, the group will benefit.

Despite the short-term negative impact on profits, management is confident of outperforming the industry in profit growth and in return on shareholders' funds

Overall, analysts recommend Wooltru as a good share to hold in the short to medium term The group has strong management, backed by good information systems.

Further motivation for management is the fact that the group has decided to offer shares to senior management in the operating companies

This will result in senior management holding one to four percent in operating divisions.

Hicor listed today in JSE's retail and wholesale sector

B Day 28/11/90 (184)

PETER GALLI

HICOR, a holding company with investments in the clothing sector through subsidiaries retailer Harties Stores and listed manufacturer Allwear, is to be listed in the retail and wholesale sector of the JSE today.

A prelisting statement published today says Harties is a retail chain with 206 outlets while Allwear has two divisions, Allwear and Sherleys which manufacture children wear, schoolwear and menswear.

Operating income increased by 244% to R12,018m in the period to end-February 1990 (R3,5m), with earnings a share rising 42% to 9,1c (6,4c)

The operating margin improved to 9,36% (5,75%), with attributable earnings increasing by 57% to R2,31m (R1,474m).

The balance sheet was recently strengthened by a capital injection of R9,36m following a rights issue earlier this year, which brought the gearing ratio down to 73,6% (126,3%)

A report issued by sponsoring broker Senekal, Mouton & Kitshoff's industrial analyst Wynand van Niekerk said the group was well diversified and had a solid asset backing. It was also well placed to benefit from the emergent spending power of the lower income groups.

Van Niekerk said Harties Stores was set to gain from greater profitability and working capital management, and it would primarily be responsible for the growth of the company

The expansion programme of Harties Stores resulted in higher financing costs, which was responsible for the disparity between growth in operating and attributable income, Van Niekerk said.

Notwithstanding difficult trading conditions, management expects a slight increase in operating income in 1991.

Earnings a share of 8,5c are forecast for 1991 based on a weighted average number of shares in issue of 41,51-million shares.

Hicor presently has 54-million shares in issue

A dividend of 4c a share is also expected for 1991 The tangible net asset value a share is given as 49,2c, with a market price of 50c a share expected

Govt should lift price controls — economist

MARIETTE DU PLESSIS

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GOVERNMENT holding prices down artificially to fight inflation was tantamount to putting a lid on the boiler, National Clothing Federation (NCF) economist Daniel Albert said in the clothing industry's latest newsletter.

"Although no steam escapes, there is a dangerous build-up and one should rather endeavour to eliminate those factors generating the steam in the first instance, among others a lack of effective competition in many industry sectors, and excessive taxation," Albert said

The suppression of prices could lead to the current policy of privatisation and deregulation ending prematurely.

This did not create a stable base for manufacturers on which to ride out the recession and build for the future, Albert said.

Policies to fight inflation by artificially holding down administered prices had been tried many times locally and abroad, always ending in failure.

This was the case with petrol

B Day 7/12/90

Winter

Despite oil prices dropping, high fuel prices were maintained with government refusing to allow petrol to be sold at a discount

Clothing production in 1990 was again on the downward path after a small recovery earlier, but the start of the winter selling could have a stabilising effect on the market, Albert said.

The gap between annual textile price rises (1989 16,0%) and increases in clothing manufacturers' selling prices (1989: 16,3%) had become more pronounced at 16,3% for clothing and only 14,6% for textiles in 1990.

Clothing price rises therefore remained well in excess of the rise in the consumer price index

But with the consumer under pressure this would eventually put retail clothing sales at risk and, coupled with high nominal interest rates, pressure on consumer spending would be maintained, he said

COMPANIES

Delswa hit by 43% hike in interest bill

MARC HASENFUSS

CLOTHING manufacturer and distributor Delswa posted a 5% decline in interim earnings to end-October in the face of a soaring interest bill

Earnings fell to R1,46m (R1,54m) or 21c (22,1c) on the back of a slender 3% increase in operating profit to R4m (R3,8m) under difficult trading conditions.

The group managed to maintain the interim dividend of 3,5c which, on the 21c earnings, is covered six times.

The group's interest bill increased by 43% to R1,4m (R988 000) due to an increase in short-term borrowings, while taxation decreased to R1,14m (R1,36m)

Financial director Peter Jaff said the high interest was offset to a certain extent by a lower tax rate resulting from export benefits received.

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Borrowings in the next six months will be below those of the same period last year, and group directors anticipate that trading conditions will remain difficult and will pressure margins significantly

SA clothing trade output low

SATURDAY DECEMBER 8 1990

W/C ARGUS 8/12/90 (184)

By TOM HOOD
Business Editor

OUTPUT by the clothing industry works out at only R27 500 a head in South Africa against R216 000 in Germany, R79 000 in Britain and R63 000 in the United States

Chief reason for the difference can be summed up in one word training.

This was the message from Mr Mike Getz, chairman of the Clothing Industry Training Board, to a meeting of members in Cape Town this week

'Coal face'

Mr Getz has returned from a three-week visit studying training methods "at the coal face' in Israel, Germany and the United States

His figures, from the International Apparel Federation, show that Germany's clothing industry employs 26 percent more workers than South Africa's but the value of its output is 914 percent greater

A major factor of Germany's productivity is in the the training of new recruits and South Africa lags far behind.

"South Africa's isolation has taken a toll of our development in a number of ways," says Mr Getz

"Economic implications such as the cost of capital and the diminished flow of European trained managers, technicians and others are obvious

International

"We have been somewhat removed from significant changes in our international environment."

Irresistible trends towards liberalising international trade would hasten the reduction of existing tariff barriers in South Africa, he said

"Sooner or later there will be real competition and we should prepare for it"

There is no growth for the industry, as there has not been for a decade, without exports," he believes.

From a training point of view, the industry had a limited time to acquire the knowledge and skills to support a sustainable training effort

Reciprocally, it needed to defend its domestic market against the increasing likelihood of competitive imports

Visits to institutions in Isreal, Germany, Britain and the United States showed training taking place at three levels,

- The early school leaver of about 16 had programmes from a two-year apprenticeship in the German system for machinists to various special programmes in Britain and the US dealing with teenage disadvantagement.

A third year of apprenticeship in Germany provides for the development of set-leaders and supervisors

- Two-year technician courses, full-time study with release for practical work, training pattern makers, designer and production personnel — German curricula cover a narrower range whereas in the UK and the US two-year courses address a broader curriculum.
- Four-year courses generally are at university level equal to a BSc.

"We do not have an apprenticeship system in this country, our technikons marginally approximate the two-year courses and we have nothing at all to match the university level programmes," says Mr Getz.

"Internationally three factors were perceived as critical to manufacturing excellence and success in our time These were Zero defect, zero inventory, zero lead-time.

"These three factors essentially to give customers what

■ Turn to page 3.

Star 10/12/90 (184)

Romens looks frayed

Diagonal Street

LYNNE PEACH

Specialist menswear company Romens showed a loss in the past financial year due to increased operating costs and a heavy interest burden

Although management has taken steps to improve margins and asset control and reduce gearing, results this year will continue to be negatively affected by the recession, inflation and interest rates.

In the annual report, chairman DJ Marks says adverse trading conditions resulted in the reduction of margins and extra-special offers being made in order for the group to remain competitive

The company is the franchisor of the Romens chain, which has an emphasis on the sale of suits

The wholesale division provides a warehousing and distribution facility for retail outlets

Mr Marks says the group, which has 14 stores, was unable to achieve its objective of 20 outlets because of tough conditions

In the year to June, turnover climbed 35 percent from R13,4 million to R18,0 million

Increased operating costs, however, resulted in operating income falling 16 percent from R398 000 to R336 000

After interest expense rose from R312 000 to R969 000, there was an attributable loss of R633 000 (profit of R48 000 previously)

The loss per share was 4,73c (earnings of 0,64c) No dividend has been paid.

The balance sheet shows a 75 percent rise in borrowings from R2,9 million to R5,1 million. This is well above shareholders' funds of R1,9 million

Net asset value depreciated 24 percent from 18,8c a share to 14,2c

Despite the recent R3 million rights issue to improve gearing, strengthen the capital base and fund expansion, it is doubtful whether meaningful recovery will take place in the near future.

For this reason, the share is probably best avoided until profitability is restored

COMMENT. Thinly traded Romens has moved sideways at 40c for some time and a decisive move in either direction will establish a new trend

Silver screen a winner for Adonis

MARIETTE DU PLESSIS

ADONIS Knitwear Holdings' use of the tax advantages of an approved movie venture converted a pre-tax profit decline into a 43% increase in taxed profit in the year to end-September B Day 12/12/90 184

The venture generated an abnormal income of R1,4m and turned a R1,7m tax bill in the previous year into a tax loss of R145 000, financial director Steven Chaitel said yesterday

A final dividend of 14c (15c) a share was declared, bringing the total dividend to 24c. Despite difficulties experienced in passing on statutory cost increases, turnover rose 18% and trading profit 7% to R3,95m (R3,67m).

Pre-tax profit slid to R2,3m (R3,4m).

Attributable income, after payment of dividends, rose 85% to R1,6m (R850 000), translating into a 47% rise in earnings to 68,7c (46,7c) a share.

The adverse effect of cost increases such as the fuel price on the economy as a whole resulted in increases in the cost of yarn and delivery, Chaitel said.

However, he said Adonis's performance matched expectations. The additional cash flow generated from the movie investment would offset interest-bearing loans, reduce the R265 000 interest bill and soften the effects of a prolonged downturn

"Financial 1991 will be a tough year as a more conservative buying pattern emerges," Chaitel said.

Manufacturing volumes were expected to show a decline

Chaitel forecast a drop in earnings for the current financial year and doubted whether dividends would be maintained

Abhold earnings plunge by 76%

MARC HASENFUSS (186)

PRODUCTION losses coupled with a steady slowdown in economic activity saw knitwear and clothing wholesaler Abhold post disappointing interim results for the six months to end-August 8/09/14/1/7/8

Group earnings fell 76% to R870 000 (R3,6m) or 6c (27c) on the back of an interest bill that jumped to R1,7m (R1m)

Earnings look less threadbare at R4,4m, or 30c a share, if the sale of assets, contributing R3,6m to the bottom line, are included

Abhold directors expect local demand for clothing to continue to slacken during the next year

Future turnover growth will be derived from export sales The major export drive initiated in October has been successful and the group is optimistic that new overseas markets will be developed

Government incentives encouraging exports have been taken advantage of, and the group will benefit through higher turnover, albeit at reduced margins

Directors anticipate the longer runs of production over the fewer clothing styles required by the export market will allow for greater efficiency, which will to some extent improve margins

The launch of the export drive has reduced stock levels and the cash inflow should soften the interest burden.

Clothing and textiles again at loggerheads

(184)

ST Times 16/12/90.

By CHARMAIN NAIDOO

SOUTH AFRICA's R3,6-billion-a-year clothing industry could double in size within five years. It could also double to 300 000 the number of people it employs.

Exports — 3% of production — could also be increased.

National Clothing Federation (NCF) figures show that in the first six months of this year exports of R110-million were up 31% on the previous year. SA imported clothing valued at R240-million.

But for exports to flourish, the acrimony between clothing makers and the textile industry has to end.

Both industries need each other. Fabrics make up at least 50% of clothing costs. The textile industry provides about 70% of all cloth. Between 20% and 25% of SA textile output goes to the clothing industry.

Both sectors agree that there is an urgent need for them to bury the hatchet.

The the cold war between the two was resumed this week after a price-increase error was found in the NCF's annual report.

The NCF admits culpability, saying it has furnished textile makers with a written explanation that the increase quoted in the report was misleading.

Detail

NCF executive director Hennie Van Zyl says "It is ironic that the textile industry has ignored other sections of the same report where the price issue is dealt with in greater detail."

The NCF claimed that the average annual price increase of clothing from 1980 to 1989 was 14%. Da Gama Textile Company, which spotted the inaccuracy, says it was 22%.

The NCF said in its report that the average annual textile-price increase was 28% while clothing prices rose by 14%.

Da Gama says its calculations show the average annual compounded growth in prices for the decade was 14,8% for textiles and 12,8% for clothing.

Frame Group executive chairman Mervyn King says the textile industry has absorbed a lot of the costs in the past. In the past five years alone the price of dye used in fabric printing has increased by 300%.

"There is now a double impact — the drop in the rand of the past few years together with huge increases in the price of oil-based products used in textiles. Margins are going to be tight and demand will remain soft."

Da Gama managing director Harry Pearce says cotton prices have increased by 32% this year, squeezing margins.

Outstripped

Mr King agrees with Da Gama that the inaccurate information published by the NCF could be used by retailers and government departments to hurt the textile industry.

But Mr Van Zyl says the textile industry is quibbling in order to deflect attention from the real issue.

"The bottom line is that in the past 10 years textile-price increases have outstripped those in the clothing industry."

Mr Van Zyl accuses the textile industry of being highly concentrated. He calls it an oligopoly.

"Business needs to compete for the consumer to get the benefits of free enterprise. Without effective competition, free enterprise is dead.

"By challenging our figures about price increases they are missing the point. textile prices have increased faster than those of clothing. That is detrimental to the clothing industry, retailers and consumers."

Mr King disputes this, saying that competition in the textile industry is one of the reasons for reduced margins.

Mr Van Zyl says of textile makers: "They say imports are killing them. I say they are using statistics selectively in an attempt to derail current and long overdue government initiatives aimed at a more competitive economic environment.

"If you look at basic statistics from Customs and Excise records for January to July 1990 and compare them with the same time in 1989 there has actually been a 7% drop in the volume of fabric imports.

Blatant

"To talk about increased import penetration is nonsense. Also blatantly incorrect is the textile industry's accusation that imports are being dumped. In value terms, there was an increase of about 10%. We paid more for less fabric because we imported more expensive cloth."

Mr King disputes Mr Van Zyl's analysis and denies that fabric cost increases have outstripped those for clothing in the past 10 years.

Imported fabrics now have 38% of the market compared with 20% a few years ago.

"Who is responsible for the mark-up? To take things to their logical conclusion, the free import of clothing to SA should be encouraged."

Mr Van Zyl says this is contrary to the Government's new sector-by-sector approach to an industrial strategy and also to research done by Rhodes and Natal universities.

Delivery

Mr Van Zyl says the NCF sends questionnaires — cleared with the textile industry — to a selected sample of clothing manufacturers asking about the delivery of fabric.

"We found that for September 1990, 11% of all confirmed fabric deliveries were more than two weeks late."

Mr Van Zyl says the quality of fabric made in SA is not on par with most imported cloth.

"The imported fabric is better because the foreign industry is older than ours. We stress that it is more convenient for us to buy locally even if we can get cheaper, better fabric from abroad."

Mr King says much blame has to be placed with buyers of fabric who wait until the last minute before giving colour specifications.

Monatic seeking delisting

17/12/90

184

By Tom Hood

CAPE TOWN — Monatic, the Cape clothing manufacturer, is to be delisted.

Shareholders will be offered a cash payout of R80 for every 100 shares, a premium of 11 percent, or 8c, on the current share price of 72c.

Shareholders may also opt for 40 Lenco ordinaries, worth R70, or a combination of cash and shares

A Lenco spokesman says Lenco Holdings, which owns 93 percent of Monatic, owned 84 percent when the company was listed, and wants to get a wider spread of shareholders and reduce its holding to 60 percent.

However an obligatory offer to minorities pushed up Lenco's stake.

Although Lenco is satisfied with its investment in Monatic, it has decided to maintain the present optimum size of Monatic, instead of developing the business, and to concentrate on current levels of quality and service.

Dilution from rights issue reduces Lenco's earnings

(184)

B Day 18/12/90

CHARLOTTE MATHEWS

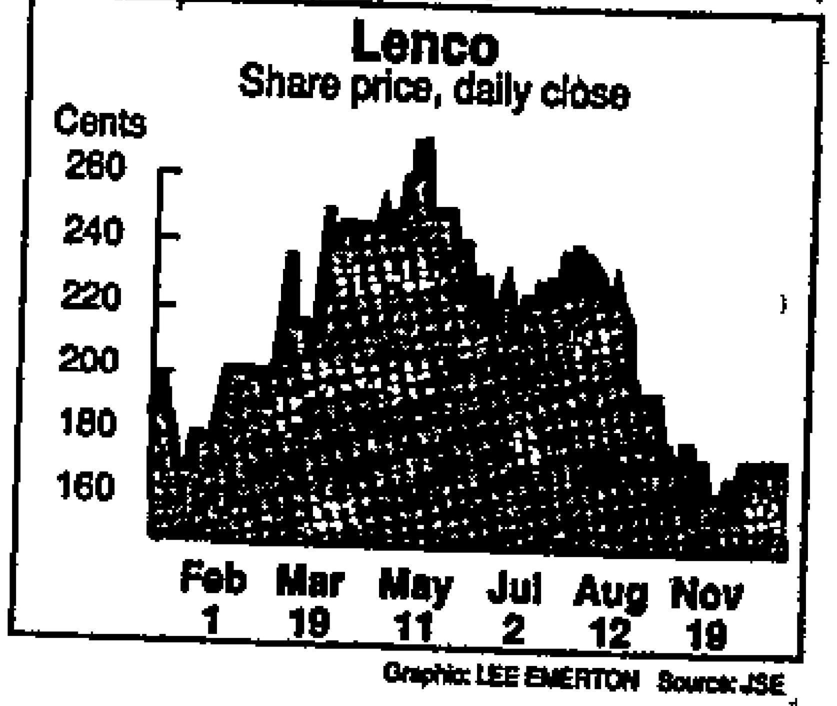
DIFFICULT operating conditions, high interest rates and the dilution caused by the rights issue of an additional 12,4-million shares reduced Lenco Holdings' earnings to 18,2c (20c) a share in the six months to end-August.

Lenco derives its income from a 52%-holding in shoe manufacturer Amshoe, 93% of clothing group House of Monatic and 48% of newly formed packaging company Combined Packaging (Compak).

Turnover in this period rose 61% to R229m but operating margins narrowed to 13% from 15%.

Unrest and labour problems were experienced in the group's footwear division.

Finance costs doubled to R8,9m despite the injection of R31m from the rights offer held in May. The balance sheet showed net interest-bearing debt rose to R78,6m from R50,7m but because of additional shareholders' funds of R92m, gearing fell to 47% from 97%.



Graphic: LEE EMERTON Source: JSE

Financial director Stanley Stubbs said the costs of the Compak acquisition had offset some of the gains from the rights offer.

Compak, listed in March, was formed from the merger of Lenco's Elvinco division, Ruhold's rigid plastics packaging division, the provisionally liquidated Alfa Manufacturing and Kohler's rigid plastics division Xactics.

After a 25% tax charge of R5m, ordinary shareholders income was R8m, little changed from the previous year's R7,98m.

The company does not declare an interim dividend.

The directors said all divisions had traded satisfactorily and they anticipated an improved performance in the second half of the current year.

Lenco shares closed unchanged at 175c yesterday, representing a 10c gain from the year's low of 165c recorded in November. In April the shares were at a year high of 270c.

At 175c the shares offer a historical dividend yield of 5,14% and an earnings yield of 25,88%.

Last week Lenco proposed the delisting of 93%-held House of Monatic.

Inquiry into the demise of Arontex to end in January

B/Day 28/12/90

GARETH BELL

A COMMISSION of inquiry into the demise of clothing company Arontex Holdings will hold its final meeting on January 8 1991.

The inquiry began in May.

Within a week of the final meeting, a report will be completed and the Master of the Supreme Court will decide what action is to be taken, Ernst & Young trust director Lloyd Spendiff said yesterday

The meeting at the Ernst and Young offices in Durban will be attended by Arontex creditors and directors

An examination of the company in June revealed that prior to provisional liquidation on March 21, a director had sold sizeable amounts of shares

The last week of trade before suspension saw more than 1,2-million Arontex shares change hands in four deals, compared with a previous monthly average of 141 862 shares

On March 15 the share price fell from an already low 13c to 4c

It was reported one of the company's directors Jorin Ryckebusch sold 800 000 shares, and Yvonne Roessel (not a director) sold 380 000 shares. The shares were sold to Kayemess Nominees after March 15, which upped their holding in Arontex from 0,2% to 10%

Former Arontex chairman, Trevor Aron, has denied selling any of his 5,1-million shares